

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2018

NEW ISSUES – Book Entry Only

RATINGS:  
Moody's: Applied For

*In the opinion of Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations for tax years beginning prior to December 31, 2017. Furthermore, in the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from State of Oklahoma income taxation under present law. The Bonds will not be designated by the City as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. See "TAX MATTERS" herein.*

CITY OF BROKEN ARROW, OKLAHOMA

**\$7,865,000\* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2018E\***

DATED: December 6, 2018

DUE: December 1, as shown herein

The \$7,865,000\* General Obligation Refunding Bonds, Series 2018E (the "2018E Bonds" or the "Bonds") will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchases of the Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through DTC participants. Purchases of the Bonds may be made in the denominations of \$1,000 or any multiples thereof. Beneficial owners of the Bonds will not receive physical delivery of Bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payment of the principal of, and premium, if any, on the Bonds will be made by BOKF, National Association, Tulsa, Oklahoma, as initial Paying Agent/Registrar (the "Paying Agent"), directly to DTC or its nominee. Interest on the Bonds is payable semi-annually on April 1 and October 1, commencing April 1, 2019. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "DESCRIPTION OF THE BONDS--Book-Entry System" herein. **The Bonds are not subject to redemption prior to maturity. See "DESCRIPTION OF THE BONDS—Redemption Provisions" herein.**

The Bonds constitute direct and general obligations of the City of Broken Arrow, Oklahoma (the "City" or the "Issuer"), payable as to principal and interest from ad valorem taxes which may be levied **WITHOUT LIMITATION AS TO RATE OR AMOUNT** on all taxable property within the City, excepting homestead exemptions, as prescribed in Article X, Section 27, of the Constitution of the State of Oklahoma. The proceeds of the Bonds will be used to provide funds (i) to current refund the City's General Obligation Bonds, Series 2008 dated April 1, 2008, with a principal amount outstanding of \$2,920,000; (ii) to current refund the City's General Obligation Bonds, Series 2009B dated March 1, 2009, with a principal outstanding of \$3,110,000 and (iii) to pay certain costs of issuance. The Bonds are being issued in accordance with the provisions contained in the Oklahoma Constitution and laws of the State of Oklahoma supplementary and amendatory thereto, including Title 62, Oklahoma Statutes 2011, Sections 751 et. seq., inclusive (the "General Obligation Public Securities Refunding Act"). See "DESCRIPTION OF THE BONDS-Purpose of the Bonds" herein.

**MATURITY SCHEDULE – see inside cover**

The Offered Bonds are offered when, as and if issued and received by the original purchaser(s) thereof, subject to prior sale, to withdrawal or modifications of the offer without any notice, and to the approval of legality of the Bonds by the Attorney General of the State of Oklahoma and the Kiser Law Firm, PLLC, Edmond, Oklahoma, Bond Counsel. It is expected that the Bonds will be available for delivery to the original purchaser(s) on or about December 6, 2018.

FINANCIAL ADVISOR

**MUNICIPAL FINANCE SERVICES, INC.**  
Edmond, Oklahoma

Official Statement dated \_\_\_\_\_.

(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)

\*Subject to Change

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification thereof under the laws of such jurisdiction.

## MATURITY SCHEDULE

### **\$7,865,000\* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2018E**

| <u>Due</u><br><u>April 1</u> | <u>Amount</u> | <u>Interest</u><br><u>Rate</u> | <u>Yield/</u><br><u>Price</u> | <u>CUSIP*</u> | <u>Due</u><br><u>April 1</u> | <u>Amount</u> | <u>Interest</u><br><u>Rate</u> | <u>Yield/</u><br><u>Price</u> | <u>CUSIP*</u> |
|------------------------------|---------------|--------------------------------|-------------------------------|---------------|------------------------------|---------------|--------------------------------|-------------------------------|---------------|
| 2019                         | \$1,695,000   |                                |                               |               | 2022                         | \$1,530,000   |                                |                               |               |
| 2020                         | 1,590,000     |                                |                               |               | 2023                         | 1,495,000     |                                |                               |               |
| 2021                         | 1,555,000     |                                |                               |               |                              |               |                                |                               |               |

\*Subject to Change

\* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services, LLC, on behalf of the American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City or the original purchaser(s) and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the City nor the original purchaser(s) shall be responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds, as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

The Bonds are offered only by means of this Official Statement which should be reviewed in its entirety. This Official Statement does not constitute an offering of any security other than the Bonds specifically offered hereby. This Official Statement does not constitute an offer to sell or a solicitation for an offer to buy the Bonds in any state or jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale, and no dealer, broker, salesman or other person has been authorized to make such unlawful offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds and if given or made, such other information or representatives must not be relied upon.

In governmental matters with respect to any filing or use of "prospectus" in any state or jurisdiction, this Official Statement may be deemed to be such a prospectus. The Bonds are not registered under the United States Securities Act of 1933, as amended, pursuant to an exemption under Section 3(a) of that Act. Furthermore, the City does not intend to list the Bonds on any stock or other securities exchange. The U.S. Securities and Exchange Commission has not passed upon the accuracy or adequacy of this Official Statement.

Any statements contained in this Official Statement, including the Exhibits hereto, involving matters of opinion, estimates or projections, whether or not expressly so stated, are intended as such and not as representations of fact. The City expects that the original purchaser(s) shall review the information in this Official Statement in accordance with, and as a part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the original purchaser(s) do not, by delivery of this Official Statement, guarantee the accuracy or completeness of such information. Such information is subject to change and/or correction without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall create any implication that the information contained herein is complete or accurate in its entirety as of any date after the date hereof. This Official Statement is not to be construed as a contract with the original purchaser(s) of the Bonds.

For purposes of compliance with Rule 15c2-12(b)(1) of the Securities and Exchange Commission, this Preliminary Official Statement is deemed final as of the date hereof; however, it is subject to revision, amendment and completion as a Final Official Statement.

Questions regarding the Bonds or the Official Statement can be directed to and additional copies of the Official Statement and the City's audited financial reports may be obtained from Municipal Finance Services, Inc., 3933 E Covell Road, Edmond, Oklahoma 73034, (405/340-1727), the City's Financial Advisor, or Ms. Cynthia S. Arnold, Finance Director/Treasurer, City of Broken Arrow, 220 South First Street, Broken Arrow, Oklahoma 74012, (918/259-2400 ext. 5411).

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**CITY OF BROKEN ARROW, OKLAHOMA**

**MAYOR AND CITY COUNCIL**

| <b><u>Name</u></b> | <b><u>Position</u></b> |
|--------------------|------------------------|
| Craig Thurmond     | Mayor                  |
| Scott Eudey        | Vice-Mayor             |
| Mike Lester        | Councilmember          |
| Johnnie Parks      | Councilmember          |
| Debra Wimpee       | Councilmember          |

**ADMINISTRATION**

| <b><u>Name</u></b>  | <b><u>Position</u></b>        |
|---------------------|-------------------------------|
| Michael Spurgeon    | City Manager                  |
| Curtis Green        | City Clerk                    |
| Cynthia S. Arnold   | Director of Finance/Treasurer |
| Trevor Dennis, Esq. | Acting City Attorney          |

**FINANCIAL ADVISOR**

Municipal Finance Services, Inc.  
Edmond, Oklahoma

**BOND COUNSEL**

Kiser Law Firm, PLLC  
Edmond, Oklahoma

**OFFICIAL STATEMENT**  
relating to

**CITY OF BROKEN ARROW, OKLAHOMA**

**\$7,865,000\* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2018E**

**INTRODUCTION**

This Official Statement, including the cover page and Exhibits hereto, is being provided by the City of Broken Arrow, Oklahoma (the "City" or the "Issuer"), in connection with the issuance of its \$7,865,000\* General Obligation Refunding Bonds, Series 2018E, dated December 6, 2018 (the "2018E Bonds" or the "Bonds"). The Bonds are issued pursuant to the provisions of and in full compliance with the Constitution and Laws of the State of Oklahoma, particularly Article X, Section 27, of the Constitution of the State of Oklahoma and Title 62 of the Oklahoma Statutes 2011 and laws supplementary and amendatory thereto.

The City expects to issue its \$10,860,000 General Obligation Bonds, Series 2018B, dated December 1, 2018 (the "2018B Bonds"), \$11,500,000 General Obligation Bonds, Series 2018C Bonds (the "2018C Bonds"), dated December 1, 2018 (the "2018C Bonds") and \$1,000,000 General Obligation Bonds, Series 2018D Bonds (the "2018D Bonds") dated December 1, 2018 substantially contemporaneously with the Bonds. The 2018B Bonds, 2018C Bonds and 2018D Bonds are not offered hereby. Issuance of the 2018B Bonds, 2018C Bonds and 2018D Bonds is not a precondition to issuance of the Bonds. See "FINANCIAL INFORMATION—Existing Indebtedness.

**DESCRIPTION OF THE BONDS**

**The Bonds**

The Bonds are dated December 6, 2018 and are issuable in fully registered form without coupons in denominations of \$1,000 or multiples thereof. The Bonds will mature April 1 of the year and in the principal amounts and interest rates shown on the inside cover page of this Official Statement. Interest is payable semi-annually on April 1 and October 1 of each year, commencing April 1, 2019, by check, wire or draft mailed to the registered holders of thereof. Principal and premium, if any, on the Bonds is payable at the principal corporate office of the Paying Agent.

\*Subject to Change

**Redemption Provisions**

The Bonds are not subject to redemption prior to maturity.

**Book-Entry System – The Depository Trust Company**

A description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal of, and premium, if any, and interest and other payments with respect to the Bonds to Direct Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and among DTC, the Direct Participants and the Beneficial Owners is based solely on information provided by DTC and is included in "Exhibit D – Book Entry System – The Depository Trust Company". Accordingly, no representations can be made concerning

\*Subject to Change

these matters and neither the Direct Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer, the original purchaser(s) or the Participants.

The Issuer may decide to discontinue the use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

THE ISSUER, THE PARTICIPANTS AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO THE DIRECT PARTICIPANTS OR THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN BONDS OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE ISSUER, THE PARTICIPANTS NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT, OR ANY OTHER PERSON WHO IS NOT SHOWN IN THE REGISTRATION BOOKS OF THE RESPECTIVE AGENCY KEPT BY THE APPLICABLE PAYING AGENT/REGISTRAR AS BEING A BONDHOLDER. THE ISSUER, THE PARTICIPANTS AND THE PAYING AGENT/REGISTRARS SHALL HAVE NO RESPONSIBILITY WITH RESPECT TO (I) ANY OWNERSHIP INTEREST IN THE BONDS; (II) THE PAYMENT BY DTC TO ANY PARTICIPANT OR BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (III) THE DELIVERY TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE APPLICABLE ORDINANCE; (IV) THE SELECTION BY DTC OR ANY PARTICIPANTS OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

SO LONG AS CEDE & CO. IS REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

**Transfer Fees.** For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by such Paying Agent/Registrar, DTC or the DTC Participant in connection with such transfers or exchanges.

**Use of Certain Terms in Other Sections of this Official Statement; Certain Disclaimers.** In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the DTC Participant acquires an interest in the Bonds, but (i) all rights of ownership

must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the applicable Ordinance will be given only to DTC.

**Interest Computation**

Interest on the Bonds will be computed on a 360-day year, 30-day month basis. Payments coming due on a non-business day will be paid the following business day.

**Record Date**

The record date ("Record Date") means the 15<sup>th</sup> day of the month preceding any interest payment date.

**Authorization of the Bonds**

The Bonds are issued pursuant to the provisions of and in full compliance with the Constitution and Laws of the State of Oklahoma, particularly Article X, Section 27, of the Constitution of the State of Oklahoma and Title 62 of the Oklahoma Statutes 2011, as amended, and Resolution of the City Council expected to be adopted on October 16 2018.

**Refunding Plan**

The proceeds of the Bonds will be used primarily for the purpose of current refunding the City’s outstanding \$10,685,000 General Obligation Bonds, Series 2008 dated April 1, 2008 (the “2008 Bonds”) with a principal outstanding of \$3,845,000 and current refunding the City’s outstanding \$11,400,000 General Obligation Bonds, Series 2009B dated March 1, 2009 (the “2009B Bonds”), with a principal outstanding of \$4,920,000. The 2008 Bonds were originally issued to provide funds for Streets (\$10,075,000) and Public Safety (\$610,000). The 2009B Bonds were originally issued to provide funds for Streets (\$2,900,000); Public Safety (\$2,100,000); Parks and Recreation (\$4,600,000) and Stormwater (\$1,800,000). The Refunded Bonds are described below:

| <u>ISSUE</u>                           | <u>DATE OF ISSUE</u> | <u>STATED MATURITY</u> | <u>ORIGINAL PRINCIPAL AMOUNT</u> | <u>OUTSTANDING PRINCIPAL AMOUNT</u> | <u>FIRST CALL DATE</u> |
|--|----------------------|------------------------|----------------------------------|-------------------------------------|------------------------|
| General Obligation Bonds, Series 2008  | April 1, 2008        | April 1, 2023          | \$10,865,000                     | \$3,845,000                         | April 1, 2018          |
| General Obligation Bonds, Series 2009B | March 1, 2009        | March 1, 2024          | \$11,400,000                     | \$4,920,000                         | March 1, 2019          |

The appropriate amount of the proceeds shall be deposited into the “City of Broken Arrow, Oklahoma, General Obligation Refunding Bond Special Escrow Fund” (the “Special Escrow Fund”), to be held by BOKF, as Escrow Agent (the “Escrow Agent”) for the Refunded Bonds. The monies in the Special Escrow Fund shall be invested in certain investments secured by obligations of the United States of America (“Escrowed Securities”). The Escrowed Securities thereof shall be utilized to pay the principal of and interest on the Refunded Bonds at the redemption date, plus accrued interest. The refunding of the 2008 and 2009B Bonds shall constitute a current refunding. The 2008 Bonds are subject to optional redemption beginning April 1, 2018 at par (no premium). The 2009B Bonds are subject to optional redemption beginning March 1, 2019 at par (no premium). \_\_\_\_\_, a certified professional accounting firm, will deliver to the City and the Escrow Agent a report stating such firm has reviewed the mathematical accuracy of certain computations based on assumptions provided to them by the City relating to (i) the sufficiency of the principal and interest received from the Escrowed Securities to meet the timely payment



of principal and interest on the Refunded Bonds and (ii) the actuarial yield on the Bonds and the acquired obligations to be held in the Special Escrow Fund.

