



BROKEN ARROW

Where opportunity lives

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**



BROKEN ARROW

Where opportunity lives

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2017

**WITH
INDEPENDENT AUDITOR'S REPORT**

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City of Broken Arrow, Oklahoma

**List of Principal Officials
June 30, 2017**

City Council

**Craig Thurmond, Mayor
Scott Eudey, Vice Mayor
Mike Lester
Johnnie Parks
Debra Wimpee**

City Manager

Michael L. Spurgeon

Clerk

Lisa Blackford

Finance Director/Treasurer

Thomas L. Caldwell





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Broken Arrow, Oklahoma (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, and debt service and reserve schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



June 25, 2018

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

June 30, 2017

Our discussion and analysis of the City of Broken Arrow's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- At June 30, 2017, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$310,748,580.
- For the fiscal year ended June 30, 2017, the City's total net position increased by \$25,926,602 or 9.1% from the prior year's restated net position.
- During the year, the City's expenses for governmental activities were \$82,689,809 and were funded by program revenues of \$31,338,855, and further funded with taxes and other general revenues that totaled \$69,363,482.
- In the City's business-type activities, such as utilities, total program revenues exceeded expenditures by \$7,118,755.
- At June 30, 2017, the General Fund reported a total fund balance of \$12,607,694, as compared to the prior year restated balance of \$10,023,203. Fund balance of \$1,716,245 has been restricted for debt service.
- For budgetary reporting purposes, the General Fund reported revenues short of final estimates in the amount of \$371,632 or 0.52%, while expenditures were less than final appropriations by \$3,762,523 or 5.18%.

Overview of the Financial Statements

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

Reporting the City as a Whole

The statement of net position and the statement of activities

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

These two government-wide statements report the City's net position and changes in net position from the prior year. You can think of the City's net position – the difference between assets and liabilities – as one

way to measure the City's financial condition or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

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

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

Reporting the City's Most Significant Funds

Fund financial statements

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

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

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

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

A Financial Analysis of the City as a Whole

Net position

The City's combined net position increased from \$284,821,978 (restated) to \$310,748,580 between fiscal years 2016 and 2017. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$18,012,528 while business-type activities increased \$7,914,074. A comparative, condensed presentation of net position follows (reported in thousands).

NET POSITION (In Thousands)

	<u>Governmental Activities</u>		<u>% Inc.</u>	<u>Business-Type Activities</u>		<u>% Inc.</u>	<u>Total</u>		<u>% Inc.</u>
	(restated)		<u>(Dec.)</u>	(restated)		<u>(Dec.)</u>	(restated)		<u>(Dec.)</u>
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
Current and other assets	\$ 90,460	\$ 73,887	22%	\$ 38,425	\$ 12,867	199%	\$ 128,885	\$ 86,754	49%
Capital assets, net	295,579	286,281	3%	180,278	174,987	3%	475,857	461,268	3%
Other non-current assets	-	-	-	27,546	25,809	7%	27,546	25,809	7%
Total assets	<u>386,039</u>	<u>360,168</u>	7%	<u>246,249</u>	<u>213,663</u>	15%	<u>632,288</u>	<u>573,831</u>	10%
Deferred Outflows of Resource	<u>16,377</u>	<u>7,620</u>	115%	-	-	-	<u>16,377</u>	<u>7,620</u>	115%
Current liabilities	20,802	19,844	5%	12,087	10,623	14%	32,889	30,467	8%
Non-current liabilities	174,082	153,900	13%	128,546	105,338	22%	302,628	259,238	17%
Interest rate swap	<u>1,829</u>	<u>2,708</u>	-32%	-	-	-	<u>1,829</u>	<u>2,708</u>	-32%
Total liabilities	<u>196,713</u>	<u>176,452</u>	11%	<u>140,633</u>	<u>115,961</u>	21%	<u>337,346</u>	<u>292,413</u>	15%
Deferred Inflows of Resources	<u>571</u>	<u>4,216</u>	-86%	-	-	-	<u>571</u>	<u>4,216</u>	-86%
Net position									
Net investment in capital assets	169,195	166,056	2%	102,654	81,382	26%	271,849	247,438	10%
Restricted	66,375	46,241	44%	3,569	4,250	-16%	69,944	50,491	39%
Unrestricted (deficit)	<u>(30,438)</u>	<u>(25,177)</u>	21%	<u>(607)</u>	<u>12,070</u>	-105%	<u>(31,045)</u>	<u>(13,107)</u>	137%
Total net position	<u>\$ 205,132</u>	<u>\$ 187,120</u>	10%	<u>\$ 105,616</u>	<u>\$ 97,702</u>	8%	<u>\$ 310,748</u>	<u>\$ 284,822</u>	9%

Changes in net position

For the years ended June 30, 2016 and 2017, the change in net position of the primary government was the result of the following (amounts are reported in thousands):

CHANGES IN NET POSITION (In Thousands)

	<u>Governmental Activities</u>		<u>% Inc.</u>	<u>Business-Type Activities</u>		<u>% Inc.</u>	<u>Total</u>		<u>% Inc.</u>
	<u>2017</u>	<u>2016</u>	<u>(Dec.)</u>	<u>2017</u>	<u>2016</u>	<u>(Dec.)</u>	<u>2017</u>	<u>2016</u>	<u>(Dec.)</u>
Revenues									
Program revenue:									
Charges for service	\$ 14,449	\$ 11,710	23%	\$ 45,313	\$ 44,241	2%	\$ 59,762	\$ 55,951	7%
Operating grants and contributions	7,207	879	720%	-	-	-	7,207	879	720%
Capital grants and contributions	9,683	963	906%	8,102	5,346	52%	17,785	6,309	182%
General Revenue:									
Sales and use taxes	47,831	42,516	13%	-	-	-	47,831	42,516	13%
Property taxes	14,349	13,134	9%	-	-	-	14,349	13,134	9%
Franchise and other taxes	6,300	6,611	-5%	-	-	-	6,300	6,611	-5%
Investment income	294	292	1%	23	11	109%	317	303	5%
Miscellaneous	1,362	2,005	-32%	-	-	-	1,362	2,005	-32%
Total Revenues	<u>101,475</u>	<u>78,110</u>	<u>30%</u>	<u>53,438</u>	<u>49,598</u>	<u>8%</u>	<u>154,913</u>	<u>127,708</u>	<u>21%</u>
Program Expenses:									
General government	12,767	11,872	8%	-	-	-	12,767	11,872	8%
Public safety	46,155	37,094	24%	-	-	-	46,155	37,094	24%
Public services	14,083	8,686	62%	-	-	-	14,083	8,686	62%
Culture and recreation	5,634	4,872	16%	-	-	-	5,634	4,872	16%
Interest on long-term debt	4,051	4,307	-6%	-	-	-	4,051	4,307	-6%
Water	-	-	-	19,608	18,708	5%	19,608	18,708	5%
Sewer	-	-	-	11,382	9,838	16%	11,382	9,838	16%
Sanitation	-	-	-	6,399	7,208	-11%	6,399	7,208	-11%
Stormwater	-	-	-	5,831	5,166	13%	5,831	5,166	13%
Golf	-	-	-	1,647	1,717	-4%	1,647	1,717	-4%
Economic development	-	-	-	1,429	1,513	-6%	1,429	1,513	-6%
Total Expenses	<u>82,690</u>	<u>66,831</u>	<u>24%</u>	<u>46,296</u>	<u>44,150</u>	<u>5%</u>	<u>128,986</u>	<u>110,981</u>	<u>16%</u>
Excess (deficiency) before transfers	18,785	11,279	67%	7,142	5,448	31%	25,927	16,727	55%
Net transfers	(772)	(1,745)	-56%	772	1,745	-56%	-	-	-
Increase in net position	<u>\$ 18,013</u>	<u>\$ 9,534</u>	<u>89%</u>	<u>\$ 7,914</u>	<u>\$ 7,193</u>	<u>10%</u>	<u>\$ 25,927</u>	<u>\$ 16,727</u>	<u>55%</u>

The City's governmental activities increase in net position of \$18,012,528 represents an 89% increase from the prior year's change in net position. The business-type activities increase in net position of \$7,914,074 represents a 10% positive change in net position. The results indicate the City as a whole improved its financial condition from the prior year.

Governmental activities

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

For the year ended June 30, 2017, the City's governmental activities were funded as follows:

Governmental Activities Sources	
Sales and Use Taxes	47.14%
Other Taxes	20.16%
Charges for Service	14.24%
Grants	16.64%
Other	1.82%

Governmental Activities Uses	
General government	15.44%
Public safety	55.82%
Public services	17.03%
Culture and recreation	6.81%
Interest on long-term debt	4.90%

For the year ended June 30, 2017, total expenses for governmental activities amounted to \$82,689,809. To fund these activities, taxpayers and other general revenues funded \$69,363,482 while those directly benefiting from the program funded \$16,890,007 from grants and other contributions and \$14,448,848 from charges for services.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2017	2016		2017	2016	
	General government	\$ 12,766,789		\$ 11,871,690	8%	
Public safety	46,155,135	37,094,007	24%	(31,585,683)	(30,707,614)	3%
Public services	14,083,341	8,686,035	62%	(2,869,319)	(7,054,460)	-59%
Culture and recreation	5,633,777	4,872,712	16%	(5,036,466)	(4,344,930)	16%
Interest on long-term debt	4,050,767	4,307,000	-6%	(4,050,767)	(4,307,000)	-6%
TOTAL	\$82,689,809	\$66,831,444	24%	\$ (51,350,954)	\$ (53,279,846)	-4%

Business-type activities

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

- Total business-type activities reported net revenues of \$7,118,755 for the year ended June 30, 2017.
- Water, sewer and sanitation activities reported net revenues of \$2,859,862, \$5,636,151 and \$158,709 respectively for the year ended June 30 2017, while stormwater, golf and economic development activities reported net expenses of \$511,649, \$262,308 and \$762,010, respectively.

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2017	2016		2017	2016	
	Water	\$ 19,607,754		\$ 18,707,889	5%	
Sewer	11,382,164	9,837,744	16%	5,636,151	3,107,832	81%
Sanitation	6,398,649	7,207,613	-11%	158,709	(555,854)	-129%
Stormwater	5,830,828	5,165,594	13%	(511,649)	1,781,089	-129%
Golf	1,647,048	1,717,463	-4%	(262,308)	(145,388)	80%
Economic Development	1,429,271	1,513,597	-6%	(762,010)	(846,527)	-10%
TOTAL	\$46,295,714	\$44,149,900	5%	\$ 7,118,755	\$ 5,436,555	31%

A financial analysis of the City's funds

As the City completed its 2017 fiscal year, the governmental funds reported a combined fund balance of \$79,850,464 or a 21.74% increase from 2016. The combined proprietary funds reported net position of \$103,635,869 or a 7.87% increase from 2016.

Other fund highlights include:

- For the year ended June 30, 2017, the General Fund's total fund balance increased by \$2,584,491 or 25.79%.
- The Sales Tax Capital Improvement Fund's total fund balance decreased by \$1,209,780 or 14.94%.
- The General Obligation Bond Funds' total fund balance increased by \$8,245,588 or 25.81% due to the proceeds from issuance of debt exceeding capital outlay during the year.

General fund budgetary highlights

Over the course of the year, the City Council revised the General Fund budget at various times. The revised budget included an increase in overall appropriations of 1.57% or \$1,118,500.

Capital Asset and Debt Administration

Capital assets

At the end of June 30, 2017, the City had \$475,856,736 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines (see table below). This represents a net increase in net capital assets of \$14,587,882 or 3.16% over last year.

	Primary Government Capital Assets (Net of accumulated depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 36,921,966	\$ 36,220,815	\$ 5,016,257	\$ 5,016,257	\$ 41,938,223	\$ 41,237,072
Buildings	48,506,848	49,817,263	3,102,409	2,988,448	51,609,257	52,805,711
Improvements	25,027,740	22,313,419	134,397,786	134,510,579	159,425,526	156,823,998
Machinery and equipment	15,357,771	14,879,699	7,730,010	7,321,258	23,087,781	22,200,957
Infrastructure	151,617,568	155,671,298	22,211,532	20,941,924	173,829,100	176,613,222
Construction in progress	18,147,216	7,378,860	7,819,633	4,209,034	25,966,849	11,587,894
Totals	\$ 295,579,109	\$ 286,281,354	\$ 180,277,627	\$ 174,987,500	\$ 475,856,736	\$ 461,268,854

This year's more significant capital asset additions included:

- Sidewalk improvement – Shadow trails totaling \$2,910,069
- Utility system improvements totaling \$5,778,068
- Sewer infrastructure improvements totaling \$2,661,869

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

Long-term debt

At year end, the City had \$324,751,083 in long-term debt outstanding which represents a \$44,517,142 or 15.89% increase from prior year amount. The City's change in long-term debt by type of debt is as follows:

	Primary Government Long-Term Debt						Total Percentag e Change
	Governmental Activities		Business-Type Activities		Total		
	2017	(restated) 2016	2017	2016	2017	2016	
Accrued compensated absences	\$ 2,828,770	\$ 2,625,383	\$ 594,254	\$ 558,469	\$ 3,423,024	\$ 3,183,852	8%
Arbitrage rebate payable	-	19,125	-	-	-	19,125	-100%
General obligation bond	113,450,000	104,405,000	-	-	113,450,000	104,405,000	9%
Notes payable	11,778,037	12,793,037	122,226,379	101,405,206	134,004,416	114,198,243	17%
Unamortized premium	1,174,900	923,139	3,044,373	156,931	4,219,273	1,080,070	291%
Judgements payable	578,423	528,289	-	-	578,423	528,289	9%
Automotive and general liability	1,032,000	1,317,000	-	-	1,032,000	1,317,000	-22%
Meter deposit liability	-	-	938,394	910,563	938,394	910,563	3%
Claims payable	3,379,290	3,540,454	-	-	3,379,290	3,540,454	-5%
Other post employment benefit obligation	1,525,644	1,441,734	613,778	396,085	2,139,422	1,837,819	16%
Net pension obligation	53,270,591	40,578,526	-	-	53,270,591	40,578,526	31%
Capital lease obligation	-	-	316,250	635,000	316,250	635,000	-50%
Revenue bond payable	-	-	8,000,000	8,000,000	8,000,000	8,000,000	0%
Totals	<u>\$ 189,017,655</u>	<u>\$ 168,171,687</u>	<u>\$ 135,733,428</u>	<u>\$ 112,062,254</u>	<u>\$ 324,751,083</u>	<u>\$ 280,233,941</u>	16%

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

Economic Factors and Next Year's Budget and Rates

City growth continues to present a major challenge to funding the personnel and other operating costs as well as the increased demand for infrastructure improvements. The City's General Fund is highly influenced by the receipt of sales tax. Except for Fiscal Year 2010 which had a slight decrease; the City has experienced a consistent increase in sales tax collections since Fiscal Year 2003. Based on the historical growth in sales tax, the City is projecting an increase in sales tax revenue of 1.5% for Fiscal Year 2018. The City continues to monitor the local and regional economy as well as the City's expenditures to prudently manage the needs and resources available.

The Municipal Authority continues to add utility customers, water, sewer, trash and stormwater, as the City grows. The Municipal Authority's Financial Plan for Fiscal Year 2018 factored in the average growth and rate adjustments from the Black & Beatch rate study in formulating its Financial Plan.

Contacting the City's Financial Management

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

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2017

Statement of Net Position

	Broken Arrow Statement of Net Position June 30, 2017				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Broken Arrow Home Finance Authority	Broken Arrow Hospital Authority
ASSETS					
Current Assets:					
Cash and equivalents	\$ 36,879,843	\$ 46,534,380	\$ 83,414,223	\$ 2,786	\$ 10,920
Investments	19,950,295	214,268	20,164,563	-	-
Taxes receivable	897,387	-	897,387	-	-
Internal Balances	17,122,978	(17,122,978)	-	-	-
Due from other governments	11,035,811	-	11,035,811	-	-
Accrued interest receivable	50,096	4,200	54,296	-	-
Accounts receivable, net of allowance	4,509,428	7,826,266	12,335,694	-	-
Notes receivable	-	8,000,000	8,000,000	-	-
Inventory	-	930,786	930,786	-	-
Prepaid assets	13,838	38,561	52,399	-	-
Investment in joint venture	-	19,545,884	19,545,884	-	-
Capital Assets:					
Non-depreciable	55,069,182	12,835,890	67,905,072	-	-
Depreciable, net of depreciation	240,509,927	167,441,737	407,951,664	-	-
Total Assets	386,038,785	246,248,994	632,287,779	2,786	10,920
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivative	1,828,691	-	1,828,691	-	-
Deferred outflow related to refunding of debt	18,749	-	18,749	-	-
Deferred outflows related to pension	14,529,779	-	14,529,779	-	-
Total deferred outflow of resources	16,377,219	-	16,377,219	-	-
LIABILITIES					
Accounts payable	2,904,139	3,141,615	6,045,754	-	-
Accrued payroll	1,792,322	328,768	2,121,090	-	-
Accrued interest payable	1,059,910	1,128,522	2,188,432	-	-
Due to other governments	10,995	-	10,995	-	-
Other payables	-	87,561	87,561	-	-
Amounts held in escrow	98,948	212,862	311,810	-	-
Long term liabilities:					
Due within one year	14,935,779	7,187,342	22,123,121	-	-
Due in more than one year	174,081,876	128,546,086	302,627,962	-	-
Total Liabilities	194,883,969	140,632,756	335,516,725	-	-
DEFERRED INFLOWS					
Deferred inflows related to pensions	571,002	-	571,002	-	-
Interest rate swap	1,828,691	-	1,828,691	-	-
Total deferred inflow of resources	2,399,693	-	2,399,693	-	-
NET POSITION					
Net investment in capital assets	169,194,921	102,654,076	271,848,997	-	-
Restricted for:					
Capital projects	48,920,316	-	48,920,316	-	-
Debt service	10,780,950	3,569,084	14,350,034	-	-
Public Safety	4,439,524	-	4,439,524	-	-
Other purposes	2,234,975	-	2,234,975	-	-
Unrestricted (deficit)	(30,438,344)	(606,922)	(31,045,266)	2,786	10,920
Total Net Position	\$ 205,132,342	\$ 105,616,238	\$ 310,748,580	\$ 2,786	\$ 10,920

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2017

Statement of Activities

Broken Arrow
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Broken Arrow Home Finance Authority	Broken Arrow Hospital Authority
					Governmental Activities	Business-type Activities	Total		
Primary government									
Governmental Activities									
General government	\$ 12,766,789	\$ 4,954,464	\$ 3,606	\$ -	\$ (7,808,719)	\$ -	\$ (7,808,719)	\$ -	\$ -
Public safety	46,155,135	8,215,908	6,254,870	98,674	(31,585,683)	-	(31,585,683)	-	-
Public services	14,083,341	681,165	948,844	9,584,013	(2,869,319)	-	(2,869,319)	-	-
Cultural and recreation	5,633,777	597,311	-	-	(5,036,466)	-	(5,036,466)	-	-
Interest on long-term debt	4,050,767	-	-	-	(4,050,767)	-	(4,050,767)	-	-
Total governmental activities	82,689,809	14,448,848	7,207,320	9,682,687	(51,350,954)	-	(51,350,954)	-	-
Business-type activities									
Water	19,607,754	19,656,357	-	2,811,259	-	2,859,862	2,859,862	-	-
Sewer	11,382,164	11,786,827	-	5,231,488	-	5,636,151	5,636,151	-	-
Sanitation	6,398,649	6,557,358	-	-	-	158,709	158,709	-	-
Stormwater	5,830,828	5,319,179	-	-	-	(511,649)	(511,649)	-	-
Golf	1,647,048	1,325,856	-	58,884	-	(262,308)	(262,308)	-	-
Economic Development	1,429,271	667,261	-	-	-	(762,010)	(762,010)	-	-
Total business-type activities	46,295,714	45,312,838	-	8,101,631	-	7,118,755	7,118,755	-	-
Total primary government	\$ 128,985,523	\$ 59,761,686	\$ 7,207,320	\$ 17,784,318	(51,350,954)	7,118,755	(44,232,199)	-	-
Component Units									
Finance	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Total component units	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-
General revenues:									
Taxes:									
Sales and use taxes					47,831,289	-	47,831,289	-	-
Property taxes					14,348,537	-	14,348,537	-	-
Franchise and miscellaneous taxes					4,136,229	-	4,136,229	-	-
Hotel/motel taxes					522,999	-	522,999	-	-
Tobacco taxes					539,641	-	539,641	-	-
E-911 taxes					911,701	-	911,701	-	-
Intergovernmental revenue not restricted to specific programs					189,565	-	189,565	-	-
Unrestricted investment earnings					294,269	22,941	317,210	-	-
Miscellaneous					1,361,630	-	1,361,630	-	-
Transfers					(772,378)	772,378	-	-	-
Total general revenues and transfers					69,363,482	795,319	70,158,801	-	-
Change in net position					18,012,528	7,914,074	25,926,602	-	-
Net position - beginning (restated)					187,119,814	97,702,164	284,821,978	2,786	10,920
Net position - ending					\$ 205,132,342	\$ 105,616,238	\$ 310,748,580	\$ 2,786	\$ 10,920