### **Security for the Bonds**

Under state laws, cities and towns in Oklahoma cannot become indebted beyond the end of their Fiscal Year or for an amount in excess of the income and revenue provided in such Fiscal Year without authorization from the voters. Under Article X, Section 27, of the Constitution of the State of Oklahoma, cities may issue obligations upon approval by a simple majority of the voters voting in an election held for such purpose. The Bonds constitute direct and general obligations of the City, payable as to principal and interest from ad valorem taxes which may be levied **WITHOUT LIMITATION AS TO RATE OR AMOUNT** on all taxable property within the City, excepting homestead exemptions, as prescribed in Article X, Section 27, of the Constitution of the State of Oklahoma.

Ad valorem taxes for bond payments are deposited into a sinking fund held by the City. The tax rate for sinking fund purposes is determined annually by ascertaining the actual revenue required for payment of principal and interest on indebtedness and judgments. Such total amount may then be reduced by any surplus from the prior fiscal year. A reserve for delinquent taxes is then added to the net requirements to derive the actual taxes to be levied. The City has traditionally levied a 5.00 percent delinquency. The actual levy amount is then apportioned by the total net assessed valuation to determine the appropriate tax rate for each taxpayer. Under state law, tax collections for a sinking fund cannot be placed in any fund of a City other than the sinking fund.

### **Tax Levy Collection Process**

Oklahoma Statutes require that each year the City make an ad valorem tax levy for a sinking fund which shall, with cash and investments in the fund, be sufficient to pay all the bonded indebtedness, interest and one-third of all outstanding judgments coming due in the following year.

After review and approval by the City Council, copies of the sinking fund estimates are submitted to the county excise board to determine the ad valorem tax levy appropriations. This submission is required to be made by August 27 of each year. The estimates are for the purposes of determining ad valorem taxes required to fund the sinking fund. The amounts contained in the Estimate of Needs are verified by the county excise board and, upon verification, the levies contained therein are ordered to be certified to the county assessor in order that the county assessor may extend said levies upon the tax rolls for the year for which the Estimate of Needs is being submitted. The county excise board further certifies that the appropriations contained in the Estimate of Needs and the millage rate levies are within the limitations provided by law. In accordance with Title 68, Oklahoma Statutes 2011, Section 3007, the county excise board may make adjustments to the Estimate of Needs as deemed appropriate.

Cities and counties in Oklahoma are limited to a total of ten (10) mills from ad valorem taxes for operating purposes between them. Traditionally, the Tulsa County and Wagoner County Excise Boards have not approved any millage for the City for operating purposes since the ten (10) mills have gone to Tulsa County and to Wagoner County for their respective operating funds.

For purposes of the general obligation bond and judgment debt service, however, there is no limitation as to the mill levy for general obligation bond debt issued under Section 26 or Section 27, Article X of the Oklahoma Constitution and judgments. The mill levy for both general obligation bond and judgment debt service is calculated by dividing the total net debt service requirements for the upcoming

fiscal year for both general obligation bonds and judgments by the net assessed valuation of the City for the same year. See also "FINANCIAL INFORMATION-Net Assessed Valuation" herein.

State statutes make it mandatory for any unit of local government to annually provide for a tax sufficient to pay the principal and interest as they become due on any outstanding debt. If the proper officer whose duty it is to annually provide the necessary tax for debt service fails to do so, it becomes the duty of the county clerk, who serves as secretary of the county excise board. Failure by either the particular unit of government or the county clerk to levy the necessary taxes for debt service makes it the duty of the state auditor to certify the proper amount to the county treasurer who is then required to make the necessary levy.

The county assessor is required to file a tax roll report on or before October 1 of each year with the county treasurer indicating the net assessed valuation for each governmental entity within the county. This report includes the total assessed valuation for all real, personal and public service property (public service property assessed valuations are determined by the Oklahoma Tax Commission). The county treasurer must begin collecting taxes by November. The first half of taxes is due and payable on or before December 31. The second half becomes due and payable on or before March 31. If the first half is not paid by December 31, it all becomes due and payable on January 1. See also "FINANCIAL INFORMATION-Net Assessed Valuation" herein.

Ad valorem taxes not paid on or before April 1 are considered delinquent. Interest accrues on delinquent taxes at the rate of 1.50 percent monthly or 18.00 percent to a maximum of 100.00 percent of the taxes due and owing until such time as the delinquent taxes are paid. The county treasurer shall give notice of delinquent taxes by publication once a week for two (2) consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable, in some newspaper in the county to be designated by the county treasurer. Such notice shall contain a notification that the taxable property on which the taxes are delinquent and remain due and unpaid now have a tax lien for ad valorem taxes and such property will be sold at a public auction if unpaid for a period of three (3) years or more as of the date such taxes first became due and payable.

## **CITY OF BROKEN ARROW**

### **General**

The City of Broken Arrow, Oklahoma is primarily located in southeastern Tulsa County, the second most populated county in Oklahoma. A portion of the City also lies in Wagoner County adjacent to Tulsa County. The 2010 Census reports the population of the City at 98,850, an increase of 32.05 percent over the 2000 population of 74,859, making the City one of the fastest growing incorporated municipalities in the State. The 2010 Census populations for Tulsa County and Wagoner County were 603,403 and 73,085, representing an increase over the 2000 population of 7.12 percent and 27.12 percent, respectively.

The City was originally platted as a township in 1903 and operates under a Council-Manager form of government. The City is located adjacent and southeast of Tulsa, Oklahoma, along the Broken Arrow Expressway that connects Tulsa with the Muskogee Turnpike, the main route to Interstate 40 and points east and west. The City encompasses approximately fifty-five square miles.

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.

- 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
- 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
- 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
- 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, 2018, the City complied in all material respects with the applicable budget laws relating to expenditures and appropriations at the legal level of control.

For Fiscal Year 2018/19, the City proposed 811 persons full-time and 19 part-time and seasonal employees in various departments and divisions. Full-time employees by department are shown below:

|   |           |
|---|-----------|
| Administration and Finance (includes IT)            | 70        |
| Police  | 209       |
| Fire  | 177       |
| Streets   | 35        |
| Stormwater  | 40        |
| Water and Sewer Utilities                           | 86        |
| Engineering and Construction                        | 25        |
| Development Services (includes Planning/Inspection) | 33        |
| Parks and Recreation                                | 44        |
| General Services (includes Sanitation)              | <u>92</u> |
| TOTAL   | 811       |

Source: Budgeted Employee information provided by the City's Finance Department.

The legislative and policy-making body consists of a five-member City Council, elected by wards with staggered terms for a period of four years. The Mayor is elected within the Council membership. The City Manager is responsible for the day-to-day operations of City government.

The major public school system in the City is the Broken Arrow School District (Tulsa County Independent School District No. 3) with an enrollment in January 2018 of 19,081 students. The school system is comprised of four (4) early childhood centers (Pre-K), fifteen (15) elementary schools (grades K-5), five (5) middle schools (grades 6-8), one freshman academy (ninth grade), one high school (grades 10-12), one options academy (BA Academy, BA Virtual School and Mentoring Health Program). A portion of the City also overlies the Union Public School District that has approximately 16,000 students and Bixby Public School District that has approximately 5,000 students. Higher educational opportunities are available

nearby in the City of Tulsa, including the University of Tulsa, Tulsa Community College, Oral Roberts University as well as branches of other Oklahoma colleges and universities. In August 2001, Northeastern State University opened its City of Broken Arrow Campus.

Medical facilities available to the community include the Saint John at Broken Arrow. The facility is affiliated with Saint John Hospital in Tulsa, a major regional medical facility in eastern Oklahoma.

The major area employers for the City are presented below.

### Major Area Employers

| <u>NAME</u>                      | <u>TYPE OF BUSINESS</u>              | <u># EMPLOYED</u> |
|----------------------------------|--------------------------------------|-------------------|
| 1. Broken Arrow Public Schools   | Public Education                     | 2,090             |
| 2. Walmart Stores                | Department Stores & Retail Groceries | 900               |
| 3. Northeastern State University | Higher Education                     | 800               |
| 4. Flight Safety International   | Flight Operation Services            | 735               |
| 5. City of Broken Arrow          | Government Services                  | 675               |
| 6. Zeeco                         | Industrial Gas Burners               | 647               |
| 7. Oklahoma Healthcare Services  | Home Health & Infusion               | 460               |
| 8. Exterran Inc.                 | Gas Processing & Treating Plants     | 350               |
| 9. MicahTek, Inc.                | Data Processing & Preparation        | 350               |
| 10. McDaniel Technical Services  | Engineering Services                 | 325               |

Source: Broken Arrow Chamber of Commerce Website (posted as of October 4, 2018) -Top Employers

### Municipal Services

The City provides basic services affecting all its residents including but not limited to police and fire protection, parks, streets, water, sewer and refuse collection.

**Water System.** In April 2014, the City began treating raw water at its new Verdigris Water Treatment Plant which replaced the City’s existing plant constructed in 1966. The new plant lies along the Verdigris River. Prior to its opening, the Oklahoma Ordnance Works Authority (OOWA) provided the City all of its water needs through a 36-inch water transmission line from the OOWA near Pryor, Oklahoma, a distance of about twenty-one miles. The new \$60 million plant is the largest membrane water treatment facility in Oklahoma and one of the largest in the United States. The new plant provides up to 20 million gallons a day (MGD) of treated water, with the option to expand to 40 MGD as the City’s population grows. During warmer weather, the plant has a 28 MGD rated capacity. The City serves approximately 37,500 customers and averages about 12.8 million gallons of water a day and peaks around 27 MGD during the summer months. In addition, the City has two supplemental connections with the Tulsa Metropolitan Utility Authority which have the ability to take about eight (8) million gallons of water from the Tulsa Metropolitan Utility Authority. Currently, there are approximately 700 miles of water system mains in the City.

**Sewer System.** The sewer system of the City consists of approximately 720 miles of collection lines in the Haikey Creek, Adams Creek, Broken Arrow Creek, Elm Creek, Aspen Creek and White Church Creek watersheds. The Lynn Lane Sewage Treatment Plant is located on Broken Arrow Creek and treats effluent in the Broken Arrow Creek, Adams Creek, Elm Creek, Aspen Creek and White Church Creek watersheds. The Lynn Lane Plant was constructed originally in 1970. In 1972, the City and the City of Tulsa jointly constructed the Haikey Creek Sewage Treatment Plant that treats effluent from the Haikey Creek watershed. Approximately 35,600 customers are served by the City's sewer system.

**Solid Waste System.** The City collects solid waste from residential customers twice per week. The City currently serves approximately 34,600 customers on its solid waste system.

**Other Utilities.** Electrical power is supplied by AEP/PSO, natural gas by Oklahoma Natural Gas Company, and telephone service by Windstream Communications and Cox Communications

## **FINANCIAL INFORMATION**

### **Financial Management and Control**

The accounting and reporting policies of the City relating to the fund types included in the financial statements conform to generally accepted accounting principles. Generally accepted accounting principles for municipalities are defined as those principles established by the Governmental Accounting Standards Board (GASB).

### **Governmental Fund Types**

**General Fund.** The General Fund is the primary operating fund of the City that accounts for all financial transactions not accounted for in other funds listed below and certain Enterprise Funds for public trust activities that require separate accountability for services rendered.

**Special Revenue Funds.** Special Revenue Funds are used to account for the proceeds of specific revenue sources that are normally restricted to expenditures for specified purposes.

**Debt Service Funds.** As prescribed by State law, the Debt Service Funds (“Sinking Fund” herein) receive monies for the retirement of general obligation bonded debt and court-assessed judgments. Such revenues are used for the payment of principal and interest on the City's general obligation bonds and judgments which are recorded in the General Long-Term Debt Account Group.

**Capital Projects Funds.** The Capital Project Funds account for major capital improvements that are financed from bond proceeds, federal and state grants and other specific receipts.

### **Proprietary Fund Types**

**Enterprise Funds.** The City's Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Internal Service Funds.** Internal Service Funds account for charges to the operating funds of the City to pay workers compensation claims and certain group health and life insurance plans.

### **Fiduciary Fund Types**

**Agency Funds.** Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

## General Fund Highlights

Revenues and expenditures for the City's General Fund as presented in the City's audited financial statements for Fiscal Years 2013 through 2017:

| <b>REVENUES</b>  | <b>For Fiscal Year Ending June 30</b> |                            |                            |                            |                            |
|--|---------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|  | <b>2013</b>                           | <b>2014</b>                | <b>2015</b>                | <b>2016</b>                | <b>2017</b>                |
| Taxes  | \$34,257,302                          | \$37,064,249               | \$39,446,514               | \$40,106,404               | \$43,946,672               |
| Licenses & Permit  | 941,599                               | 1,060,822                  | 1,190,916                  | 1,115,621                  | 923,400                    |
| Intergovernmental <sup>(1)</sup>   | 426,364                               | 395,538                    | 5,349,291                  | 5,859,306                  | 5,472,208                  |
| Charges for Services   | 7,132,459                             | 6,784,363                  | 7,339,581                  | 9,531,740                  | 10,349,769                 |
| Fines & Forfeitures  | 1,551,551                             | 2,072,320                  | 1,928,658                  | 1,706,220                  | 1,589,498                  |
| Interest   | 19,161                                | 17,355                     | 18,348                     | 19,469                     | 21,403                     |
| Miscellaneous  | <u>1,127,482</u>                      | <u>1,134,233</u>           | <u>1,182,555</u>           | <u>1,617,819</u>           | <u>1,429,249</u>           |
| <b>TOTAL REVENUES</b>  | <b>\$45,599,918</b>                   | <b>\$48,528,880</b>        | <b>\$56,455,863</b>        | <b>\$59,956,579</b>        | <b>\$63,732,199</b>        |
| <b>EXPENDITURES</b>  |                                       |                            |                            |                            |                            |
| General Government   | \$7,922,325                           | \$8,098,381                | \$8,512,470                | \$9,231,967                | \$9,615,373                |
| Public Safety <sup>(2)</sup>   | 31,495,954                            | 33,837,646                 | 39,756,068                 | 42,619,348                 | 44,338,794                 |
| Public Services  | 2,463,770                             | 2,844,630                  | 2,996,074                  | 3,012,381                  | 2,968,981                  |
| Culture and Recreation   | 2,940,357                             | 3,219,650                  | 3,216,943                  | 3,541,769                  | 3,646,535                  |
| Debt Service   | 1,752,781                             | 1,748,200                  | 881,109                    | -                          | -                          |
| Capital Outlay   | <u>-</u>                              | <u>-</u>                   | <u>-</u>                   | <u>-</u>                   | <u>481,063</u>             |
| <b>TOTAL EXPENDITURES</b>  | <b><u>\$46,539,187</u></b>            | <b><u>\$49,748,507</u></b> | <b><u>\$55,362,664</u></b> | <b><u>\$58,405,465</u></b> | <b><u>\$61,050,746</u></b> |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>                                  | <b>(\$ 939,269)</b>                   | <b>(\$ 1,219,627)</b>      | <b>\$ 1,093,199</b>        | <b>\$ 1,551,114</b>        | <b>\$ 2,681,453</b>        |
| Operating Transfers In   | 12,890,819                            | 14,141,417                 | 14,770,666                 | 14,220,021                 | 53,039,113                 |
| Operating Transfers Out  | <u>(11,979,556)</u>                   | <u>(13,079,119)</u>        | <u>(14,662,342)</u>        | <u>(14,195,225)</u>        | <u>(51,827,320)</u>        |
| <b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b> | <b>(\$ 28,006)</b>                    | <b>(\$ 157,329)</b>        | <b>\$ 1,201,523</b>        | <b>\$ 1,575,910</b>        | <b>\$ 3,893,246</b>        |
| <b>BEGINNING FUND BALANCE</b>  | <b>\$ 7,420,317</b>                   | <b>\$ 7,392,311</b>        | <b>\$ 7,234,982</b>        | <b>\$ 8,436,505</b>        | <b>\$10,359,106</b>        |
| <b>ENDING FUND BALANCE</b>   | <b><u>\$ 7,392,311</u></b>            | <b><u>\$ 7,234,982</u></b> | <b><u>\$ 8,436,505</u></b> | <b><u>\$10,012,415</u></b> | <b><u>\$14,252,352</u></b> |

Source: Table assembled by financial advisor from financial statement ("Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds") included in City of Broken Arrow Financial Statements and Supplementary Information for fiscal years ended June 30, 2013 through June 30, 2017.

<sup>(1)</sup> Intergovernmental revenues amounts shown in "FY 2015", "FY 2016" and "FY 2017" include on-behalf payments from the State of Oklahoma contributed to both the Oklahoma Police Pension and Retirement System (OPPRS) and Oklahoma Firefighters Pension and Retirement System (OFPRS) in the aggregate amounts of \$3,910,637 for FY 2015, \$4,620,814 for FY 2016, and \$4,762,328 for FY 2017.

<sup>(2)</sup> Public Safety expenditure amounts shown in "FY 2015", "FY 2016" and "FY 2017" include on-behalf payments from the State of Oklahoma contributed to both the Oklahoma Police Pension and Retirement System (OPPRS) and Oklahoma Firefighters Pension and Retirement System (OFPRS) in the aggregate amounts of \$3,910,637 for FY 2015, \$4,620,814 for FY 2016, and \$4,762,328 for FY 2017.

## Net Assessed Valuation

Since ad valorem taxes are correlated to the value of property within the City, trends in property valuations are an important economic indicator. The assessed valuation of property within the City is comprised of three components: real, personal and public service. The county assessor in each county determines the real and personal property values on an annual basis.

Public service valuations are compiled annually by the Oklahoma Tax Commission and set by the State Board of Equalization. Once the valuation is determined, an assessment rate is calculated to provide the assessed valuation on which the appropriate tax levy is determined.

In accordance with the Oklahoma Constitution, the assessment rate for real and personal property set by each county must be within a range established by the State Board of Equalization. As a result of passage of State Question No. 675 on November 5, 1996, the Oklahoma Constitution was amended to provide that the allowable range for real property be placed between 10.00 percent and 13.50 percent and the range for personal property be set between 10.00 percent and 15.00 percent. Beginning January 1, 1997, the percentage at which real or personal property is assessed within a county shall not be increased except upon approval by a majority of the registered voters of the county, voting at an election called for that purpose by a majority of county commissioners, or upon a petition initiated by not less than 10.00 percent of the registered voters of the county based on the total number of votes cast at the last general election for the county office receiving the highest number votes at the election. In no event shall the percentage be increased by more than one percentage point per year or increased in excess of the aforementioned assessment ranges for personal and real property. The percentage at which real or personal property is assessed within a county may be decreased within the limitations (assessment ranges) without approval of the voters of the county.

Also, as provided by State Question No. 675, all other property (primarily public service property) assessed by the State Board of Equalization shall be assessed at the percentage of its fair cash value, estimated at the price it would bring at a fair voluntary sale, at which it was assessed on January 1, 1996. Consequently, the assessment rates on public service property and on airlines and railroads included in the public service category were set at 22.85 percent and 11.84 percent, respectively.

The Constitution of the State of Oklahoma provides exemptions to real and personal property owners based on certain qualifications and guidelines. A residential homeowner is allowed a homestead exemption deduction equal to \$1,000 of net assessed valuation.

At a special election on September 14, 1993, the qualified electors of Tulsa County approved the exemption of personal property taxes on "household goods of the heads of families and livestock employed in support of the family" located within the County. The election was held pursuant to an amendment to the Constitution of the State of Oklahoma approved by the voters as State Question 648 on November 3, 1992, which gave each county the authorization to hold such an election. The exemption was effective beginning in 1994. Wagoner County voters also approved such exemption in 1998, effective in 1999.

Table 1 presents the historical net assessed valuation by county for the City from Fiscal Year 2009/10 through 2018/19. Net assessed valuation increased 38.88 percent during the period shown. The current assessment rates are 11.00 percent and 10.00 percent in Tulsa County for real and personal property, respectively. The rates in Wagoner County are 11.20 percent and 12.00 percent for real and personal property, respectively. The City's Net Assessed Valuation in the most recent year shows an increase of 6.24 percent.

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**Table 1**  
Net Assessed Valuation \*

| <u>Fiscal Year</u> | <u>Tulsa County</u> |                | <u>Wagoner County</u> |                | <u>Total</u>  | <u>Change From Prior Period</u> |
|--------------------|---------------------|----------------|-----------------------|----------------|---------------|---------------------------------|
|                    | <u>Amount</u>       | <u>Percent</u> | <u>Amount</u>         | <u>Percent</u> |               |                                 |
| 2009/10            | \$562,746,209       | 84.1%          | \$106,425,575         | 15.9%          | \$669,171,784 | 5.13%                           |
| 2010/11            | 581,906,541         | 83.8           | 112,524,753           | 16.2           | 694,431,294   | 3.77                            |
| 2011/12            | 595,848,888         | 83.8           | 114,517,790           | 16.2           | 710,366,378   | 2.29                            |
| 2012/13            | 606,154,641         | 83.9           | 116,356,817           | 16.1           | 722,511,458   | 1.71                            |
| 2013/14            | 622,650,940         | 83.6           | 122,141,487           | 16.4           | 744,792,427   | 3.08                            |
| 2014/15            | 640,808,999         | 84.0           | 122,329,798           | 16.0           | 763,138,797   | 2.46                            |
| 2015/16            | 667,167,858         | 84.5           | 122,362,316           | 15.5           | 789,530,174   | 3.46                            |
| 2016/17            | 700,223,772         | 84.4           | 128,994,249           | 15.6           | 829,218,021   | 5.03                            |
| 2017/18            | 736,415,561         | 84.2           | 138,324,569           | 15.8           | 874,740,130   | 5.49                            |
| 2018/19            | 779,347,545         | 83.9           | 150,011,921           | 16.1           | 929,359,466   | 6.24                            |

\* Reflects applicable homestead exemption allowance.

Source: Tulsa County Report to the Excise Board 2018, dated July 27, 2018 and Wagoner County Assessor's Report to the Excise Board dated July 25, 2018. Table assembled by financial advisor from respective reports for each period shown.

Table 2 presents a breakdown of the valuation components by county for the last ten years.

**Table 2**  
Historical Net Assessed Valuation by County

| <u>Fiscal Year</u> | <u>Tulsa County</u>   |                          |                       |                  | <u>Wagoner County</u> |                          |                       |                  |
|--------------------|-----------------------|--------------------------|-----------------------|------------------|-----------------------|--------------------------|-----------------------|------------------|
|                    | <u>Real Property*</u> | <u>Personal Property</u> | <u>Public Service</u> | <u>Total NAV</u> | <u>Real Property*</u> | <u>Personal Property</u> | <u>Public Service</u> | <u>Total NAV</u> |
| 2009 - 2010        | \$499,469,018         | \$41,408,315             | \$21,868,876          | \$562,746,209    | \$95,535,249          | \$4,761,792              | \$6,128,534           | \$106,425,575    |
| 2010 - 2011        | 518,282,818           | 40,855,182               | 22,768,541            | 581,906,541      | 99,439,906            | 6,686,435                | 6,398,412             | 112,524,753      |
| 2011 - 2012        | 532,786,552           | 42,126,837               | 20,935,499            | 595,848,888      | 102,263,400           | 6,561,091                | 5,693,299             | 114,517,790      |
| 2012 - 2013        | 543,116,232           | 40,090,257               | 22,948,152            | 606,154,641      | 102,924,503           | 7,290,899                | 6,141,415             | 116,356,817      |
| 2013 - 2014        | 557,532,707           | 45,050,641               | 20,067,592            | 622,650,940      | 105,178,113           | 10,876,041               | 6,087,333             | 122,141,487      |
| 2014 - 2015        | 576,998,934           | 46,391,918               | 17,418,147            | 640,808,999      | 107,342,169           | 10,876,041               | 5,359,810             | 122,329,798      |
| 2015 - 2016        | 604,725,163           | 48,540,054               | 13,902,641            | 667,167,858      | 108,813,305           | 10,463,266               | 3,085,745             | 122,362,316      |
| 2016 - 2017        | 633,216,862           | 49,317,753               | 17,689,157            | 700,223,772      | 112,957,205           | 10,981,843               | 5,055,201             | 128,994,249      |
| 2017 - 2018        | 667,947,785           | 49,608,168               | 18,859,608            | 736,415,561      | 119,313,134           | 13,705,152               | 5,306,283             | 138,324,569      |
| 2018 - 2019        | 703,028,397           | 57,176,944               | 19,142,204            | 779,347,545      | 125,637,744           | 18,903,347               | 5,470,830             | 150,011,921      |

\* Reflects applicable homestead exemption allowance.

Source: Tulsa County Report to the Excise Board 2018, dated July 27, 2018 and Wagoner County Assessor's Report to the Excise Board dated July 25, 2018. Table assembled by financial advisor from respective reports for each period shown.