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2017

Governmental Funds – Balance Sheet

City of Broken Arrow, Oklahoma Balance Sheet Governmental Funds June 30, 2017								
	General Fund	Public Safety Sales Tax- Police	Public Safety Sales Tax-Fire	Sales Tax Capital Improvement Fund	2014 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 609,750	\$ 805,446	\$ 209,478	\$ 38,074	\$ 14,585,588	\$ 4,531,468	\$ 12,969,686	\$ 33,749,490
Investments	-	-	-	-	12,010,022	3,925,180	4,015,093	19,950,295
Taxes receivable, net	294,713	-	-	-	-	602,674	-	897,387
Due from other funds	7,537,390	1,037,121	-	5,970,848	-	-	7,100,000	21,645,359
Receivable from other governments	7,056,759	379,327	1,084,991	1,204,888	503,785	-	806,061	11,035,811
Accrued interest receivable	-	-	-	-	29,426	5,383	15,287	50,096
Other receivables, net	3,740,620	-	57	336,145	162,642	-	269,964	4,509,428
Prepaid expenses	13,838	-	-	-	-	-	-	13,838
Total assets	<u>\$ 19,253,070</u>	<u>\$ 2,221,894</u>	<u>\$ 1,294,526</u>	<u>\$ 7,549,955</u>	<u>\$ 27,291,463</u>	<u>\$ 9,064,705</u>	<u>\$ 25,176,091</u>	<u>\$ 91,851,704</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 292,950	\$ 314,676	\$ 97,470	\$ 363,951	\$ 1,381,693	\$ -	\$ 726,258	\$ 3,176,998
Accrued payroll	1,056,231	421,033	315,058	-	-	-	-	1,792,322
Due to other funds	2,411,615	-	-	-	-	-	10,766	2,422,381
Due to other governments	10,995	-	-	-	-	-	-	10,995
Amounts held in escrow	98,948	-	-	-	-	-	-	98,948
Total liabilities	<u>3,870,739</u>	<u>735,709</u>	<u>412,528</u>	<u>363,951</u>	<u>1,381,693</u>	<u>-</u>	<u>737,024</u>	<u>7,501,644</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred revenue	2,774,637	-	723,525	300,456	48,557	489,616	162,805	4,499,596
Total deferred inflows of resources	<u>2,774,637</u>	<u>-</u>	<u>723,525</u>	<u>300,456</u>	<u>48,557</u>	<u>489,616</u>	<u>162,805</u>	<u>4,499,596</u>
Fund balances:								
Restricted	1,716,245	1,486,185	158,473	6,885,548	25,861,213	8,575,089	19,992,207	64,674,960
Committed	-	-	-	-	-	-	4,284,055	4,284,055
Assigned	10,891,449	-	-	-	-	-	-	10,891,449
Total fund balances	<u>12,607,694</u>	<u>1,486,185</u>	<u>158,473</u>	<u>6,885,548</u>	<u>25,861,213</u>	<u>8,575,089</u>	<u>24,276,262</u>	<u>79,850,464</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 19,253,070</u>	<u>\$ 2,221,894</u>	<u>\$ 1,294,526</u>	<u>\$ 7,549,955</u>	<u>\$ 27,291,463</u>	<u>\$ 9,064,705</u>	<u>\$ 25,176,091</u>	<u>\$ 91,851,704</u>

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2017

Broken Arrow
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net
Position
June 30, 2017

Total fund balance, governmental funds \$ 79,850,464

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, but are reported in the governmental activities of the Statement of Net Position 295,579,109

Certain other long-term assets are not available to pay current fund liabilities and therefore they, along with deferred outflows, are deferred in the funds:

Receivable from other governments	1,642,441
Court fines receivable	539,985
Ambulance receivable	2,189,326
Cemetery receivable	21,627
Street light fee	24,154
Interest receivable	50,096
Miscellaneous receivables	31,967
Deferred outflow - interest rate swap	1,828,691
Deferred resources related to pensions	14,529,779
Unamortized loss on refunding	18,749
	<u>20,876,815</u>

Certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of these special revenue funds are included in the business-type activities on the Statement of Net Position:

Excess Capacity Sewer Fund	(745,934)
Stormwater Capital Fund	(1,234,435)
	<u>(1,980,369)</u>

The assets and liabilities of certain internal services funds are not included in this fund financial statement, but are included in the governmental activities of the Statement of Net Position (95,709)

Certain long-term liabilities are not due and payable from current financial resources and therefore they, along with deferred inflows, are not reported in the funds:

Unamortized premium	(1,174,900)
General obligation bonds payable	(113,450,000)
Notes payable	(11,778,037)
Accrued compensated absences	(2,828,770)
Accrued interest payable	(1,059,910)
Deferred resources related to interest rate swap	(1,828,691)
Automotive and general liability	(1,032,000)
Judgments payable	(578,423)
OPEB obligation	(1,525,644)
Net pension liability	(53,270,591)
Deferred resources related to pensions	(571,002)
	<u>(189,097,968)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ 205,132,342

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2017

Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance

City of Broken Arrow, Oklahoma Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2017								
	General Fund	Public Safety Sales Tax- Police	Public Safety Sales Tax-Fire	Sales Tax Capital Improvement Fund	2014 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES								
Sales and use taxes	\$ 37,230,126	\$ 1,020,338	\$ 1,020,338	\$ 6,859,923	\$ -	\$ -	\$ 1,700,564	\$ 47,831,289
Property tax	-	-	-	-	-	14,045,021	-	14,045,021
Franchise and miscellaneous taxes	4,675,870	-	-	-	-	-	561,773	5,237,643
Intergovernmental	428,033	1,234,031	3,810,144	4,254,757	551,374	-	1,299,403	11,577,742
Charges for services	10,349,769	-	-	-	-	-	1,904,965	12,254,734
Fines and forfeitures	1,589,498	-	-	-	-	-	10,101	1,599,599
Licenses and permits	923,400	-	-	-	-	-	-	923,400
Rental income	1,172,061	-	-	-	-	-	-	1,172,061
Investment income	20,010	778	615	10,174	85,206	77,118	68,079	261,980
Miscellaneous	215,351	38,317	3,520	47,765	162,642	103	333,296	800,994
Total revenues	<u>56,604,118</u>	<u>2,293,464</u>	<u>4,834,617</u>	<u>11,172,619</u>	<u>799,222</u>	<u>14,122,242</u>	<u>5,878,181</u>	<u>95,704,463</u>
EXPENDITURES								
Current:								
General government	9,615,373	-	-	-	-	-	673,551	10,288,924
Public safety	763,168	21,667,576	21,908,050	-	-	-	130,178	44,468,972
Public services	2,968,981	-	-	-	-	-	176,477	3,145,458
Parks and recreation	3,646,535	-	-	-	-	-	-	3,646,535
Debt Service:								
Principal	-	-	-	1,015,000	-	9,859,043	-	10,874,043
Interest and other charges	-	-	-	777,307	-	3,397,576	-	4,174,883
Capital Outlay	-	294,247	186,816	10,590,092	5,386,789	-	6,784,938	23,242,882
Bond issuance costs	-	-	-	-	101,894	-	500	102,394
Total Expenditures	<u>16,994,057</u>	<u>21,961,823</u>	<u>22,094,866</u>	<u>12,382,399</u>	<u>5,488,683</u>	<u>13,256,619</u>	<u>7,765,644</u>	<u>99,944,091</u>
Excess (deficiency) of revenues over expenditures	<u>39,610,061</u>	<u>(19,668,359)</u>	<u>(17,260,249)</u>	<u>(1,209,780)</u>	<u>(4,689,461)</u>	<u>865,623</u>	<u>(1,887,463)</u>	<u>(4,239,628)</u>
OTHER FINANCING SOURCES (USES)								
Proceeds from long-term debt	-	-	-	-	18,720,000	-	-	18,720,000
Bond premium	-	-	-	-	-	354,330	-	354,330
Transfers in	14,801,750	21,148,594	17,088,769	-	-	-	-	53,039,113
Transfers out	(51,827,320)	-	-	-	-	(77,118)	(1,710,000)	(53,614,438)
Total other financing sources and uses	<u>(37,025,570)</u>	<u>21,148,594</u>	<u>17,088,769</u>	<u>-</u>	<u>18,720,000</u>	<u>277,212</u>	<u>(1,710,000)</u>	<u>18,499,005</u>
Net change in fund balances	<u>2,584,491</u>	<u>1,480,235</u>	<u>(171,480)</u>	<u>(1,209,780)</u>	<u>14,030,539</u>	<u>1,142,835</u>	<u>(3,597,463)</u>	<u>14,259,377</u>
Fund balances - beginning, restated	<u>10,023,203</u>	<u>5,950</u>	<u>329,953</u>	<u>8,095,328</u>	<u>11,830,674</u>	<u>7,432,254</u>	<u>27,873,725</u>	<u>65,591,087</u>
Fund balances - ending	<u>\$ 12,607,694</u>	<u>\$ 1,486,185</u>	<u>\$ 158,473</u>	<u>\$ 6,885,548</u>	<u>\$ 25,861,213</u>	<u>\$ 8,575,089</u>	<u>\$ 24,276,262</u>	<u>\$ 79,850,464</u>

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2017

Broken Arrow
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds: \$ 14,259,377

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	14,569,617
Proceeds from sale of capital assets	(114,992)
Capital assets contributed	4,373,549
Depreciation expense	(9,530,419)
	9,297,755

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Revenue bond principal payment	9,675,000
Bond proceeds	(18,720,000)
Premium on bonds	(354,330)
Amortization of premium on bonds	102,569
Issuance of judgements	(234,177)
Principal paid on judgements	184,043
Notes payable principal payment	1,015,000
	(8,331,895)

Certain assets are not reported in the funds on the modified accrual basis of accounting, however, at the government-wide financial statements are reported due to the accrual basis of accounting:

Changes in deferred outflow - interest rate swap	(879,101)
Changes in deferred resources related to pensions	9,641,032
	8,761,931

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned:

Change in deferred revenue	2,004,060
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected on Governmental funds	26,332
Accrued compensated absences change	(203,387)
Change in interest rate swap deferral	879,101
Net OPEB obligation change	(83,910)
Change in net pension liability	(12,692,065)
Change in deferred inflows related to pensions	3,676,666
Change in arbitrage rebate liability	19,125
Amortization of loss on advanced refunding	(4,785)
Change in claims liability	285,000
	(8,097,923)

Certain special revenue funds are used by management to perform business-type activities. The net change in fund balances of these special revenue funds are included in the business-type activities on the Statement of Activities:

Change in Excess Capacity Sewer Fund	(152,430)
Change in Stormwater Capital Fund	(197,894)
	(350,324)

Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the statement of Activities:

Total change in net position for internal service funds	469,547
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Change in net position of governmental activities	\$ 18,012,528
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See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2017

Proprietary Funds – Statement of Net Position

Broken Arrow
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds			Total	Internal Service Funds
	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 164,076	\$ 88,082	\$ 252,158	\$ 3,303,833
Restricted cash and cash equivalents	41,316,618	-	-	41,316,618	-
Investments	214,268	-	-	214,268	-
Accounts receivable, net	7,825,172	-	1,094	7,826,266	-
Due from other funds	2,876,659	-	-	2,876,659	-
Interest receivable	-	4,200	-	4,200	-
Inventories	868,014	-	62,772	930,786	-
Prepaid assets	20,500	-	18,061	38,561	-
Total current assets	<u>53,121,231</u>	<u>168,276</u>	<u>170,009</u>	<u>53,459,516</u>	<u>3,303,833</u>
Noncurrent assets:					
Restricted cash and cash equivalents	4,036,098	756,026	-	4,792,124	-
Notes receivable	-	8,000,000	-	8,000,000	-
Investment in joint venture	19,545,884	-	-	19,545,884	-
Capital Assets:					
Land and other nondepreciable assets	10,425,905	2,229,985	180,000	12,835,890	-
Other capital assets, net of accumulated depreciation	162,939,930	174,561	4,327,246	167,441,737	-
Total noncurrent assets	<u>196,947,817</u>	<u>11,160,572</u>	<u>4,507,246</u>	<u>212,615,635</u>	<u>-</u>
Total assets	<u>250,069,048</u>	<u>11,328,848</u>	<u>4,677,255</u>	<u>266,075,151</u>	<u>3,303,833</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	2,510,074	-	338,430	2,848,504	20,252
Accrued payroll payable	328,768	-	-	328,768	-
Accrued interest payable	1,058,159	70,363	-	1,128,522	-
Due to other funds	17,813,745	3,750,000	535,892	22,099,637	-
Other accrued expenses	-	-	87,561	87,561	-
Amounts held in escrow	212,862	-	-	212,862	-
Compensated absences	396,169	-	-	396,169	-
Claims and judgments	-	-	-	-	1,238,000
Meter deposit liability	187,679	-	-	187,679	-
Bonds, notes and loans payable, net	5,893,283	435,000	20,211	6,348,494	-
Capital lease obligation	255,000	-	-	255,000	-
Total current liabilities	<u>28,655,739</u>	<u>4,255,363</u>	<u>982,094</u>	<u>33,893,196</u>	<u>1,258,252</u>
Non-current liabilities:					
Compensated absences	198,085	-	-	198,085	-
Claims and judgments	-	-	-	-	2,141,290
Meter deposit liability	750,715	-	-	750,715	-
Bonds, notes and loans payable, net	111,161,801	15,740,000	20,457	126,922,258	-
Capital lease obligation	61,250	-	-	61,250	-
Net OPEB obligation	613,778	-	-	613,778	-
Total non-current liabilities	<u>112,785,629</u>	<u>15,740,000</u>	<u>20,457</u>	<u>128,546,086</u>	<u>2,141,290</u>
Total liabilities	<u>141,441,368</u>	<u>19,995,363</u>	<u>1,002,551</u>	<u>162,439,282</u>	<u>3,399,542</u>
NET POSITION					
Net investment in capital assets	95,782,952	2,404,546	4,466,578	102,654,076	-
Restricted for debt service	3,569,084	-	-	3,569,084	-
Unrestricted (deficit)	9,275,644	(11,071,061)	(791,874)	(2,587,291)	(95,709)
Total net position	<u>\$ 108,627,680</u>	<u>\$ (8,666,515)</u>	<u>\$ 3,674,704</u>	<u>\$ 103,635,869</u>	<u>\$ (95,709)</u>

Some amounts reported for business-type activities in the Statement of Net Position are different because certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of certain special revenue funds are included in the business-type activities in the Statement of Net Position.

1,980,369

Total net position per Government-Wide financial statements

\$ 105,616,238

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2017

Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Position

Broken Arrow
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds			Total	Internal Service Funds
	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course		
OPERATING REVENUES					
Water charges	\$ 19,059,695	\$ -	\$ -	\$ 19,059,695	\$ -
Sewer charges	11,281,592	-	-	11,281,592	-
Sanitation charges	6,358,341	-	-	6,358,341	-
Stormwater fees	4,795,114	-	-	4,795,114	-
Fees and fines	917,171	-	-	917,171	-
Golf	-	-	1,325,856	1,325,856	-
Miscellaneous	381,896	667,261	-	1,049,157	-
Self insurance charges	-	-	-	-	9,791,261
Total operating revenues	<u>42,793,809</u>	<u>667,261</u>	<u>1,325,856</u>	<u>44,786,926</u>	<u>9,791,261</u>
OPERATING EXPENSES					
General government	840,472	1,151,091	-	1,991,563	-
Finance and administration	1,201,975	-	-	1,201,975	-
Engineering and construction	2,387,739	-	-	2,387,739	-
Water distribution	9,753,418	-	-	9,753,418	-
Sanitary sewer system	5,443,844	-	-	5,443,844	-
Sanitation services	4,931,800	-	-	4,931,800	-
Support services	3,001,390	-	-	3,001,390	-
Stormwater	3,115,765	-	-	3,115,765	-
Claims expense	-	-	-	-	9,323,290
Golf	-	-	1,304,444	1,304,444	-
Depreciation	8,510,474	10,105	183,845	8,704,424	-
Total Operating Expenses	<u>39,186,877</u>	<u>1,161,196</u>	<u>1,488,289</u>	<u>41,836,362</u>	<u>9,323,290</u>
Operating income (loss)	<u>3,606,932</u>	<u>(493,935)</u>	<u>(162,433)</u>	<u>2,950,564</u>	<u>467,971</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	17,883	3,779	390	22,052	1,576
Gain (Loss) from joint venture	(10,609)	-	-	(10,609)	-
Gain on disposal of capital assets	45,496	-	-	45,496	-
Bond issuance costs	(442,337)	-	-	(442,337)	-
Interest expense and fiscal charges	(3,400,561)	(268,075)	(9,736)	(3,678,372)	-
Total non-operating revenue (expenses)	<u>(3,790,128)</u>	<u>(264,296)</u>	<u>(9,346)</u>	<u>(4,063,770)</u>	<u>1,576</u>
Income (loss) before contributions and transfers	(183,196)	(758,231)	(171,779)	(1,113,206)	469,547
Capital contributions	8,042,747	-	58,884	8,101,631	-
Transfers in	13,729,961	1,159,992	-	14,889,953	-
Transfers out	(14,314,628)	-	-	(14,314,628)	-
Change in net position	<u>7,274,884</u>	<u>401,761</u>	<u>(112,895)</u>	<u>7,563,750</u>	<u>469,547</u>
Total net position (deficit) - beginning, restated	101,352,796	(9,068,276)	3,787,599	96,072,119	(565,256)
Total net position (deficit) - ending	<u>\$ 108,627,680</u>	<u>\$ (8,666,515)</u>	<u>\$ 3,674,704</u>	<u>\$ 103,635,869</u>	<u>\$ (95,709)</u>

Change in net position, per above

7,563,750

Some amounts reported for business-type activities in the Statement of Activities are different because certain special revenue funds are used by management to perform business-type activities. The activities of certain special revenue funds are included in the business-type activities in the Statement of Activities.

350,324

Change in Business-Type Activities in Net Position per Government-Wide Financial Statements

\$ 7,914,074

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2017

Proprietary Funds – Statement of Cash Flows

Broken Arrow
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds			Total Enterprise Funds	Internal Service Funds
	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 42,190,011	\$ 667,261	\$ 1,325,678	\$ 44,182,950	\$ 9,791,261
Payments to suppliers	(16,744,566)	(1,152,291)	(1,281,246)	(19,178,103)	-
Payments to employees	(14,952,421)	-	-	(14,952,421)	-
Receipts of customer meter deposits	282,568	-	-	282,568	-
Payment of customer meter deposits	(254,737)	-	-	(254,737)	-
Claims and judgments paid	-	-	-	-	(9,549,930)
Interfund receipts	3,502,130	-	(34,037)	3,468,093	-
Net cash provided by (used in) operating activities	<u>14,022,985</u>	<u>(485,030)</u>	<u>10,395</u>	<u>13,548,350</u>	<u>241,331</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	13,729,961	1,159,992	-	14,889,953	-
Transfer to other funds	(14,314,628)	-	-	(14,314,628)	-
Net cash provided by (used in) noncapital financing activities	<u>(584,667)</u>	<u>1,159,992</u>	<u>-</u>	<u>575,325</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(6,999,522)	-	-	(6,999,522)	-
Capital grant received	780,580	-	-	780,580	-
Proceeds from issuance of debt	27,005,853	-	-	27,005,853	-
Note issuance costs	(442,337)	-	-	(442,337)	-
Premium on issuance of debt	2,938,447	-	-	2,938,447	-
Proceeds from sale of capital assets	121,518	-	-	121,518	-
Principal paid on capital debt	(5,827,178)	(415,000)	(11,252)	(6,253,430)	-
Interest paid on capital debt	(3,051,590)	(257,041)	(9,736)	(3,318,367)	-
Net cash provided by (used in) capital and related financing activities	<u>14,525,771</u>	<u>(672,041)</u>	<u>(20,988)</u>	<u>13,832,742</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	(8,612)	-	-	(8,612)	-
Interest and dividends	17,883	3,779	390	22,052	1,576
Net cash provided by (used in) investing activities	<u>9,271</u>	<u>3,779</u>	<u>390</u>	<u>13,440</u>	<u>1,576</u>
Net Increase (decrease) in cash and cash equivalents	27,973,360	6,700	(10,203)	27,969,857	242,907
Balances-beginning of year	17,379,356	913,402	98,285	18,391,043	3,060,926
Balances-end of year	<u>\$ 45,352,716</u>	<u>\$ 920,102</u>	<u>\$ 88,082</u>	<u>\$ 46,360,900</u>	<u>\$ 3,303,833</u>
Reconciliation to Combining Statement of Net Position:					
Cash and cash equivalents	\$ -	\$ 164,076	\$ 88,082	\$ 252,158	\$ 3,303,833
Restricted cash and cash equivalents-current	41,316,618	-	-	41,316,618	-
Restricted cash and cash equivalents-noncurrent	4,036,098	756,026	-	4,792,124	-
Total cash and cash equivalents, end of year	<u>\$ 45,352,716</u>	<u>\$ 920,102</u>	<u>\$ 88,082</u>	<u>\$ 46,360,900</u>	<u>\$ 3,303,833</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 3,606,932	\$ (493,935)	\$ (162,433)	\$ 2,950,564	\$ 467,971
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	8,510,474	10,105	183,845	8,704,424	-
Change in assets and liabilities:					
Receivables, net	(586,195)	-	(178)	(586,373)	-
Due from other funds	(81,222)	-	-	(81,222)	-
Investment in joint venture	(1,747,027)	-	-	(1,747,027)	-
Inventories	(102,989)	-	(354)	(103,343)	-
Prepaid assets	-	-	(7,388)	(7,388)	-
Accounts payables	1,033,198	(1,200)	57,888	1,089,886	(65,476)
Accrued payroll	(457,244)	-	-	(457,244)	-
Due to other funds	3,583,352	-	(34,037)	3,549,315	-
Other payables	-	-	(26,948)	(26,948)	-
Amounts held in escrow	(17,603)	-	-	(17,603)	-
Accrued compensated absences	35,785	-	-	35,785	-
Customer meter deposits payable	27,831	-	-	27,831	-
Claims and judgments	-	-	-	-	(161,164)
Net OPEB obligation	217,693	-	-	217,693	-
Net cash provided by (used in) operating activities	<u>\$ 14,022,985</u>	<u>\$ (485,030)</u>	<u>\$ 10,395</u>	<u>\$ 13,548,350</u>	<u>\$ 241,331</u>
Non-cash Activities:					
Capital assets donated	\$ 7,012,167	\$ -	\$ -	\$ 7,012,167	\$ -
Forgiveness of debt	250,000	-	-	250,000	-
Total Non-cash Activities	<u>\$ 7,262,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,262,167</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2017