### Estimated Actual Market Valuation

| <u>Year</u> | <u>Market Valuation</u> | <u>Percent Increase</u> |
|-------------|-------------------------|-------------------------|
| 2018/19     | \$8,563,981,132         | 6.15%                   |
| 2017/18     | 8,067,850,430           | 5.28                    |
| 2016/17     | 7,663,013,699           | 4.54                    |
| 2015/16     | 7,329,987,887           | 3.80                    |
| 2014/15     | 7,061,420,542           | 2.71                    |
| 2013/14     | 6,875,106,031           | 3.29                    |
| 2012/13     | 6,656,028,948           | 1.62                    |
| 2011/12     | 6,549,778,185           | 2.49                    |
| 2010/11     | 6,390,669,112           | 3.61                    |
| 2009/10     | 6,168,033,094           | --                      |

Source: (1) Tulsa County Report to the Excise Board 2018, dated July 27, 2018 and Wagoner County Assessor's Report to the Excise Board dated July 25, 2018. (2) Oklahoma 2016 Ad Valorem Statistics. Table assembled and calculated by financial advisor from respective reports for period shown. Market Valuation calculated using property assessment ratios for real, personal and public service property applicable to Tulsa and Wagoner County. Public service property assessment ratio of 22.85 percent used in calculating market value of all public service property.

Three school districts overlap the City with their respective valuations within the City for 2018/2019 shown below:

| <u>SCHOOL DISTRICT</u> | <u>NET ASSESSED VALUATION</u> | <u>% OF CITY'S NAV</u> |
|------------------------|-------------------------------|------------------------|
| Bixby (I-4)            | \$ 21,418,903                 | 2.30%                  |
| Broken Arrow (I-3)     | 701,868,121                   | 75.52                  |
| Union (I-9)            | <u>206,072,442</u>            | <u>22.17</u>           |
| TOTALS                 | \$929,359,466                 | 100.00%                |

Source: Tulsa County Report to the Excise Board 2018, dated July 27, 2018 and Wagoner County Assessor's Report to the Excise Board dated July 25, 2018. Table assembled and calculated by financial advisor from respective reports for period shown.

### Largest Ad Valorem Taxpayers

The ten largest ad valorem taxpayers in the City for Fiscal Year 2017-2018 are shown in Table 3 according to net assessed valuation.

**Table 3**  
**Largest Ad Valorem Taxpayers**

| <u>Name</u>                         | <u>Type of Business</u>        | <u>Net Assessed Valuation</u> |                       | <u>Total Net Assessed Valuation</u> |
|-------------------------------------|--------------------------------|-------------------------------|-----------------------|-------------------------------------|
|                                     |                                | <u>Tulsa County</u>           | <u>Wagoner County</u> |                                     |
| Public Service Co of Oklahoma       | Electrical Utility             | \$8,830,752                   | \$2,229,654           | \$11,060,406                        |
| A G Equipment Co                    | Compressor Manufacturer        | 9,510,953                     | -                     | 9,510,953                           |
| Wal-Mart                            | Retail                         | 6,915,606                     | 2,048,841             | 8,964,447                           |
| Greens at Broken Arrow/Battle Creek | Real Property                  | 5,709,103                     | -                     | 5,709,103                           |
| Valor Comm of OK                    | Telephone Utility              | 3,404,032                     | 1,899,355             | 5,303,387                           |
| Oklahoma Natural Gas                | Gas Utility                    | 3,353,226                     | 722,704               | 4,075,930                           |
| Flight Safety International         | Cockpit Simulator Manufacturer | 3,940,692                     | -                     | 3,940,692                           |
| Exterran Energy Solutions           | Natural Gas Compression        | -                             | 3,902,398             | 3,902,398                           |
| Parks at Mission Hills              | Apartments                     | 3,901,573                     | -                     | 3,901,573                           |
| Auburndale Halifax Broken Arrow LLC | Real Estate                    | <u>3,507,594</u>              | -                     | <u>3,507,594</u>                    |
| <b>TOTAL</b>                        |                                | <b>\$49,073,531</b>           | <b>\$10,802,952</b>   | <b>\$59,876,483</b>                 |

Source: Tulsa County Assessor's Top Taxpayers for 2017 as of November 13, 2017 and Wagoner County Assessor's Office Top 20 Taxpayer Report dated November 21, 2017. Table assembled and calculated by financial advisor from respective reports for period shown.

## Levy History

Table 4 presents the historical ad valorem tax levies within the City for taxpayers in the Broken Arrow School District (I-3) and the Union School District (ISD-9), respectively, for all taxing entities. Total tax levies have averaged 129.93 mills and 130.21 mills, respectively, during the last ten years with the Fiscal Year 2017-18 levies at 130.86 mills and 132.55 mills, respectively, for Broken Arrow and Union School Districts, as indicated.

**Table 4**

### Historical Tax Levies - City of Broken Arrow including ISD No. 3 within Tulsa and Wagoner Counties

| <u>Fiscal Year</u> | <u>Tulsa County</u> | <u>Wagoner County</u> | <u>General Fund - ISD #3</u> | <u>Building Fund - ISD #3</u> | <u>Sinking Fund - ISD #3</u> | <u>Tulsa Comm. College</u> | <u>Tulsa Vo-Tech</u> | <u>City Sinking Fund</u> | <u>Total Levy - City of Broken Arrow, Tulsa County &amp; ISD #3</u> | <u>Total Levy - City of Broken Arrow, Wagoner County &amp; ISD #3</u> |
|--------------------|---------------------|-----------------------|------------------------------|-------------------------------|------------------------------|----------------------------|----------------------|--------------------------|---|---|
| 2017-18            | 22.24               | 17.02                 | 36.40                        | 5.20                          | 29.64                        | 7.21                       | 13.33                | 16.84                    | 130.86  | 125.64  |
| 2016-17            | 22.24               | 17.02                 | 36.40                        | 5.20                          | 29.40                        | 7.21                       | 13.33                | 16.92                    | 130.70  | 125.48  |
| 2015-16            | 22.22               | 17.02                 | 36.40                        | 5.20                          | 28.13                        | 7.21                       | 13.33                | 17.10                    | 129.59  | 124.39  |
| 2014-15            | 22.23               | 17.02                 | 36.40                        | 5.20                          | 29.50                        | 7.21                       | 13.33                | 17.14                    | 131.01  | 125.80  |
| 2013-14            | 22.23               | 17.02                 | 36.40                        | 5.20                          | 28.91                        | 7.21                       | 13.33                | 17.32                    | 130.60  | 125.39  |
| 2012-13            | 22.24               | 17.02                 | 36.40                        | 5.20                          | 28.62                        | 7.21                       | 13.33                | 16.50                    | 129.50  | 124.28  |
| 2011-12            | 22.24               | 17.02                 | 36.40                        | 5.20                          | 29.00                        | 7.21                       | 13.33                | 17.13                    | 130.51  | 125.29  |
| 2010-11            | 22.21               | 17.02                 | 36.40                        | 5.20                          | 27.65                        | 7.21                       | 13.33                | 16.44                    | 128.44  | 123.25  |
| 2009-10            | 22.21               | 17.02                 | 36.40                        | 5.20                          | 28.12                        | 7.21                       | 13.33                | 15.98                    | 128.45  | 123.26  |
| 2008-09            | 22.21               | 17.02                 | 36.40                        | 5.20                          | 29.56                        | 7.21                       | 13.33                | 15.73                    | 129.64  | 124.45  |
| <b>10-Yr. Avg.</b> |                     |                       |                              |                               |                              |                            |                      |                          | <b>129.93</b>   | <b>124.72</b>   |

### Historical Tax Levies - City of Broken Arrow including ISD No. 9 within Tulsa County

| <u>Fiscal Year</u> | <u>Tulsa County</u> | <u>General Fund - ISD #9</u> | <u>Building Fund - ISD #9</u> | <u>Sinking Fund - ISD #9</u> | <u>Tulsa Comm. College</u> | <u>Tulsa Vo-Tech</u> | <u>City Sinking Fund</u> | <u>Total Levy - City of Broken Arrow, Tulsa County &amp; ISD #9</u> |
|--------------------|---------------------|------------------------------|-------------------------------|------------------------------|----------------------------|----------------------|--------------------------|---|
| 2017-18            | 22.24               | 36.05                        | 5.15                          | 31.73                        | 7.21                       | 13.33                | 16.84                    | 132.55  |
| 2016-17            | 22.24               | 36.05                        | 5.15                          | 29.91                        | 7.21                       | 13.33                | 16.92                    | 130.81  |
| 2015-16            | 22.22               | 36.05                        | 5.15                          | 29.81                        | 7.21                       | 13.33                | 17.10                    | 130.87  |
| 2014-15            | 22.23               | 36.05                        | 5.15                          | 28.99                        | 7.21                       | 13.33                | 17.14                    | 130.10  |
| 2013-14            | 22.23               | 36.05                        | 5.15                          | 29.86                        | 7.21                       | 13.33                | 17.32                    | 131.15  |
| 2012-13            | 22.24               | 36.05                        | 5.15                          | 30.70                        | 7.21                       | 13.33                | 16.50                    | 131.18  |
| 2011-12            | 22.24               | 36.05                        | 5.15                          | 30.45                        | 7.21                       | 13.33                | 17.13                    | 131.56  |
| 2010-11            | 22.21               | 36.05                        | 5.15                          | 29.08                        | 7.21                       | 13.33                | 16.44                    | 129.47  |
| 2009-10            | 22.21               | 36.05                        | 5.15                          | 27.32                        | 7.21                       | 13.33                | 15.98                    | 127.25  |
| 2008-09            | 22.21               | 36.05                        | 5.15                          | 27.46                        | 7.21                       | 13.33                | 15.73                    | 127.13  |
| <b>10-Yr. Avg.</b> |                     |                              |                               |                              |                            |                      |                          | <b>130.21</b>   |

Source: County of Tulsa 2017 Levies dated Oct. 18, 2017 and Wagoner County Tax Levies 2017-2018 dated October 30, 2017. Tables assembled and calculated by financial advisor from respective reports for period shown.

## Sinking Fund Tax Collection History

Table 5 presents the dollar amount of ad valorem taxes levied for Sinking Fund purposes. The City levied a five percent delinquency amount. Also shown are actual tax receipts collected.

**Table 5**  
**Tax Collection History**

|  | Fiscal Year Ended June 30 |                |                |                |                |                  |                |                |                |                |
|--|---------------------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|
|  | 2009                      | 2010           | 2011           | 2012           | 2013           | 2014             | 2015           | 2016           | 2017           | 2018           |
| Total Tax Levy*  | \$ 9,528,313              | \$10,184,952   | \$10,870,775   | \$11,591,704   | \$11,355,917   | \$12,283,057     | \$12,457,814   | \$12,855,349   | \$13,361,872   | \$14,027,172   |
| Tax Levy with 5%<br>Delinquency Allowance                      | \$10,004,729              | \$10,694,200   | \$11,414,314   | \$12,171,289   | \$11,923,713   | \$12,897,210     | \$13,080,705   | \$13,498,116   | \$14,029,966   | \$14,728,531   |
| Tax Collection   |                           |                |                |                |                |                  |                |                |                |                |
| Current Year   | \$9,708,936               | \$10,359,974   | \$11,113,669   | \$11,582,253   | \$11,638,630   | \$11,657,311     | \$12,711,080   | \$13,293,614   | \$13,726,643   | \$14,289,108   |
| Prior Years  | <u>197,921</u>            | <u>242,125</u> | <u>284,653</u> | <u>569,179</u> | <u>264,521</u> | <u>1,232,232</u> | <u>638,722</u> | <u>382,231</u> | <u>307,845</u> | <u>385,033</u> |
| Total Tax Collections  | \$9,906,857               | \$10,602,099   | \$11,398,322   | \$12,151,432   | \$11,903,151   | \$12,889,543     | \$13,349,802   | \$13,675,845   | \$14,034,488   | \$14,674,141   |
| Percent of Tax Collections<br>To Tax Levy with 5%<br>Allowance | 99.02%                    | 99.14%         | 99.86%         | 99.84%         | 99.83%         | 99.94%           | 102.06%        | 101.32%        | 100.03%        | 99.63%         |
| Percent of Tax Collections<br>to Total Tax Levy                | 103.97%                   | 104.10%        | 104.85%        | 104.83%        | 104.82%        | 104.94%          | 107.16%        | 106.38%        | 105.03%        | 104.61%        |

\* Includes 5% over levy for delinquencies

Source: City of Broken Arrow Sinking Fund Estimate of Needs. Table assembled and calculated by financial advisor from respective reports for period shown.

## INDEBTEDNESS

### Payment Record

The City has no default on principal and interest payments of its general obligation bonded indebtedness of record.

### Existing Indebtedness

As of September 1, 2018, the City had eighteen General Obligation Bond issues outstanding in the aggregate principal amount of \$120,090,000 as shown in Table 6.