Statement of Fiduciary Net Position

Broken Arrow
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 782,746
Accounts receivable	59,024
Total assets	<u>\$ 841,770</u>
LIABILITIES	
Amounts held in escrow	841,770
Total liabilities	<u>\$ 841,770</u>

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Note 1 – Summary of Significant Accounting Policies

Organization and operations

The City's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

Financial reporting entity

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

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

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity as amended by GASB 61*, and includes all component units of which the City is fiscally accountable. Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance city services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, in most cases, the City has leased certain existing assets at the creation of the Authorities to the trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

Blended component units

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

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

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

Discretely presented component units

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

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

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

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

Related organizations

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

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

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

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

Joint venture

The City is currently a participant (with equity interest) in the general operating portion of the Regional Metropolitan Utility Authority (RMUA). The RMUA is a Title 60 Public Trust created to provide, operate, and maintain water supply, wastewater and pollution control facilities for the benefit of various governmental entities. Currently, the Authority is providing wastewater facilities at the Haikey Creek sewage treatment plants. On dissolution of the Authority, the net position will be distributed to the beneficiaries based upon their pro-rata interest. Separate audited financial statements of RMUA for the year ended June 30, 2017, are available from the Office of Finance, City of Tulsa, Oklahoma.

Basis of presentation

Government-wide financial statements

The statement of net position and statement of activities display information about the City as a whole including component units. They include all financial activities of the reporting entity except for fiduciary activities. Eliminations have been made to minimize the double reporting of transactions involving internal activities. Individual funds are not displayed in these statements. Instead, the statements distinguish

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund financial statements

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

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

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

Governmental funds:

General fund

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

Special revenue funds

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Special revenue funds – (continued)

Fund	Brief Description
Public Safety Sales Tax-Police	Accounts for revenues generated by a 0.15% sales tax to be used strictly for police expenditures.
Public Safety Sales Tax-Fire	Accounts for revenues generated by a 0.15% sales tax to be used strictly for fire expenditures.
Excess Capacity Sewer Escrow	Accounts for acreage fees limited in use to expenditures for excess capacity sewer lines.
Stormwater Capital	Accounts for funds received in lieu of building a detention facility to be used for future or ongoing stormwater improvement and regional detention projects.
Convention and Visitors Bureau	Accounts for funds received in relation to leisure, cultural and recreational activities within the City.
Police Enhancement	Accounts for monies limited in use for police department education and drug prevention activities.
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
Housing and Urban Development	Accounts for revenue and expenditures of Community Development Block Grants and the Home program.
E-911 Escrow	Accounts for the City's share of E-911 customer assessment that is legally restricted for public safety.
Crime Prevention	Accounts for revenues and expenditures of a grant from the U.S. Department of Justice.
Alcohol Enforcement	Accounts for funds received limited in use for juvenile education and enforcement related to alcohol.
Street Light Fee	Accounts for funds received limited in use for operating, maintaining and construction of the street light program.

Debt service fund

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Capital project funds

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

Fund	Brief Description
Sales Tax Capital Improvement	Accounts for the revenues generated by a 0.5% sales tax to be used strictly for capital improvements. This fund is the primary funding source for capital outlay expenditures of General Fund departments.
2014 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation, stormwater improvements and the purchase and construction of public buildings
Parks and Recreation	Accounts for fees collected on the construction of new residences which are restricted in use for park and recreation improvements.
Cemetery Care	Accounts for 12.5% of cemetery revenue restricted by state law and an additional 12.5% contributed by the City for cemetery capital improvement.
Street Sales Tax	Accounts for revenues generated by a 0.25% sales tax to be used strictly for street improvements.
1994 General Obligation Bond Fund	Accounts for bond proceeds to be used for industrial development purposes within the City.
2008 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements.
2011 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements.

Proprietary funds

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

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Enterprise funds

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

Internal service funds

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

Component units

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

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

Measurement focus and basis of accounting

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

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Measurement focus:

Government-wide, proprietary and fiduciary fund financial statements

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

Governmental fund financial statements

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

Basis of accounting:

Government-wide, proprietary and fiduciary fund financial statements

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

Governmental fund financial statements

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

Assets, deferred outflows, liabilities, deferred inflows and net position

Cash and cash equivalents

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

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Investments

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

Receivables

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

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

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

Inventories

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

Capital assets and depreciation

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

Government-wide statements

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

Depreciation of all exhaustible capital assets is recorded as an operating expense in proprietary fund financial statements and an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives

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using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

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

Restricted assets

Restricted assets include cash and investments of enterprise funds and business-type activities that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits, revenue bonds, and Oklahoma Water Resources Board (OWRB) trustee accounts.

Long-term debt

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

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

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

Compensated absences

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

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

Equity classifications:

Government-wide and proprietary fund financial statements

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

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- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

Governmental fund financial statements

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

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

Internal and interfund balances and activities

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

Government-wide financial statements:

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

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2. Internal activities – amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers – internal activities. The effects of interfund services between funds are not eliminated in the statement of activities.
3. Primary government and component unit activity and balances – resource flows between the primary government, the City and BAMA, are reported as if they were external transactions.

Fund financial statements

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

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

Fund financial statements – cont.

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

Revenues, expenditures and expenses

Sales tax

The City had levied a three-cent sales tax on taxable sales within the City through December 2016. Effective January 2017, an additional 0.55 cent was levied bringing the total levy to 3.55 cents. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax recorded is allocated 1.5 cent (42.3%) for General Fund operations, 1 cent (28.2%) for the Broken Arrow Municipal Authority, 0.5 cent (14.1%) for capital improvements, 0.25 cent (7%) for Street Sales Tax Fund, 0.15 cent (4.2%) for the Public Safety Sales Tax-Police Fund, and 0.15 cent (4.2%) for the Public Safety Sales Tax-Fire Fund. Sales tax resulting from sales occurring prior to year-end and received by the City after year end have been accrued and are included under the caption *due from other governments*, since they represent taxes on sales occurring during the reporting period.

Property tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-

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assessed judgments. At the present time, the City levies a property tax to fund the annual debt service requirements of the general obligation bonds and court-assessed judgments.

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

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2017, the City's net assessed valuation of taxable property was \$829,218,021. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2017, was \$16.92.

Program revenues

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

1. General government – Cemetery fees, licenses, permits, planning and zoning fees; operating and capital grants and contributions including U.S. Department of Housing and Urban Development.
2. Public safety – Ambulance revenue, court fines and administrative fees; operating and capital grants and contributions including U.S. Department of Justice, Federal Emergency Management Agency and miscellaneous donations.
3. Public services – Operating and capital grants and contributions including Federal Emergency Management Agency, U.S. Department of Housing and Urban Development, motor fuel and commercial vehicle intergovernmental revenues.
4. Culture and recreation – Park and recreation fees, swimming pool fees, rents and royalties; operating and capital grants and contributions including Oklahoma Arts Council and miscellaneous donations.

Land and Building Lease

The City leases land and a building to Bass Pro Shops under a lease which commenced May 2004. The initial term of the lease is 20 years and includes nine one-year renewal options and three five-year renewal options. Rental income is calculated as a percentage of gross sales. Bass Pro Shops has the option to purchase the premises for 90% of fair market value after the initial term. Total rental income received during 2017 was \$625,065.

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Expenditures and expenses

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

Use of estimates

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

Note 2 – Stewardship, Compliance and Accountability

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

Deposits and investments laws and regulations

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

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

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
3. With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements.
4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

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5. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs 1, 2, 3, and 4.

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

Debt restrictions and covenants

Other long-term debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. During Fiscal Year 2017, the City issued General Obligation Bonds Series 2016D in the amount of \$18,720,000 which were approved by the citizens of the City.

Revenue bond and promissory note debt

The various bond and note indentures relating to the revenue bond and promissory note issuances of the Broken Arrow Municipal Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, a debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2017.

Requirement	Level of Compliance
a. Flow of Funds:	
OWRB Loans:	
<ul style="list-style-type: none"> • Utility Revenue Fund • Sales Tax Fund • Operation and Maintenance Fund • Bond Fund (interest, principal and reserve accounts) 	All funds, except for a separate Utility Revenue Fund have been established. Utility revenue is deposited directly into O & M Fund. Method of actual transfers of funds is not made specifically in accordance with bond covenants; however, the end result of the flow of funds is being accomplished.
b. Reserve Account Requirement:	
OWRB Loans:	
<ul style="list-style-type: none"> • Account balance on the 2012 OWRB note payable should equal \$2,435,677. 	Account balance at June 30, 2017 for the 2012 OWRB note payable is \$2,435,677.
<ul style="list-style-type: none"> • Account balance on the 2015 OWRB note payable should equal \$849,706 	Account balance at June 30, 2017 for the 2015 OWRB note payable is \$849,706

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c. Revenue Bond Coverage:

OWRB Loans:

- Net revenues of the Authority plus 125% of maximum annual debt service of all obligations on a parity with the OWRB 1997 A & C, 1999B, 2001, 2004, 2007, 2009, 2011, 2012, 2015, 2016 A&B and 2017 A& B notes. Maximum annual debt service on all parity debt is \$9,620,270. Coverage is 269%.