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**Table 6**  
**Summary of Existing General Obligation Bonds**

| <u>Issue Description</u> | <u>Date of Bonds</u> | <u>Original Amount</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Bonds Outstanding</u> |
|--------------------------|----------------------|------------------------|-----------------------|----------------------|--------------------------|
| 2008 Bonds*              | 04/01/08             | 10,685,000             | 04/01/2023            | 4.2887               | 3,845,000                |
| 2009B Bonds*             | 03/01/09             | 11,400,000             | 03/01/2024            | 3.5971               | 4,920,000                |
| 2009C Bonds              | 12/01/09             | 3,225,000              | 12/01/2024            | 3.1530               | 1,615,000                |
| 2009D Bonds              | 12/01/09             | 6,400,000              | 12/01/2024            | 3.1557               | 3,215,000                |
| 2010A Bonds              | 08/01/10             | 1,940,000              | 08/01/2020            | 2.5496               | 435,000                  |
| 2010B Bonds              | 08/01/10             | 10,575,000             | 08/01/2030            | 3.4054               | 6,690,000                |
| 2011A Bonds              | 08/01/11             | 5,000,000              | 08/01/2031            | 3.3901               | 3,440,000                |
| 2011B Bonds              | 08/01/11             | 11,450,000             | 08/01/2031            | 3.3785               | 7,850,000                |
| 2012 Bonds               | 11/01/12             | 12,000,000             | 11/01/2032            | 2.1565               | 9,480,000                |
| 2013A Bonds              | 12/01/13             | 3,700,000              | 12/01/2023            | 1.7504               | 2,470,000                |
| 2013B Bonds              | 12/01/13             | 6,200,000              | 12/01/2033            | 2.9686               | 5,225,000                |
| 2014A Bonds              | 12/01/14             | 11,705,000             | 12/01/2034            | 3.1391               | 10,475,000               |
| 2014B Bonds              | 12/01/14             | 3,175,000              | 12/01/2024            | 2.2219               | 2,475,000                |
| 2016A Bonds              | 01/01/16             | 11,575,000             | 01/01/2036            | 2.8863               | 10,970,000               |
| 2016B Bonds              | 01/01/16             | 6,625,000              | 01/01/2036            | 2.8146               | 6,280,000                |
| 2016C Bonds              | 06/01/16             | 7,015,000              | 06/01/2021            | 1.2410               | 3,230,000                |
| 2016D Bonds              | 12/01/16             | 18,720,000             | 12/01/2036            | 2.6399               | 18,720,000               |
| 2018A Bonds              | 05/01/18             | <u>18,755,000</u>      | 05/01/2038            | 3.1641               | <u>18,755,000</u>        |
| Totals                   |                      | \$160,145,000          |                       |                      | \$120,090,000            |

\* The City currently expects to issue the General Obligation Bonds, Series 2018B, General Obligation Bonds, Series 2018C and General Obligation Bonds, Series 2018C, which are expected to be issued substantially contemporaneously with the Bonds. The General Obligation Bonds, Series 2018B, General Obligation Bonds, Series 2018C and General Obligation Bonds, Series 2018D are not offered pursuant to this Official Statement.

Source: City of Broken Arrow General Obligation Bond Offering Documents. Table assembled and calculated by financial advisor from respective documents for period shown.

### City Indebtedness

The Constitution of Oklahoma provides that, without approval of the voters, the City is prohibited from becoming indebted in any fiscal year in an amount exceeding the income and revenue to be received for such fiscal year. The combined indebtedness of the City for the existing issues are as follows:

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| <b>ORIGINAL ISSUE</b> |                      | <b>MATURITIES</b>           |                      |                                   |
|-----------------------|----------------------|-----------------------------|----------------------|-----------------------------------|
| <b><u>Date</u></b>    | <b><u>Amount</u></b> | <b><u>Payment Dates</u></b> | <b><u>Amount</u></b> | <b><u>Outstanding Balance</u></b> |
| 12/01/09              | 3,225,000            | 12/01/2018-2023*            | 230,000              |                                   |
|                       |                      | 12/01/2024                  | 235,000              | 1,615,000                         |
| 12/01/09              | 6,400,000            | 12/01/2018-2023*            | 455,000              |                                   |
|                       |                      | 12/01/2024                  | 485,000              | 3,215,000                         |
| 08/01/10              | 1,940,000            | 08/01/2019*                 | 215,000              |                                   |
|                       |                      | 08/01/2020                  | 220,000              | 435,000                           |
| 08/01/10              | 10,575,000           | 08/01/2019-2029*            | 555,000              |                                   |
|                       |                      | 08/01/2030                  | 585,000              | 6,690,000                         |
| 08/01/11              | 5,000,000            | 08/01/2019-2030*            | 260,000              |                                   |
|                       |                      | 08/01/2031                  | 320,000              | 3,440,000                         |
| 08/01/11              | 11,450,000           | 08/01/2019-2030*            | 600,000              |                                   |
|                       |                      | 08/01/2031                  | 650,000              | 7,850,000                         |
| 11/01/12              | 12,000,000           | 11/01/2018-2031*            | 630,000              |                                   |
|                       |                      | 11/01/2032                  | 660,000              | 9,480,000                         |
| 12/01/13              | 3,700,000            | 12/01/2018-2022*            | 410,000              |                                   |
|                       |                      | 12/01/2023                  | 420,000              | 2,470,000                         |
| 12/01/13              | 6,200,000            | 12/01/2018-2032*            | 325,000              |                                   |
|                       |                      | 12/01/2033                  | 350,000              | 5,225,000                         |
| 12/01/14              | 11,705,000           | 12/01/2018-2033*            | 615,000              |                                   |
|                       |                      | 12/01/2024                  | 635,000              | 10,475,000                        |
| 12/01/14              | 3,175,000            | 12/01/2018-2023*            | 350,000              |                                   |
|                       |                      | 12/01/2024                  | 375,000              | 2,475,000                         |
| 01/01/16              | 11,575,000           | 01/01/2019-2035*            | 605,000              |                                   |
|                       |                      | 01/01/2036                  | 685,000              | 10,970,000                        |
| 01/01/16              | 6,625,000            | 01/01/2019-2035*            | 345,000              |                                   |
|                       |                      | 01/01/2036                  | 415,000              | 6,280,000                         |
| 06/01/16              | 7,015,000            | 06/01/2019                  | 1,830,000            |                                   |
|                       |                      | 06/01/2020                  | 1,045,000            |                                   |
|                       |                      | 06/01/2021                  | 355,000              | 3,230,000                         |
| 12/01/16              | 18,720,000           | 12/01/2018-2035*            | 985,000              |                                   |
|                       |                      | 12/01/2036                  | 990,000              | 18,720,000                        |
| 05/01/18              | 18,755,000           | 05/01/2020-2037*            | 985,000              |                                   |
|                       |                      | 05/01/2038                  | 1,025,000            | 18,755,000                        |
| 12/01/18**            | 10,860,000**         | 12/01/2020-2037**           | 570,000**            |                                   |
|                       |                      | 12/01/2038**                | 600,000**            | 10,860,000**                      |
| 12/01/18**            | 11,500,000**         | 12/01/2020-2037**           | 605,000**            |                                   |
|                       |                      | 12/01/2038**                | 610,000**            | 11,500,000**                      |
| 12/01/18**            | 1,000,000**          | 12/01/2020-2023*            | 250,000**            | 1,000,000**                       |
| 12/06/2018            | 7,865,000            | 04/01/2019                  | 1,695,000            |                                   |
|                       |                      | 04/01/2020                  | 1,590,000            |                                   |
|                       |                      | 04/01/2021                  | 1,555,000            |                                   |
|                       |                      | 04/01/2022                  | 1,530,000            |                                   |
|                       |                      | 04/01/2023                  | 1,495,000            | 7,865,000                         |
| <b>TOTAL**</b>        | <b>§145,925,000</b>  |                             |                      | <b>§119,190,000</b>               |

\* represents periods of level scheduled annual principal amortization for the years and in the annual amounts shown

\*\* The City currently expects to issue the General Obligation Bonds, Series 2018B, General Obligation Bonds, Series 2018C and General Obligation Bonds, Series 2018C, which are expected to be issued substantially contemporaneously with the Bonds. The General Obligation Bonds, Series 2018B, General Obligation Bonds, Series 2018C and General Obligation Bonds, Series 2018D are not offered pursuant to this Official Statement and respective outstanding bond amounts are not included in the combined indebtedness outstanding balance shown in schedule above.

Source: City of Broken Arrow General Obligation Bond Offering Documents. Table assembled and calculated by financial advisor from respective documents for period shown.

Judgments against a city are payable from ad valorem taxes over three years at an interest rate set by State law. The City and Broken Arrow Municipal Authority have generally purchased all judgments assessed as investments, therefore current judgments not yet levied for are reflected as judgments receivable.

The combined estimated principal and interest levy requirements for existing and Offered Bonds and existing judgments are shown in Table 7 for the next five fiscal years. This Table does not reflect the issuance of the proposed refunding of the City’s General Obligation Bonds, Series 2008 and General Obligation Bonds, Series 2009B. See "FINANCIAL INFORMATION—Existing Indebtedness".

**Table 7**  
**Projected Principal and Interest Levy Requirements for Existing Bonds, 2018E Bonds and Existing Judgments**

| <u>Fiscal Year</u> | <u>Principal Levy</u> | <u>Interest Levy</u> | <u>Total Levy</u> |
|--------------------|-----------------------|----------------------|-------------------|
| 2018-19            | \$11,238,882          | \$3,798,385          | \$15,037,267      |
| 2019-20            | 10,446,727            | 3,243,441            | 13,690,168        |
| 2020-21            | 9,405,113             | 2,962,482            | 12,367,595        |
| 2021-22            | 8,895,279             | 2,698,467            | 11,593,746        |
| 2022-23            | 8,823,613             | 2,438,293            | 11,261,906        |

Principal and Interest Levy Requirements for Offered Bonds included in Table 7 assumes average interest rates of 3.17 percent on the 2018B Bonds and 2018C Bonds, and 2.35 percent on the 2018D Bonds.

Table assembled and calculated by financial advisor from General Obligation Bond Offering Documents and financial advisor projections for period shown.

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**STATEMENT OF INDEBTEDNESS**

(As of October 1, 2018)

|   |                   |                    |
|---|-------------------|--------------------|
| Estimated Actual Market Value (2018-2019)                                   |                   | \$8,563,981,132    |
| Assessed Valuation ( <b>Gross</b> ) Including Homestead Exemption           |                   | \$953,010,505      |
| Real Property (Excluding \$23,651,039 in Homestead Exemptions)              | \$828,666,141     |                    |
| Personal Property   | 76,080,291        |                    |
| Public Service Property   | <u>24,613,034</u> |                    |
| Assessed Valuation ( <b>Net</b> ) Excluding Homestead Exemptions            |                   | \$929,359,466      |
| Indebtedness Outstanding  |                   |                    |
| Judgment Indebtedness (As of October 1, 2018)                               | \$ 808,839        |                    |
| Existing Bonded Indebtedness*   | 111,325,000       |                    |
| 2018E Bonds   | 7,865,000         |                    |
| <br>  |                   |                    |
| Total Debt Outstanding  |                   | \$119,998,839      |
| Less Sinking Fund Balance (As of October 1, 2018)                           |                   | <u>(7,981,374)</u> |
| Net General Obligation Indebtedness   |                   | \$112,017,465      |
| <br>  |                   |                    |
| Ratio of Net General Obligation Bonds Outstanding to Net Assessed Valuation |                   | 12.05%             |
| <br>  |                   |                    |
| Net Indebtedness Per Capita (Based on 2010 Census Population of 98,850)     |                   | \$1133.21          |

\*The City currently expects to issue the General Obligation Bonds, Series 2018B, General Obligation Bonds, Series 2018C and General Obligation Bonds, Series 2018C, which are expected to be issued substantially contemporaneously with the Bonds. The General Obligation Bonds, Series 2018B, General Obligation Bonds, Series 2018C and General Obligation Bonds, Series 2018D are not offered pursuant to this Official Statement and respective outstanding bond amounts are not included in the indebtedness outstanding balance shown in statement above.

Source: Tulsa County Report to the Excise Board 2017, dated July 27, 2018 and Wagoner County Assessor's Report to the Excise Board dated July 25, 2018, City General Obligation Bond Offering Documents, Sinking Fund Cash and Investment Balance and Judgment Indebtedness Reports provided by Finance Department Officials. Table assembled and calculated by financial advisor for period shown.

**Authorized but Unissued Indebtedness**

Upon the completed issuance of the Offered Bonds, the City will have \$525,000 in remaining authorized, unissued indebtedness for public safety purposes as authorized by the August 26, 2014 election and \$198,025,000 in remaining authorized, unissued indebtedness for streets, public safety, parks and recreation, public buildings, stormwater facilities and drainage improvement purposes from the August 28, 2018 election. See "FINANCIAL INFORMATION—Existing Indebtedness."

**Net Direct, Underlying and Overlapping General Obligation Bonded Indebtedness**

Direct, underlying and overlapping indebtedness within the City includes debt of the City, Broken Arrow School District, Union School District, Bixby School District, Tulsa Community College, Tulsa Vo-Tech #18, Tulsa County and Wagoner County as shown. The aggregate net indebtedness directly, underlying and overlapping the City is \$209,389,874.

| <u>Governmental Entity</u>                   | <u>Net Indebtedness</u> | <u>Estimated % Applicable to the City<sup>1</sup></u> | <u>Overlapping Debt Applicable to the City</u> | <u>Per Capita Debt</u> |
|--|-------------------------|---|--|------------------------|
| City of Broken Arrow <sup>2</sup>            | \$112,017,465           | 100.00%   | \$112,017,465                                  | \$1,133.21             |
| Broken Arrow School Dist. (I-3) <sup>3</sup> | 73,041,312              | 73.76%  | \$53,876,713                                   | \$545.04               |
| Union School Dist. (I-9) <sup>3</sup>        | 74,795,305              | 24.48%  | \$18,306,706                                   | \$185.20               |
| Bixby School District (I-4) <sup>3</sup>     | 18,874,165              | 4.32%   | \$815,610                                      | \$8.25                 |
| Tulsa Community College                      | -                       | 12.63%  | -  | -                      |
| Tulsa Vo-Tech #18                            | -                       | 13.51%  | -  | -                      |
| Tulsa County <sup>3</sup>                    | 458,462                 | 12.63%  | \$57,914                                       | \$0.59                 |
| Wagoner County                               | =                       | 26.16%  | =  | =                      |
| Total  | \$279,186,709           |   | \$185,074,408                                  | \$1,872.29             |

<sup>1</sup> Determined by ratio of net assessed valuation of property subject to taxation in underlying and overlapping unit to valuation of property subject to taxation in the City of Broken Arrow. Based on 2017-18 valuations.

<sup>2</sup> As of October 1, 2018

<sup>3</sup> As of June 30, 2017

Source: Respective Governmental Entity's Estimate of Needs filed with the Oklahoma State Auditor and Inspector's Office and Assessor's Report to the Excise Board for Tulsa County and Wagoner County. Table assembled and calculated by financial advisor for period shown.

### City Related Indebtedness

The Broken Arrow Municipal Authority (BAMA) is a public trust created by a Trust Indenture dated as of July 1, 1979, with the City as beneficiary. Pursuant to a Lease Agreement and Operation and Maintenance Contract dated as of July 1, 1979, the City has leased the water, sewer and solid waste management systems to BAMA. BAMA has several loans from the Oklahoma Water Resources Board (OWRB) outstanding as of September 1, 2018 as follows:

| <u>Type of Obligation</u> | <u>Date of Issue</u> | <u>Purpose</u>   | <u>Original Amount</u> | <u>Final Maturity</u> | <u>Principal Outstanding</u> | <u>Net Principal Outstanding*</u> |
|---------------------------|----------------------|------------------|------------------------|-----------------------|------------------------------|-----------------------------------|
| CWSRF Loan                | 12/21/01             | Wastewater       | 371,954                | 02/15/21              | 47,686                       | 47,686                            |
| DWSRF Loan                | 08/30/04             | Water            | 11,500,000             | 09/15/25              | 4,283,567                    | 4,283,567                         |
| CWSRF Loan                | 06/14/07             | Wastewater       | 15,000,000             | 03/15/24              | 7,191,470                    | 7,191,470                         |
| DWSRF Loan                | 12/28/09             | Water            | 4,000,000              | 03/15/31              | 2,600,000                    | 2,600,000                         |
| CWSRF Loan                | 07/20/11             | Wastewater       | 4,680,000              | 09/15/33              | 3,627,000                    | 2,582,688                         |
| DWSRF Loan                | 01/06/12             | Water            | 35,000,000             | 03/15/34              | 27,500,000                   | 27,500,000                        |
| FAP Loan                  | 01/06/12             | Water            | 29,755,000             | 09/15/40              | 28,415,000                   | 28,415,000                        |
| CWSRF Loan                | 12/04/12             | Wastewater       | 6,540,000              | 09/15/34              | 6,376,500                    | 6,376,500                         |
| FAP Loan                  | 07/30/15             | Water            | 11,900,000             | 09/15/35              | 11,070,000                   | 11,070,000                        |
| CWSRF Loan                | 09/04/15             | Water            | 2,045,000              | 03/15/21              | 1,235,614                    | 1,235,614                         |
| CWSRF Loan                | 08/12/16             | Wastewater       | 6,700,000              | 09/15/38              | 6,700,000                    | 420,012                           |
| FAP Loan                  | 02/23/17             | Water            | 6,505,000              | 09/15/46              | 6,505,000                    | 6,505,000                         |
| FAP Loan                  | 02/23/17             | Water/Wastewater | 18,565,000             | 09/15/44              | 18,565,000                   | 18,565,000                        |
| CWSRF Loan                | 01/11/18             | Water            | <u>2,100,000</u>       | 03/15/25              | <u>2,100,000</u>             | <u>54,500</u>                     |
| TOTALS                    |                      |                  | 154,661,954            |                       | 126,216,838                  | 116,847,038                       |

\* Loans still in construction phase reflect approved loan construction draw balances net of cumulative principal payments made through September 2018.

Source: Broken Arrow Municipal Authority loan documents along with current loan balances provided by the Oklahoma Water Resources Board. Table assembled and calculated by financial advisor for period shown.

The Loan Agreements governing the OWRB loans provide for the security of the bonds through the pledge of net revenues from the water, sewer and solid waste systems and the proceeds of a one-cent (1¢) sales tax collected by the City and appropriated to the Authority on a year-to-year basis.



## Economic Development Notes

In order to provide financing for the construction of a new Bass Pro Outdoor World ("Bass Pro"), the City in May 2004 assumed a note previously entered into between Bank of America, N.A. and Stone Wood Hills BP, L.L.C., a private developer. The taxable note is in the principal amount of \$20,300,000 and has a final maturity of November 1, 2025. The note is secured by an annual pledge of \$2,750,000 of sales tax revenues, subject to annual appropriation of such funds by the City Council and a mortgage on the property and building. The building housing Bass Pro is located on the Broken Arrow Expressway near Elm Street (161<sup>st</sup> Street). As of September 1, 2018, the principal outstanding on the note is \$10,688,037.

The Broken Arrow Economic Development Authority ("BAEDA") issued a taxable note on November 15, 2010 in the original principal amount of \$9,715,000.00 for the purpose of funding its costs under an Economic Development Agreement with Flight Safety International, Inc., and to fund certain expenditures in connection with the City's Downtown Development Plan. The note is secured by a pledge of the revenues from a 0.125 percent sales tax. The sales tax is subject to annual appropriation by the City Council. The note bears interest at a semiannual variable rate based upon LIBOR (6 month) plus 2.00 percent and is payable each April 1 and November 1 beginning April 1, 2011. Principal payments are made annually beginning on October 1, 2013 and the outstanding principal amount of the note is \$7,740,000 as of March 1, 2018.

## Retirement Plans

Each qualified employee is included in one of three retirement plans in which the City participates. These are the Oklahoma Municipal Retirement Fund, Oklahoma Firefighters Pension and Retirement System, and Oklahoma Police and Retirement System. The City does not maintain the accounting records, hold the investments or administer the firefighter or police retirement funds. The police and firefighter plans are statewide systems administered by the State of Oklahoma. The municipal employee's plan is administered by a separate board of trustees. Each of these plans are described in the Financial Statements and Supplementary Information June 30, 2017 with Independent Auditor's Report included herewith on Exhibit A.

As of June 30, 2017, the City's contributions as a percentage of covered-employee payroll were: (i) 10.00 percent for the Oklahoma Municipal Retirement Fund; (ii) 14.00 percent for the Oklahoma Firefighters Pension and Retirement System; and (iii) 13.00 percent for the Oklahoma Police Pension and Retirement System.

As of June 30, 2017, the plan fiduciary net position as a percentage of the total pension liability was: (i) 64.87 percent for the Oklahoma Firefighters Pension and Retirement System; and (ii) 93.50 percent for the Oklahoma Police Pension and Retirement System.

For more information on the retirement systems and other post-employment benefits applicable to the City, see "EXHIBIT A – FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION JUNE 30, 2017 WITH INDEPENDENT AUDITOR'S REPORT—Note 4".

## **ECONOMIC AND DEMOGRAPHIC INFORMATION**

### **Population**

As previously mentioned, the City of Broken Arrow region has experienced dramatic population growth. Table 8 presents historical census population for the City, Tulsa County and Wagoner County.

**Table 8**  
**Population**

| <u>Year</u> | <u>City of Broken Arrow</u> | <u>Tulsa County</u> | <u>Wagoner County</u> |
|-------------|-----------------------------|---------------------|-----------------------|
| 1960        | 5,928                       | 346,038             | 15,673                |
| 1970        | 11,787                      | 401,663             | 22,163                |
| 1980        | 35,761                      | 470,593             | 41,801                |
| 1990        | 58,043                      | 503,341             | 47,883                |
| 2000        | 74,859                      | 563,301             | 57,491                |
| 2010        | 98,850                      | 603,403             | 73,085                |

Source: U.S. Census Bureau. Table assembled and calculated by financial advisor for period shown.

### Population by Age

Table 9 presents the distribution of population by age for Tulsa County and the State of Oklahoma for selected years.

**Table 9**  
**Percentage of Population by Age**

| <u>YEAR</u>       | <u>0-4</u> | <u>5-14</u> | <u>15-44</u> | <u>45-64</u> | <u>65+</u> | <u>TOTAL</u> |
|-------------------|------------|-------------|--------------|--------------|------------|--------------|
| 1980              |            |             |              |              |            |              |
| Tulsa County      | 7.7%       | 14.8%       | 48.3%        | 19.2%        | 9.9%       | 100.0%       |
| State of Oklahoma | 7.7        | 15.2        | 45.5         | 19.2         | 12.4       | 100.0        |
| 1990              |            |             |              |              |            |              |
| Tulsa County      | 7.7        | 14.5        | 47.8         | 18.4         | 11.6       | 100.0        |
| State of Oklahoma | 7.2        | 15.1        | 45.1         | 19.1         | 13.5       | 100.0        |
| 2000              |            |             |              |              |            |              |
| Tulsa County      | 7.4        | 14.6        | 44.6         | 21.6         | 11.8       | 100.0        |
| Wagoner County    | 7.1        | 16.0        | 41.5         | 25.3         | 10.3       | 100.0        |
| State of Oklahoma | 6.8        | 14.4        | 13.2         | 22.3         | 13.2       | 100.0        |
| 2010              |            |             |              |              |            |              |
| Tulsa County      | 7.4        | 14.0        | 41.3         | 25.2         | 12.1       | 100.0        |
| Wagoner County    | 7.0        | 15.3        | 38.2         | 27.2         | 12.6       | 100.0        |
| State of Oklahoma | 7.0        | 13.7        | 40.1         | 25.8         | 13.4       | 100.0        |

Source: U.S. Census Bureau. Table assembled and calculated by financial advisor for period shown. Percentage of population by age not available for Wagoner County for 1980 and 1990.

### Per Capita Income

Tulsa County's per capita income has consistently exceeded the state average while Wagoner County's per capita income has been consistently lower than the state average. A comparison of Tulsa County, Wagoner County and the State of Oklahoma is shown in Table 10 for the years 2007 through 2016. The 2016 Median Household Income (MHI) was \$51,476 for Tulsa County, \$61,882 for Wagoner County, compared to the State MHI of \$49,204.

**Table 10**  
**Per Capita Income**

| <u>Year</u> | <u>Tulsa County</u> | <u>Wagoner County</u> | <u>State of Oklahoma</u> |
|-------------|---------------------|-----------------------|--------------------------|
| 2016        | \$57,286            | \$36,388              | \$42,717                 |
| 2015        | 62,916              | 36,459                | 43,999                   |
| 2014        | 70,815              | 35,693                | 45,215                   |
| 2013        | 65,639              | 34,333                | 42,713                   |
| 2012        | 59,166              | 33,554                | 41,117                   |
| 2011        | 50,846              | 31,933                | 38,470                   |
| 2010        | 44,184              | 30,739                | 35,912                   |
| 2009        | 42,763              | 30,585                | 34,920                   |
| 2008        | 54,612              | 31,581                | 38,744                   |
| 2007        | 48,080              | 29,970                | 35,133                   |

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Table assembled and calculated by financial advisor for period shown

### Employment Data

The number of persons in the Tulsa County and Wagoner County labor force and number employed for the years 2008 through 2017 are shown in Table 11. Also, shown is the county unemployment rate for Tulsa County and Wagoner County compared to state and national averages for the same period.

**Table 11**  
**Employment Statistics**

| <u>Year</u> | <u>Labor Force</u>  |                       | <u>Number Employed</u> |                       | <u>Unemployment Rates</u> |                       |                    |             |
|-------------|---------------------|-----------------------|------------------------|-----------------------|---------------------------|-----------------------|--------------------|-------------|
|             | <u>Tulsa County</u> | <u>Wagoner County</u> | <u>Tulsa County</u>    | <u>Wagoner County</u> | <u>Tulsa County</u>       | <u>Wagoner County</u> | <u>State of OK</u> | <u>U.S.</u> |
| 2017        | 319,989             | 36,823                | 306,261                | 35,200                | 4.3%                      | 4.4%                  | 4.3%               | 4.4%        |
| 2016        | 318,096             | 36,601                | 303,249                | 34,853                | 4.7                       | 4.8                   | 4.8                | 4.9         |
| 2015        | 317,847             | 36,246                | 304,659                | 34,719                | 4.1                       | 4.2                   | 4.4                | 5.3         |
| 2014        | 311,137             | 35,533                | 297,777                | 34,024                | 4.3                       | 4.2                   | 4.5                | 6.2         |
| 2013        | 311,042             | 35,929                | 295,184                | 34,108                | 5.1                       | 5.1                   | 5.3                | 7.4         |
| 2012        | 310,018             | 36,015                | 294,043                | 34,148                | 5.2                       | 5.2                   | 5.2                | 8.1         |
| 2011        | 304,059             | 35,134                | 285,655                | 33,069                | 6.1                       | 5.9                   | 5.9                | 8.9         |
| 2010        | 306,671             | 35,268                | 285,120                | 32,877                | 7.0                       | 6.8                   | 6.8                | 9.6         |
| 2009        | 293,653             | 33,375                | 274,468                | 31,202                | 6.5                       | 6.5                   | 6.4                | 9.3         |
| 2008        | 293,722             | 33,266                | 283,155                | 32,065                | 3.6                       | 3.6                   | 3.7                | 5.8         |

Source: U.S. Bureau of Labor Statistics

### Sales Tax Collections

The City levies a 3.550 percent local sales tax, which together with the State sales tax of 4.500 percent places the total City and State sales tax rate at 8.050 percent. Wagoner County levies a 1.300 percent sales tax, which brings the total sales tax rate for the portion of the City overlying Wagoner County to 9.350 percent. Tulsa County levies a 0.367 percent sales tax, which brings the total sales tax rate for the portion of the City overlying Tulsa County to 8.417 percent. The City's local sales tax levy was increased by 0.55

percent to its current 3.55 percent levy beginning January 1, 2017. Historical sales tax collections for the City are shown in Table 12.