Fund equity/net position restrictions

Fund equity deficit

Title 11, section 17-211 of the Oklahoma statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding Public Trusts). The City had no fund balance deficits at June 30, 2017.

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, 2017, the City complied in all material respects with the applicable budget laws relating to expenditures and appropriations at the legal level of control.

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Workers Compensation internal service fund has a net deficit of \$885,427 primarily due to actuarially determined unfunded liabilities. It is the City's intent to fund the liabilities as soon as economically feasible.

Note 3 – Detail Notes on Transaction Classes/Accounts

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

Deposits

As of June 30, 2017, the City held the following deposits and investments:

<u>Primary Government:</u>	<u>Carrying Value</u>	<u>Maturities in Years</u>		
		<u>On Demand</u>	<u>Less than One</u>	<u>1-5</u>
Deposits:				
Cash on hand	\$ 20,318	\$ 20,318	\$ -	\$ -
Demand deposits	33,968,351	33,968,351	-	-
Time deposits - certificate of deposits	24,597,372	-	8,582,279	16,015,093
	<u>Credit Rating</u>	<u>Fair Value Categories</u>		
Investments:				
Judgements	N/A	N/A	578,423	-
Bond Trustee Accounts:				
Caval Hill US Treasury-Admin #0002	AAAm	Level I	44,414,322	44,414,322
Total deposits and investments			<u>\$ 103,578,786</u>	<u>\$ 78,402,991</u>
				<u>\$ 8,851,382</u>
				<u>\$ 16,324,413</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 83,414,223			
Investments	20,164,563			
	<u>\$ 103,578,786</u>			
Component Units:				
Broken Arrow Home Finance Authority	\$ 2,786			
Broken Arrow Hospital Authority	10,920			
	<u>\$ 13,706</u>			

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

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

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

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

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Interest rate swap agreement

In May 2004, the City entered into a twenty year interest rate swap agreement as a cash flow hedge for \$15,035,000 of its variable rate portion of a Construction and Term loan. The City owes interest on this portion of the loan at a variable rate of LIBOR plus 100 basis points not to exceed 6.2975%. The counterparty to the swap agreement owes the City interest if the LIBOR rate exceeds 6.2975%. The counterparty has not made any payments to the City since the LIBOR rate has not yet exceeded 6.2975%. The objective of the hedge is to cap the interest rate paid at 6.2975% plus 100 basis points (7.2975%). The City has achieved that objective and is reporting the derivative under hedge accounting standards according to GASB 53, *Accounting and Financial Reporting for Derivative Instruments*. The notional amount of the hedging derivative at June 30, 2017 is \$9,710,000.

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

<u>Year Ending June 30,</u>	<u>Assumed Interest Rate</u>	<u>Hedging Derivative Cash Flow</u>
2018	< 6.2975%	\$ (433,937)
2019	< 6.2975%	(362,833)
2020	< 6.2975%	(299,840)
2021	< 6.2975%	(242,135)
2022	< 6.2975%	(189,315)
2023-2026	< 6.2975%	(300,631)
Total		<u>\$ (1,828,691)</u>

Accounts receivable

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable	\$ -	\$ 10,162,988
Accounts receivable-ambulance	2,588,927	-
Accounts receivable-court	1,281,584	-
Accounts receivable-other	1,451,590	-
Less: allowance for uncollectible accounts	<u>(812,673)</u>	<u>(2,336,722)</u>
Other receivables, net of allowance	<u>\$ 4,509,428</u>	<u>\$ 7,826,266</u>

Notes receivable

The notes receivable reported by the Broken Arrow Economic Development Authority totaling \$8,000,000 consists of one note with Blue Bell Creameries, Inc. The note was funded through industrial development,

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revenue notes and bonds for the expansion and construction of facilities and/or the purchase of equipment. The Authority entered into note purchase agreements on each project with the borrower and has recognized a corresponding bond payable for the same amount.

Restricted assets

The amounts reported as restricted assets of the enterprise funds on the proprietary funds statement of net position are comprised of cash and investments held by the trustee bank on behalf of the various public trusts (authorities) related to their required revenue bond and note accounts as described in Note 2. The restricted assets as of June 30, 2017, were as follows:

Type of Restricted Assets	Current Cash and Cash Equivalents	Noncurrent Cash and Cash Equivalents	Total
BAMA			
Revenue bond and note trustee accounts	\$ 41,128,939	\$ 3,285,383	\$ 44,414,322
Meter deposits	187,679	750,715	938,394
Total BAMA	\$ 41,316,618	\$ 4,036,098	\$ 45,352,716
BAEDA			
Revenue bond and note trustee accounts	\$ -	\$ 756,026	\$ 756,026
Total BAEDA	\$ -	\$ 756,026	\$ 756,026

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Capital assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	(Restated) Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017
Governmental activities:				
Nondepreciable:				
Land	\$ 36,220,815	\$ 701,151	\$ -	\$ 36,921,966
Construction-in-progress	7,378,860	11,420,385	(652,029)	18,147,216
Total nondepreciable assets at historical cost	<u>\$ 43,599,675</u>	<u>\$ 12,121,536</u>	<u>\$ (652,029)</u>	<u>\$ 55,069,182</u>
Depreciable:				
Buildings	63,011,600	-	-	63,011,600
Improvements	33,315,925	4,047,010	(282,086)	37,080,849
Machinery and equipment	37,612,729	2,976,551	(2,426,561)	38,162,719
Infrastructure	239,051,913	450,098	-	239,502,011
Total depreciable assets at historical cost	<u>372,992,167</u>	<u>7,473,659</u>	<u>(2,708,647)</u>	<u>377,757,179</u>
Less accumulated depreciation:				
Buildings	(13,194,337)	(1,310,415)	-	(14,504,752)
Improvements	(11,002,506)	(1,313,288)	262,685	(12,053,109)
Machinery and equipment	(22,733,030)	(2,402,888)	2,330,970	(22,804,948)
Infrastructure	(83,380,615)	(4,503,828)	-	(87,884,443)
Total accumulated depreciation	<u>(130,310,488)</u>	<u>(9,530,419)</u>	<u>2,593,655</u>	<u>(137,247,252)</u>
Net depreciable assets	<u>242,681,679</u>	<u>(2,056,760)</u>	<u>(114,992)</u>	<u>240,509,927</u>
Governmental activities capital assets, net	<u>\$ 286,281,354</u>	<u>\$ 10,064,776</u>	<u>\$ (767,021)</u>	<u>\$ 295,579,109</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Capital assets – (continued)

	(Restated) Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017
Business-type activities:				
Nondepreciable:				
Land	\$ 5,016,257	\$ -	\$ -	\$ 5,016,257
Construction-in-progress	4,209,034	4,593,739	(983,140)	7,819,633
Total nondepreciable assets at historical cost	9,225,291	4,593,739	(983,140)	12,835,890
Depreciable:				
Buildings	7,006,220	290,670	-	7,296,890
Improvements	259,762,809	5,778,068	(244,397)	265,296,480
Machinery and equipment	17,235,530	1,729,367	(2,083,719)	16,881,178
Infrastructure – drainage	36,542,586	2,661,869	-	39,204,455
Total depreciable assets at historical cost	320,547,145	10,459,974	(2,328,116)	328,679,003
Less accumulated depreciation:				
Buildings	(4,017,772)	(176,709)	-	(4,194,481)
Improvements	(125,252,230)	(5,888,096)	241,632	(130,898,694)
Machinery and equipment	(9,914,272)	(1,247,358)	2,010,462	(9,151,168)
Infrastructure – drainage	(15,600,662)	(1,392,261)	-	(16,992,923)
Total accumulated depreciation	(154,784,936)	(8,704,424)	2,252,094	(161,237,266)
Net depreciable assets	165,762,209	1,755,550	(76,022)	167,441,737
Business-type capital assets, net	\$ 174,987,500	\$ 6,349,289	\$ (1,059,162)	\$ 180,277,627

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

Depreciation expense charged to governmental activities:	
General government	\$ 1,379,540
Public safety	1,544,280
Public services	5,194,643
Culture and recreation	1,411,956
Total government activities depreciation expense	\$ 9,530,419

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Depreciation expense charged to business-type activities:	
Water	\$ 3,853,104
Sewer	2,649,542
Sanitation	328,332
Stormwater management	1,679,496
Economic development	10,105
Golf	183,845
	<hr/>
Total business-type activities depreciation expense	<u>\$ 8,704,424</u>

Investment in joint venture

As discussed in Note 1, the City participates (with equity interest) in the general operations portion of the Regional Metropolitan Utility Authority (RMUA). The City of Broken Arrow and the City of Tulsa each maintain approximately 50% equity interest in the Haikey Creek portion of the RMUA. The City of Broken Arrow makes annual capital contributions to the joint venture in addition to making payments to RMUA for wastewater treatment services. For the year ended June 30, 2017, the "investment in joint venture" balance changed as follows:

Beginning investment in joint venture	\$ 17,809,466
Current year contributions	1,747,027
Gain (loss) from joint venture	<u>(10,609)</u>
Ending investment in joint venture	<u>\$ 19,545,884</u>

Long-term debt

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

Governmental activities long-term debt

As of June 30, 2017, the governmental activities long-term debt consisted of the following:

\$4,075,000 General Obligation Bonds of 2002, due in annual installments of \$290,000, final installment of \$305,000 due August 1, 2017, with interest rates at 2.75% to 5.75%	\$ 305,000
\$7,725,000 General Obligation Bonds of 2003, due in annual installments of \$550,000, final installment of \$575,000 due August 1, 2018, with interest rates at 3.0% to 4.0%	1,125,000
\$10,685,000 General Obligation Bonds of 2008, due in annual installments of \$760,000, final installment of \$805,000 due April 1, 2023, with interest rates at 3.50% to 5.0%	4,605,000
\$11,400,000 General Obligation Bonds Series 2009B, due in annual installments of \$810,000, final installment of \$870,000 due March 1, 2024, with interest rates at 2.50% to 4.65%	5,730,000

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

\$3,225,000 General Obligation Bonds Series 2009C, due in annual installments of \$230,000, final installment of \$235,000 due December 1, 2024, with interest rates at 2.25% to 3.75%	1,845,000
\$6,400,000 General Obligation Bonds Series 2009D, due in annual installments of \$455,000, final installment of \$485,000 due December 1, 2024, with interest rates at 2.25% to 3.75%	3,670,000
\$1,940,000 General Obligation Bonds Series 2010A, due in annual installments of \$215,000, final installment of \$220,000 due August 1, 2020, with interest rates at 1.35% to 4.00%	865,000
\$10,575,000 General Obligation Bonds Series 2010B, due in annual installments of \$555,000, final installment of \$585,000 due August 1, 2030, with interest rates at 2.00% to 4.00%	7,800,000
\$5,000,000 General Obligation Bonds Series 2011A, due in annual installments of \$260,000, final installment of \$320,000 due August 1, 2031, with interest rates at 2.00% to 4.125%	3,960,000
\$11,400,000 General Obligation Bonds Series 2011B, due in annual installments of \$600,000, final installment of \$650,000 due August 1, 2031, with interest rates at 2.00% to 4.125%	9,050,000
\$12,000,000 General Obligation Bonds Series 2012, due in annual installments of \$630,000, final installment of \$660,000 due November 1, 2032, with interest rates at 1.00% to 4.00%	10,110,000
\$3,700,000 General Obligation Bonds Series 2013A, due in annual installments of \$410,000, final installment of \$420,000 due December 1, 2023, with interest rates at 1.00% to 2.375%	2,880,000
\$6,200,000 General Obligation Bonds Series 2013B, due in annual installments of \$325,000, final installment of \$350,000 due December 1, 2033, with interest rates at 1.00% to 4.00%	5,550,000
\$11,705,000 General Obligation Bonds Series 2014A, due in annual installments of \$615,000, final installment of \$635,000 due December 1, 2034, with interest rates at 3.00% to 5.00%	11,090,000
\$3,175,000 General Obligation Bonds Series 2014B, due in annual installments of \$350,000, final installment of \$375,000 due December 1, 2024 with interest rates at 2.00% to 3.00%	2,825,000
\$11,575,000 General Obligation Bonds Series 2016A, due in annual installments of \$605,000, final installment of \$685,000 due January 1, 2036, with interest rates at 2.00% to 4.00%	11,575,000
\$6,625,000 General Obligation Bonds Series 2016B, due in annual installments of \$345,000, final installment of \$341,000 due January 1, 2036, with interest rates at 2.50% to 3.25%	6,625,000
\$7,015,000 General Obligation Refunding Bonds Series 2016C, due in annual installments of \$1,895,000, \$1,890,000, \$1,830,000 and \$1,045,000 commencing June 1, 2017, final installment due June 1, 2021 with interest rates at 0.65% to 3.00%	5,120,000
\$18,720,000 General Obligation Refunding Bonds Series 2016D, due in annual installments ranging from \$20,000 to \$1,265,000 commencing October 1, 2020, final installment due October 1, 2044 with interest rates at 2.00% to 5.00%	18,720,000

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Total general obligation bonds	113,450,000
Unamortized premium on bonds	1,174,900
	<hr/>
Total general obligations bonds	\$114,624,900
	<hr/>
Current portion	\$ 10,019,830
Noncurrent portion	104,605,070
	<hr/>
Total general obligations bonds	\$ 114,624,900
	<hr/>

Notes payable

\$20,300,000 Construction and Term Loan dated May 10, 2004, assumed by the City on May 19, 2004. Converted to term loan effective November 1, 2005, due in semi-annual installments ranging from \$15,000 to \$925,000, final installment due November 1, 2025, with interest at the six-month LIBOR rate plus 1.0% (0.99310% at June 30, 2016), secured by real and personal property, assignment of rents and leases and a Sales Tax Pledge agreement of sales tax levied by City Ordinance No. 432 in the amount of \$2,750,000 annually

\$ 11,778,037

Current portion	\$ 1,090,000
Noncurrent portion	10,688,037
	<hr/>
Total notes payable	\$ 11,778,037
	<hr/>

Accrued compensated absences

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

Current portion	\$ 1,885,847
Noncurrent portion	942,923
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Total accrued compensated absences	\$ 2,828,770
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Judgments payable

\$30,000 judgment in favor of Jered and Christina Henry, held by sinking fund, final maturity April 2018 with interest at 5.5%	\$ 10,000
\$30,000 judgment in favor of First Priority Bank, held by sinking fund, final maturity August 2018, with interest at 5.5%	20,000
\$156,967 judgment in favor of Gary Clark, held by sinking fund, final maturity August 2018, with interest at 5.5%	104,645
\$57,713 judgment in favor of Eric Tyler Manke, held by BAMA fund, final maturity May 2019, with interest at 5.5%	38,475
\$91,217 judgment in favor of Bonnie Blalack, held by sinking fund, final maturity March 2020, with interest at 5.75%	91,217
\$56,521 judgment in favor of Charles Conley, held by BAMA, final maturity July 2017 with interest at 5.5%	18,841
\$46,000 judgment in favor of Blizzard Trucking, Inc., held by sinking fund, final maturity October 2017 with interest at 5.5%	15,333

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Judgments payable – (continued)

\$50,000 judgment in favor of Robin Walker, held by BAMA, final maturity April 2018 with interest at 5.5%	16,666
\$50,000 judgment in favor of Robert Cook Green Acre Sod Farm, Inc., held by BAMA, final maturity September 2018 with interest at 5.5%	33,333
\$26,929 judgment in favor of Sandra Ventures, LLC, held by BAMA, final maturity April 2019 with interest at 5.5%	17,953
\$62,960 judgment in favor of Bonnie Blalack, held by sinking fund, final maturity April 2020, with interest at 5.75%	62,960
\$60,000 judgment in favor of Elton Fernandes, held by sinking fund, final maturity March 2020, with interest at 5.75%	60,000
\$44,000 judgment in favor of David and Christina Vranesevich, held by BAMA, final maturity February 2020 with interest at 5.75%	44,000
\$45,000 judgment in favor of Vicky High, held by BAMA, final maturity March 2020 with interest at 5.75%	45,000
	<hr/>
Total judgments payable	<u>\$ 578,423</u>

Current portion	\$ 269,102
Noncurrent portion	309,321
	<hr/>
Total judgments payable	<u>\$ 578,423</u>

Other claims payable

Actuarial determined automotive and general liability payable, funded by General Fund resources, reported in the governmental activities at June 30, 2017

Current portion	\$ 433,000
Noncurrent portion	599,000
	<hr/>
Total automotive and general insurance liabilities	<u>\$ 1,032,000</u>

Actuarial determined workers compensation and health claims, funded by General Fund resources, reported in the governmental activities at June 30, 2017

Current portion	\$ 1,238,000
Noncurrent portion	2,141,290
	<hr/>
Total claims payable	<u>\$ 3,379,290</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Other post employment benefit obligation

Current portion	\$ -
Noncurrent portion	1,525,644
	<hr/>
Total other post-employment benefit obligation	\$ 1,525,644
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Business-type activities long-term debt

The Broken Arrow Municipal Authority's notes payable to the Oklahoma Water Resources Board are secured by utility revenues and pledged sales tax. The notes are subject to maximum annual debt service requirement coverage of at least 125%. Coverage at June 30, 2017, was 274%.

As of June 30, 2017, the long-term debt payable from enterprise fund resources consisted of the following:

Notes payable

1997C SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of \$1,570,000, dated December 1997, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.5%, final maturity August 2017	\$ 39,250
1999B SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of \$1,110,359, dated June 1999, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.5%, final maturity February 2018	58,440
2001 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of \$371,954, dated December 2001, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.5%, final maturity February 2021	76,298
2004 Drinking Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of \$11,500,000, dated August 2004, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 3.5%, final maturity September 2025	4,932,354
2007 SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$15,000,000 dated June 1, 2008, by Broken Arrow Municipal Authority, providing for expansion of the Lynn Lane Wastewater Treatment Plant, secured by pledged sales tax, interest rate at 3.10%, final maturity March 2024	8,278,104
2009 Drinking Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$4,000,000 dated December 29, 2009, by Broken Arrow Municipal Authority, providing for engineering and design of the Water Treatment Plant, secured by pledged sales tax, interest rate at 3.11%, final maturity March 2031	2,742,945
2011 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$4,680,000 dated July 20, 2011, by Broken Arrow Municipal Authority, providing for construction of a lift station and sanitary sewer lines, secured by pledged sales tax, interest rate at 2.85%, final maturity March 2029	2,816,688

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Notes payable – (continued)

2012 Drinking Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$35,000,000 dated January 19, 2012, by Broken Arrow Municipal Authority, providing for engineering, design and construction of the Water Treatment Plant, secured by pledged sales tax, interest rate at 2.94%, final maturity March 2034	27,385,891
2012 Drinking Water Promissory Note payable to Oklahoma Water Resources Board, original amount \$29,755,000 dated January 19, 2012, by Broken Arrow Municipal Authority, providing for engineering, design and construction of the Water Treatment Plant, secured by pledged sales tax, with interest rates at 2.40% to 4.40%, final maturity September 2040	28,760,000
2015 Note Payable to Oklahoma Water Resources Board, original amount \$11,900,000 dated July 30, 2015, by Broken Arrow Municipal Authority, providing for engineering, design and construction of various water and sewer projects, secured by pledged sales tax with interest rates at 2.20% to 4.04%, final maturity September 2035	11,525,000
2015 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$2,045,000 dated September 1, 2015, by Broken Arrow Municipal Authority, providing for construction of an automated meter reading system, secured by pledged sales tax, interest rate at 1.57%, final maturity March 2021	1,506,353
2017A Note payable to Oklahoma Water Resources Board, original amount \$6,505,000 dated February 1, 2017, by Broken Arrow Municipal Authority, providing for construction of Haikey Creek capital improvements, secured by pledged sales tax, interest rates at 2.20% to 5.20%, final maturity September 2046	6,505,000
2017B Note payable to Oklahoma Water Resources Board, original amount \$18,565,000 dated February 1, 2017, by Broken Arrow Municipal Authority, providing for construction of improvement to the sanitary sewer system, secured by pledged sales tax, interest rates at 2.20% to 5.20%, final maturity September 2044	18,565,000
2015 Note payable to Crossland Construction Company, Inc., original amount \$1,742,000 for settlement of a debt, payable in monthly installments of \$53,787.91 inclusive of interest at 7%, final maturity November 2018	819,388
Total Notes Payable	\$ 114,010,711
Unamortized premium on notes payable	3,044,373
Total Notes Payable	<u>\$ 117,055,084</u>
Current portion	\$ 5,893,283
Noncurrent portion	111,161,801
Total notes payable	<u>\$ 117,055,084</u>
<u>Capital lease obligation</u>	
Capital lease obligation for land payable in quarterly installments of \$63,750 plus interest at 3.0%. final payment due October 2018	\$ 316,250
Total capital lease obligation	<u>\$ 316,250</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Current portion	\$ 255,000
Noncurrent portion	<u>61,250</u>
Total capital lease obligation	<u>\$ 316,250</u>

Accrued compensated absences

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

Current portion	\$ 396,169
Noncurrent portion	<u>198,085</u>
Total accrued compensated absences	<u>\$ 594,254</u>

Customer meter deposit reserves

Current portion	\$ 187,679
Noncurrent portion	<u>750,715</u>
Total customer meter deposit reserves	<u>\$ 938,394</u>

Broken Arrow Economic Development Authority (BAEDA)

The Authority has one industrial revenue bond issue outstanding at June 30, 2017. This issue is for the promotion of economic development. The bonds pay interest quarterly at various rates, is secured by a mortgage and matures April 1, 2019. At June 30, 2017, the total amount of outstanding industrial revenue bonds is \$8,000,000.