**Table 12**  
**Sales Tax Collections**

| <u>Fiscal Year</u> | <u>Total Collections*</u> | <u>1-Cent Generated</u> | <u>% Change in 1-Cent Generated</u> |
|--------------------|---------------------------|-------------------------|-------------------------------------|
| 2018               | \$49,885,744              | \$14,052,322            | 2.96%                               |
| 2017               | 43,363,810                | 13,648,739              | 0.20                                |
| 2016               | 40,864,100                | 13,621,367              | 3.97                                |
| 2015               | 39,303,708                | 13,101,236              | 6.83                                |
| 2014               | 36,789,788                | 12,263,263              | 4.78                                |
| 2013               | 35,111,810                | 11,703,937              | 6.31                                |
| 2012               | 33,026,873                | 11,008,958              | 5.63                                |
| 2011               | 31,266,387                | 10,422,129              | 3.59                                |
| 2010               | 30,183,122                | 10,061,041              | -0.82                               |
| 2009               | 30,431,921                | 10,413,974              | --                                  |

Source: Oklahoma Tax Commission. Table assembled and calculated by financial advisor for period shown. The City enters into sales tax rebate agreements with local businesses as allowed in the Oklahoma State Constitution, Article 10, Section 14. Under this law, the City may establish economic development programs and provide sales tax increments for development as part of its economic development plan. See "APPENDIX A—FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION JUNE 30, 2017 WITH INDEPENDENT AUDITOR’S REPORT—Note 5—Tax Abatements".

### Bank Deposits

Table 13 presents the total bank deposits for the City's three local banks for the years 2008 through 2011 and two local banks for 2012 through 2017. Patriot Bank relocated to Tulsa in 2012.

**Table 13**  
**Bank Deposits**  
**(in Thousands)**

| <u>Calendar Year</u> | <u>Amount</u> |
|----------------------|---------------|
| 2017                 | \$426,755     |
| 2016                 | 432,485       |
| 2015                 | 417,037       |
| 2014                 | 405,151       |
| 2013                 | 378,475       |
| 2012                 | 383,577       |
| 2011                 | 458,008       |
| 2010                 | 438,310       |
| 2009                 | 446,987       |
| 2008                 | 441,413       |

Source: Oklahoma Banker's Association. Table assembled and calculated by financial advisor for period shown.



## Retail Sales

Retail sales in the City are shown in Table 14 for the calendar years 2008 through 2017.

**Table 14**  
**Retail Sales**  
**(in '000's of dollars)**

| <u>Calendar Year</u> | <u>Amount</u> |
|----------------------|---------------|
| 2017                 | \$1,011,156   |
| 2016                 | 972,452       |
| 2015                 | 961,344       |
| 2014                 | 943,809       |
| 2013                 | 912,222       |
| 2012                 | 880,127       |
| 2011                 | 797,419       |
| 2010                 | 763,797       |
| 2009                 | 749,209       |
| 2008                 | 798,364       |

Source: Center for Economics and Management Research, Oklahoma University. Table assembled and calculated by financial advisor for period shown.

## Building Permits

Construction activity in the City has experienced a significant increase, particularly in residential construction. Table 15 indicates the number of permits issued and estimated value for residential and commercial purposes for the last ten calendar years.

**Table 15**  
**Building Permits**

| <u>Calendar Year</u> | <u>Residential</u> |              | <u>Commercial</u> |              | <u>Total</u>  |               |
|----------------------|--------------------|--------------|-------------------|--------------|---------------|---------------|
|                      | <u>Number</u>      | <u>Value</u> | <u>Number</u>     | <u>Value</u> | <u>Number</u> | <u>Value</u>  |
| 2017                 | 508                | \$98,864,899 | 39                | \$46,582,805 | 547           | \$145,447,704 |
| 2016                 | 392                | 76,272,136   | 180               | 284,038,511  | 572           | 360,310,647   |
| 2015                 | 422                | 90,805,973   | 244               | 125,348,557  | 666           | 216,154,530   |
| 2014                 | 486                | 96,665,114   | 66                | 54,554,247   | 552           | 151,219,361   |
| 2013                 | 553                | 102,481,487  | 17                | 29,433,406   | 570           | 131,914,893   |
| 2012                 | 402                | 74,785,847   | 25                | 70,516,512   | 427           | 145,302,359   |
| 2011                 | 424                | 142,770,838  | 20                | 18,590,497   | 444           | 161,361,335   |
| 2010                 | 327                | 50,220,752   | 53                | 73,284,454   | 380           | 123,505,206   |
| 2009                 | 390                | 71,013,163   | 37                | 45,388,769   | 427           | 116,401,932   |
| 2008                 | 459                | 89,075,773   | 100               | 191,050,064  | 559           | 280,125,837   |

Source: Provided by City Development Services department. Table assembled and calculated by financial advisor for period shown.

## RATING

Ratings on the Bonds have been applied for from Moody's Investors Service, Inc. If assigned, a rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse effect on the marketability of the Bonds. For an explanation of the significance of the rating, an investor should communicate with the rating agency directly.

## TAX MATTERS

### Opinion of Bond Counsel

In the opinion of the Kiser Law Firm, PLLC, Edmond, Oklahoma, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Bonds is (i) excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; such interest; however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations for tax years beginning prior to December 31, 2017. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others, in connection with the Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Bond Counsel has rendered its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update their opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

### State of Oklahoma Tax Exemption

Pursuant to Title 68 of the Oklahoma Statutes 2011, Section 2358.5, interest on the Bonds is exempt from Oklahoma income taxation.

### Financial Institutions

The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 21, 1986 (other than "qualified tax-exempt obligations"). **The Bonds will not be designated as "qualified tax-exempt obligations" for this purpose.**

### Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds,

and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **PURCHASE OF BONDS**

The Bonds are to be sold at a competitive sale on November 13,, 2018. The Purchase Contract provides that the original purchaser(s) will not be obligated to purchase any Bonds if all such Bonds are not available for purchase. The original purchaser(s) may offer to sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering price stated on the inside cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the original purchaser(s).

### **FINANCIAL STATEMENTS**

The Financial Statements and Supplementary Information With Independent Auditor's Reports of the City as of June 30, 2017, are included as Exhibit A.

### **FINANCIAL ADVISOR**

Municipal Finance Services, Inc. serves as Financial Advisor to the City in connection with the issuance of the Bonds. The information contained in the Official Statement has been obtained primarily from the City's records and from other sources which are believed reliable, including financial records of the City and other entities which may be subject to interpretation. Municipal Finance Services, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds and certain financial information included in this Official Statement has been compiled by the Financial Advisor.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City, but the Financial Advisor does not guarantee the accuracy or completeness of such information.



## **CLOSING DOCUMENTS**

Simultaneously with the delivery of and payment for the Bonds by the original purchaser(s) thereof, the City will furnish to the original purchaser(s) the customary documents in form satisfactory to Bond Counsel.

## **CERTIFICATIONS**

The City will furnish a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made not misleading.

## **PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL**

The City hereby deems this Preliminary Official Statement to be final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12. except for the omission of information dependent on the pricing of the issue and the completion of the purchase agreement, such as offering prices, interest rates, selling compensation, aggregate principal amount, delivery dates, and other terms of the securities dependent on the foregoing matters.

## **CONTINUING DISCLOSURE**

### **Continuing Disclosure for the Offered Bonds**

The City has covenanted for the benefit of Bondholders to provide annually certain financial information and operating data relating to the Issuer by not later than one hundred eighty days following the end of its fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Electronic Municipal Market Access system (EMMA) at [www.emma.msrb.org](http://www.emma.msrb.org). The notices of material events will be filed by the City with EMMA at [www.emma.msrb.org](http://www.emma.msrb.org). The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption "Exhibit B - Form of Continuing Disclosure Agreement". These covenants have been made in order to assist the original purchaser(s) in complying with S.E.C. Rule 15c2-12(b)(5).

### **Prior Continuing Disclosure Compliance**

The City has entered into a number of continuing disclosure agreements in connection with its previously issued bonds, all of which have a 180-day filing deadline. As described below, during the last five years, the City has failed on occasion to satisfy the provisions of its continuing disclosure certificates to provide the Annual Report by the stated deadlines in such agreements. The Annual Report in such continuing disclosure agreements includes (i) the City's audited financial statements for the most recently ended fiscal year (the "Audited Financial Statements"), and (ii) annual updates to certain tables

and financial information from the respective official statements (the “Other Financial Information and Operating Data”). For fiscal years 2013-2015, the Annual Reports were timely filed. The audited financial statements were not available by the required due date for filing the fiscal year 2016 and 2017 Annual Report; however, Partial Annual Reports were filed along with a “failure to file notice” as required.

**Audited Financial Statements.** For fiscal year 2012, the Audited Financial Statements were not filed on time. In addition, in such instance, the City did not file a “failure to file” notice with EMMA when due. A “failure to file” notice related to such late filing was made on November 6, 2014. The audited financial statements for fiscal year 2016 were not available by the required due date but the City filed a “failure to file notice” with EMMA on December 27, 2016. The audited financials were filed on May 5, 2017. The audited financial statements for fiscal year 2017 were not available by the required due date but the City filed a “failure to file notice” with EMMA on December 27, 2017. The audited financials were filed on July 24, 2018.

**Other Financial Information and Operating Data.** For fiscal year 2012, the City did not satisfy its obligation to file Other Financial Information and Operating Data on EMMA for applicable bond issues when due. In addition, in each instance, the City did not file a “failure to file” notice with EMMA when due. On November 21, 2014, the City filed a notice on EMMA indicating, among other things, that, by way of cross reference, certain official statements relating to the City’s bonds satisfied its obligation to file Other Financial Information and Operating Data for such fiscal years. Such official statements were not included under the EMMA category for annual financial information and operating data at the time of their filing, but they were so filed on October 28, 2016, at which time the City filed corresponding “failure to file” notices. Such official statements were dated September 19, 2012 and posted September 25, 2012 (for fiscal year 2012 data). The filed notice dated November 21, 2014 indicates that, at the time of such postings, such official statements contained the most up-to-date Other Financial Information and Operating Data for such fiscal years. The audited financial statements were not available by the required due date for filing the fiscal year 2016 Annual Report; however, a Partial Annual Report was filed on December 27, 2016 along with a “failure to file notice” as required and a Complete Annual Report was filed on May 5, 2017. The audited financial statements were not available by the required due date for filing the fiscal year 2017 Annual Report; however, a Partial Annual Report was filed on December 27, 2017 along with a “failure to file notice” as required and a Complete Annual Report was filed July 24, 2018.

**Continuing Disclosure Policies and Procedures.** The City Council adopted Continuing Disclosure Policies and Procedures on November 4, 2014 which are intended to assure compliance with all continuing disclosure obligations, including those related to the Offered Bonds.

The following Table below reflects the filing information for financial information for the City during the past five years:

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**CONTINUING DISCLOSURE FILINGS (ANNUAL REPORT)**

| <b><u>Fiscal Year Ended June 30</u></b> | <b><u>Filing Deadline (180 days)</u></b> | <b><u>Unaudited/Audited Financial Statements Filed</u></b>          | <b><u>Annual Financial Information and Operating Data Filed</u></b>                               |
|---|--|---|---|
| 2013                                    | December 27, 2013                        | Unaudited filed December 20, 2013<br>Audited filed March 17, 2014   | December 20, 2013   |
| 2014                                    | December 27, 2014                        | Unaudited filed December 23, 2014<br>Audited filed January 22, 2015 | December 23, 2014   |
| 2015                                    | December 27, 2015                        | Unaudited filed December 23, 2015<br>Audited filed May 9, 2016      | December 23, 2015   |
| 2016                                    | December 27, 2016                        | Failure to File Notice Dec. 27, 2016<br>Audited filed May 5, 2017   | Partial Annual Report filed<br>December 27, 2016<br>Complete Annual Report filed<br>May 5, 2017   |
| 2017                                    | December 27, 2017                        | Failure to File Notice Dec. 27, 2017<br>Audit filed July 24, 2018   | Partial Annual Report filed<br>December 27, 2017<br>Complete Annual Report filed<br>July 24, 2018 |

**LEGAL MATTERS**

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving certificate of the Attorney General of the State of Oklahoma and the legal opinion of the Kiser Law Firm, PLLC, Edmond, Oklahoma, Bond Counsel, as to validity and tax exemption. The opinion of Bond Counsel is expected to be in substantially the form of Exhibit C. Bond Counsel has not participated in the preparation of this Official Statement except for certain information under the headings “TAX MATTERS”.

**CYBERSECURITY**

The City, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the City invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage City digital networks and systems and the costs of remedying any such damage could be substantial.

## LITIGATION

On August 8, 2017, The United States Court of Appeals for the Tenth Circuit (the “Court of Appeals”) issued a writ of *habeas corpus* vacating the conviction and sentence in the case of *Patrick Dwayne Murphy v. Terry Royal, Warden*, 866 F.3d 1164 (10<sup>th</sup> Cir. 2017), and, on November 9, 2017, the Court of Appeals denied a motion for rehearing *en banc* and issued an amended opinion, 875 F.3d 896 (10<sup>th</sup> Cir. 2017). In its opinion, the Court of Appeals concluded that the United States Congress has not disestablished the Creek Reservation that it established by treaty in 1866 (the “1866 Reservation”). As addressed in its opinion, the external boundaries of the 1866 Reservation include much of the eastern portion of the current State of Oklahoma, including the City as well as the rest of Tulsa County and Wagoner County. The Court of Appeals further concluded that, accordingly, the land within the external boundaries of the 1866 Reservation constitutes “Indian country” within the meaning of the federal Major Crimes Act (18 U.S.C.A. § 1151, *et seq.*). On February 6, 2018, the Attorney General of the State of Oklahoma filed with the Supreme Court of the United States (the “Supreme Court”) a petition for a writ of *certiorari* (*Mike Carpenter, Interim Warden v. Patrick Dwayne Murphy* No 17-1107 (S. Ct. filed Feb. 06, 2018)), which was granted by the Supreme Court on May 21, 2018 as to the question:

Whether the 1866 territorial boundaries of the Creek Nation within the former Indian Territory of eastern Oklahoma constitute an “Indian Reservation” today under 18 U.S.C. § 1151(a)?

A stay granted by the Court of Appeals on November 16, 2017 remains in effect pending the Supreme Court’s final disposition.

No assurance can be had as to the timing or ultimate disposition of this case. Although this case arises in a criminal law context, if the Supreme Court affirms the holding of the Court of Appeals, it may affect the application of civil law and have regulatory consequences within the same geographic territory, with numerous potential direct and indirect effects upon municipalities within such geographic territory, including the City. Such effects might include, but might not be limited to, an inability to levy and collect *ad valorem* taxes on certain property owned by members of the Creek Nation and a resulting need to increase the millage assessed on the remaining taxable property within the municipality to obtain the same tax revenues. Although, the direct and indirect impacts of such application upon the City’s overall financial conditions cannot be determined at this time, the City does not currently expect these to materially affect its ability to fully fund both scheduled debt service on its bonds, including the Offered Bonds, and its current operations, based upon its current fund balance reserves and ability to adjust future taxes. See “DESCRIPTION OF THE BONDS — Security for the Bonds” and “— Tax Levy Collection Process,” “FINANCIAL INFORMATION” and “INDEBTEDNESS.”

There is not now pending or, to the knowledge of the City, threatened any litigation seeking to restrain or enjoin or in any way limit the approval or the issuance and delivery of the Official Statement or the Offered Bonds or the proceedings of the City under which the Offered Bonds are to be issued. Except as disclosed above, there is no litigation pending or, to the knowledge of the City, threatened which in any manner challenges or threatens the powers of the City to enter into or carry out the transactions described herein.



**EXHIBIT A**

**CITY OF BROKEN ARROW**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2017**

**WITH  
INDEPENDENT AUDITOR'S REPORT**

**[To Be Provided]**

## EXHIBIT B

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”), is being executed and delivered by **THE CITY OF BROKEN ARROW, OKLAHOMA** (the “City”) as a material inducement to the original purchaser(s) (the “Original Purchasers”) of the City’s \$7,865,000\* General Obligation Refunding Bonds, Series 2018E (the “2018E Bonds”). The Bonds will be issued as separate issues, issued pursuant to Resolution of the City dated October 16, 2018 (the “Resolution”). Capitalized terms used in the Disclosure Agreement which are not otherwise defined in the Ordinance, shall have the same respective meanings specified below or in Section 2 of this Disclosure Agreement.

**Section 1. Purpose of Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist each Original Purchaser in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Commission”).

#### Section 2. Defined Terms.

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Section 3 hereof.

“*Audited Financial Statements*” means the City’s annual financial statements as prepared in conformity with generally accepted accounting principles (“GAAP”) for local governmental units as promulgated by the Governmental Accounting Standards Board (“GASB”), which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State; provided, however, that the City may from time to time, if required by Federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to the MSRB and shall include a reference to the specific Federal or State law or regulation describing such accounting basis.

“*Beneficial Owner*” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” means the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*EMMA*” means the MSRB’s Electronic Municipal Market Access System. Reference is made to Commission Release No. 34-59062, December 8, 2008 (the “*Release*”) relating to the EMMA system for municipal securities disclosure effective on July 1, 2009.

“*Listed Event*” means any of the events listed in Appendix A to this Disclosure Agreement.

“*Listed Event Notice*” means notice of a Listed Event in Prescribed Form.

“*MSRB*” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“*Official Statement*” means the “final official statement,” as defined in the paragraph (f)(3) of the Rule, relating to the Offered Bonds.

“*Original Purchaser*” means any of the Original Purchasers required to comply with the Rule in connection with offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Reports, Audited Financial Statements and Listed Event Notices with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org) (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12(b)(5) promulgated by the Commission under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Disclosure Agreement, including any official interpretations thereof.

**Section 3. Provision of Annual Reports.** The City, as the “obligated persons” for purposes of the Rule, hereby agree to provide or cause to be provided to the MSRB in Prescribed Form annually not later than 180 days following the end of each fiscal year an Annual Report containing financial information and operating data with respect to the City and Appendix B hereto and the Audited Financial Statements as of the end of each fiscal year; provided, however, that if Audited Financial Statements are not available within 180 days after the end of the preceding fiscal year, unaudited financial statements will be provided as part of the Annual Report with Audited Financial Statements to be provided in a timely manner when they become available.

The Annual Report shall be provided at least annually notwithstanding a fiscal year longer than 12 calendar months. The City may change its current fiscal year but must promptly notify the MSRB of each such change.

All or any portion of the Annual Report may be provided by way of cross-reference to other documents previously provided to the MSRB.

The City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure to provide the Audited Financial Statements and the Annual Report on or prior to the date specified herein.

**Section 4. Failure to File Annual Reports and Audited Financial Statements.** If the City fails to provide the Annual Report or the Audited Financial Statements to the MSRB by the date specified in Section 3, the City shall send a notice of such failure to the MSRB.

**Section 5. Disclosure of Listed Events.** The City hereby covenants that it will disseminate in a timely manner, not in excess of ten (10) business days after the occurrence of the event, a Listed Event Notice to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any of the Bonds or defeasance of any of the Bonds need not be given under this Disclosure Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Bonds. The City is required to deliver such Listed Event Notice in the same manner as provided by Section 3 of this Disclosure Agreement.

**Section 6. Duty To Update EMMA/MSRB.** The City shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB’s e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

**Section 7. Duties, Immunities and Liabilities of Dissemination Agent.** The City may, from time to time, engage or appoint an agent to assist the City in disseminating information hereunder (the “Dissemination Agent”). The City may discharge any Dissemination Agent with or without appointing a



successor Dissemination Agent. If appointed, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties thereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**Section 8. Termination of Obligations.** Pursuant to paragraph (b)(5)(iii) of the Rule, the obligation to provide Annual Reports, Audited Financial Statements and Listed Event Notices, as set forth herein, shall terminate if and when the City no longer remains an obligated person with respect to the Bonds, which shall occur upon either payment of the Bonds in full at maturity or by means of prior redemption or the legal defeasance of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event Notice under Section 5.

**Section 9. Amendment.** Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, without the consent of the Bondholders, under the following conditions:

(1) The amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City, or type of business conducted;

(2) This Disclosure Agreement, as amended or with the provision so waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver does not materially impair the interest of holders of the Bonds, as determined either by parties unaffiliated with the City (which shall include the Paying Agent or nationally recognized bond counsel, or any other party determined by any of them to be unaffiliated), or by approving vote of holders of the Bonds at the time of the amendment or waiver.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented. In addition, if the amendment relates to the accounting principles to be followed in preparing Audited Financial Statements, (i) notice of such change shall be given in the same manner as for a Listed Event Notice under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 10. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or Listed Event Notice, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or Listed Event Notice in addition to that which is specifically required by this Disclosure Agreement, the City shall not have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or Listed Event Notice.

Section 11. **Failure to Comply.** In the event of a failure of the City to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with their obligations under this Disclosure Agreement. A failure to comply under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Ordinances, and the sole remedy under this Disclosure Agreement in the event of any failure of the Bond Ordinances or the City to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. **Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, each Original Purchaser and Holders and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 13. **Recordkeeping.** The City shall maintain records of all filings of Annual Reports, Audited Financial Statements and Listed Event Notices, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 14. **Compliance.** The Issuer has failed to comply with previous undertakings within the last five years. Such failures are disclosed in the official statement.

Section 15. **Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 16. **Choice of Law.** This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Oklahoma, provided that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, by an authorized representative, all as of the date first above written.

CITY OF BROKEN ARROW, OKLAHOMA

(SEAL)

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

## APPENDIX A

### EVENTS WITH RESPECT TO THE BONDS FOR WHICH LISTED EVENT NOTICES ARE REQUIRED

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls, if material, and tender offers
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the City<sup>†</sup>.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee. or the change of name of a trustee, if material.

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<sup>†</sup>This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

## **APPENDIX B**

### **DESCRIPTION OF PORTIONS OF OFFICIAL STATEMENT REQUIRING ANNUAL UPDATE**

The following information included in the Official Statement under the headings “Financial Information,” “Indebtedness” and “ECONOMIC AND DEMOGRAPHIC INFORMATION”:

#### **FINANCIAL INFORMATION AND RELATED TEXT:**

Full Time Employees

Municipal Services

General Fund Highlights

Table 1 - Net Assessed Valuation

Table 2 - Historical Net Assessed Valuation By County

Estimated Actual Market Valuation

School District Net Assessed Valuation and % of City’s NAV

Table 3 - Largest Ad Valorem Taxpayers

Table 4 –Historical Tax Levies

Table 5 - Tax Collection History

#### **INDEBTEDNESS AND RELATED TEXT:**

Table 6 - Summary of Existing General Obligation Bonds

City Indebtedness

Table 7 – Projected Principal and Interest Levy Requirements for Existing Bonds, Offered Bonds and Judgments and related text

Statement of Indebtedness

Authorized but Unissued Indebtedness

Net Direct, Underlying and Overlapping General Obligation Bonded Indebtedness

City Related Indebtedness

Economic Development Notes

Retirement Plans

#### **ECONOMIC AND DEMOGRAPHIC INFORMATION**

Table 8 - Population

Table 9 – Percentage of Population by Age

Table 10 - Per Capita Income

Table 11 - Employment Statistics

Table 12 - Sales Tax Collections

Table 13 - Bank Deposits

Table 14 - Retail Sales

Table 15 - Building Permits

Audited Financial Statements, if available, and, if unavailable, unaudited financial statements with Audited Financial Statements to be provided thereafter in the time and manner provided in Section 3 hereof.

**EXHIBIT C**

**FORM OF OPINIONS OF BOND COUNSEL**

**KISER LAW FIRM, PLLC**

**812 Glenlake Drive  
Edmond, Oklahoma 73013  
(405) 751-4299**

We have acted as bond counsel in connection with the issuance by the City of Broken Arrow, Oklahoma (the "Issuer") of \$7,865,000\* General Obligation Refunding Bonds, Series 2018E, dated December 6, 2018 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement respecting the Bonds, except for certain information under the heading "TAX MATTERS", and express no opinion with respect to the adequacy or accuracy of any other information used in connection with the offering for sale of the Bonds.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding obligations of the Issuer.
2. All taxable property within the territorial boundaries of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer has provided for the collection of an annual tax sufficient to pay the interest on the Bonds as it becomes due and also to constitute a sinking fund for the payment of the principal thereof according to law.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations for tax years beginning prior to December 31, 2017. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. Interest on the Bonds is exempt from State of Oklahoma income taxation.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully,

\* Subject to Change

## **Book-Entry System – The Depository Trust Company**

*The following description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal of, and premium, if any, and interest and other payments with respect to the Bonds to Direct Participants (as defined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and among DTC, the Direct Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the original purchaser(s), the Issuer or the Participants.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized officer of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC at the office of the Paying Agent on behalf of DTC utilizing the DTC FAST system of registration.

**DTC and its Participants.** DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to DTC's Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

**Purchase of Ownership Interests.** Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.



To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

**Notices.** Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (or such other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

**Payments of, Principal, Premium, if any, and Interest.** Redemption proceeds, distribution, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, the Bond certificates are required to be printed and delivered as described in the applicable Ordinance.

The Issuer may decide to discontinue the use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof. See also "DESCRIPTION OF THE BONDS-Book Entry System – The Depository Trust Company" herein.