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

The Authority entered into a Credit Agreement dated November 15, 2010 for the purpose of promoting economic development. The Agreement allowed for total borrowing up to \$9,715,000 and is secured by the annual encumbering, subject to the constraints of Article X, Sections 14(A) and 26 of the Constitution of the State Oklahoma, of one-eighth (1/8) of one cent of the City's general sales tax revenues and to the funds in the BAEDA 2010 Reserve Account. The balance at June 30, 2017 is \$8,175,000 of which \$435,000 is considered current. The note calls for semi-annual principal payments ranging from \$175,000 to \$410,000 commencing October 1, 2013 together with interest based on the 6 month LIBOR rate plus 2%. Currently, TIF revenues generated from the Broken Arrow FlightSafety and Downtown Economic Development District No. One is the source of repayment for this debt.

Battle Creek Golf Course

During fiscal 2016, the City's golf course entered into two loan agreements to purchase golf boards. The \$28,058 and \$32,345 loans pay interest at 8% and 9%, respectively and have three year terms and mature

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

April 2019 and June 2019, respectively. The outstanding balances on the loans total \$40,668, of which \$20,211 is considered current.

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	(Restated) Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Amount due in one year
Governmental Activities :					
General obligation bonds	\$ 104,405,000	\$ 18,720,000	\$ 9,675,000	\$ 113,450,000	\$ 9,910,000
Notes payable	12,793,037	-	1,015,000	11,778,037	1,090,000
Accrued Compensated Absences	2,625,383	203,387	-	2,828,770	1,885,847
Judgements payable	528,289	234,177	184,043	578,423	269,102
Automotive and general liability	1,317,000	-	285,000	1,032,000	433,000
Claims payable	3,540,454	9,323,290	9,484,454	3,379,290	1,238,000
Arbitrage rebate	19,125	-	19,125	-	-
	<u>\$ 125,228,288</u>	<u>\$ 28,480,854</u>	<u>\$ 20,662,622</u>	<u>\$ 133,046,520</u>	<u>\$ 14,825,949</u>
Add:					
Unamortized premium				1,174,900	109,830
Net pension liability				53,270,591	-
Net OPEB obligation				1,525,644	-
				<u>\$ 189,017,655</u>	<u>\$ 14,935,779</u>
Business-type Activities :					
Bonds, Notes and Loans Payable	\$ 109,405,206	\$ 27,005,853	\$ 6,184,680	\$ 130,226,379	\$ 6,235,779
Capital Lease Obligations Payable	635,000	-	318,750	316,250	255,000
Accrued Compensated Absences	558,469	35,785	-	594,254	396,169
	<u>\$ 110,598,675</u>	<u>\$ 27,041,638</u>	<u>\$ 6,503,430</u>	<u>\$ 131,136,883</u>	<u>\$ 6,886,948</u>
Add:					
Unamortized premium				3,044,373	112,715
Net OPEB obligation				613,778	-
Customer Meter Deposit Reserves	910,563	282,568	254,737	938,394	187,679
				<u>\$ 135,733,428</u>	<u>\$ 7,187,342</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Annual debt service requirements – primary government

The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding accrued compensated absences, claims payable and customer meter deposit reserves, of the primary government as of June 30, 2017, are as follows:

Governmental Activities						
Year Ending June 30,	General Obligation Bonds		Notes Payable		Judgements Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 9,910,000	\$ 3,241,929	1,090,000	839,981	269,102	32,570
2019	10,555,000	2,974,576	1,160,000	759,162	208,262	17,519
2020	9,195,000	2,701,178	1,250,000	672,869	101,059	5,811
2021	8,510,000	2,439,772	1,335,000	580,190	-	-
2022	7,935,000	2,199,950	1,425,000	481,127	-	-
2023-2027	31,080,000	7,672,412	5,518,037	804,302	-	-
2028-2032	24,185,000	3,627,144	-	-	-	-
2033-2037	12,080,000	712,601	-	-	-	-
Total	<u>\$ 113,450,000</u>	<u>\$ 25,569,562</u>	<u>\$ 11,778,037</u>	<u>\$ 4,137,631</u>	<u>\$ 578,423</u>	<u>\$ 55,900</u>

Business-Type Activities					
Year Ending June 30,	Bonds, Notes & Loans Payable		Capital Lease Obligations		
	Principal	Interest	Principal	Interest	
2018	\$ 6,235,779	\$ 4,705,053	255,000	6,619	
2019	13,931,699	4,318,502	61,250	459	
2020	5,806,817	4,073,075	-	-	
2021	5,996,831	3,851,199	-	-	
2022	6,270,878	3,600,062	-	-	
2023-2027	26,314,373	15,200,395	-	-	
2028-2032	22,483,258	11,455,777	-	-	
2033-2037	18,050,891	7,243,899	-	-	
2038-2042	19,785,000	3,373,372	-	-	
2043-2047	5,460,000	496,776	-	-	
Total	<u>\$ 130,335,526</u>	<u>\$ 58,318,110</u>	<u>\$ 316,250</u>	<u>\$ 7,078</u>	
Less: Amount not drawn	(109,147)				
	<u>\$ 130,226,379</u>				

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Sources of debt repayments

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

Pledge of future revenues

Sales Tax and Utility Net Revenues Pledge – The City has pledged a one cent (\$0.01) sales tax and utility revenues to repay the 1997A, 1997C, and 1999B State Revolving Fund (SRF) Promissory Notes payable, the \$371,954 2001 Clean Water SRF note payable, \$11,500,000 2004 Drinking Water SRF note payable, \$15,000,000 2007 SRF note payable, \$4,000,000 2009 Drinking Water SRF note payable, \$4,680,000 2011 Clean Water SRF note payable, \$35,000,000 2012 Drinking Water SRF note payable, \$29,755,000 2012 Drinking Water SRF note payable, \$11,900,000 2015 Drinking Water SRF note payable, \$2,045,000 2015 Clean Water SRF note payable, \$6,505,000 2017A Drinking Water SRF note payable, and an \$18,565,000 2017B Drinking Water SRF note payable to the Oklahoma Water Resources Board (OWRB). These notes are payable through 2046. The total remaining principal and interest payable for the life of these notes is \$170,005,079. The City has also pledged one eighth of one percent of sales tax for the BAEDA's \$9,715,000 credit agreement. Pledged sales taxes received in the current year were \$13,729,961 and net utility revenues were \$12,135,289 for total pledged net revenues of \$25,865,250. Debt service payments of \$8,145,529 for the current year were 31.5% of total pledged revenues for these notes.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Interfund balances and activities

Interfund receivables and payables at June 30, 2017, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	Police Enhancement	\$ 1,739	Operational advances
General Fund	Crime Prevention	8,360	Operational advances
General Fund	BAMA	2,411,615	Operational subsidy
General Fund	BAMA	5,115,676	Eliminated negative cash
Public Safety Sales Tax - Police	BAMA	1,036,454	Eliminated negative cash
Public Safety Sales Tax - Police	Crime Prevention	667	Operational advances
Sales Tax Capital Improvement	BAMA	3,750,000	Eliminated negative cash
Sales Tax Capital Improvement	BAEDA	2,150,000	Eliminated negative cash
Sales Tax Capital Improvement	Battle Creek Golf Course	70,848	Operational advances
Excess Capacity Sewer Escrow	BAMA	750,000	Eliminated negative cash
Excess Capacity Sewer Escrow	BAEDA	250,000	Eliminated negative cash
Stormwater Capital	BAEDA	1,100,000	Eliminated negative cash
Convention and Visitor's Bureau	BAEDA	250,000	Eliminated negative cash
Street and Alley	BAMA	800,000	Eliminated negative cash
E911	BAMA	1,500,000	Eliminated negative cash
Street Light	BAMA	1,200,000	Eliminated negative cash
Parks and Recreation	BAMA	500,000	Eliminated negative cash
Street Sales Tax	BAMA	750,000	Eliminated negative cash
BAMA	General	2,411,615	Sales tax collections
BAMA	Battle Creek Golf Course	465,044	Operational advances
		<u>\$ 24,522,018</u>	

Reconciliation to Fund Financial Statements:

	<u>Due from</u>	<u>Due to</u>	<u>Balances</u>
Governmental Funds	\$ 21,645,359	\$ (2,422,381)	\$ 19,222,978
Proprietary Funds	2,876,659	(22,099,637)	(19,222,978)
	<u>\$ 24,522,018</u>	<u>\$ (24,522,018)</u>	<u>\$ -</u>

Reconciliation to Statement of Net Position:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Balances</u>
Net interfund balances	\$ 19,222,978	\$ (19,222,978)	\$ -
Business type special revenue	(2,100,000)	2,100,000	-
Internal balances	<u>\$ 17,122,978</u>	<u>\$ (17,122,978)</u>	<u>\$ -</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Interfund transfers for the year ended June 30, 2017, were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	BAMA	\$ 13,729,961	Sales Tax Collections
General Fund	Public Safety Sales Tax-Police	20,428,594	Sales Tax Collections
General Fund	Public Safety Sales Tax-Fire	17,088,769	Sales Tax Collections
General Fund	BAEDA	579,996	Economic Development
Debt Service Fund	General Fund	77,118	Operational/Interest
Convention and Visitor's Bureau	General Fund	270,000	Operational/General Governm
Street and Alley	General Fund	720,000	Operational/Streets
E911	Public Safety Sales Tax-Police	720,000	Operational/Public Safety
BAMA	General Fund	13,734,632	Operating subsidy
BAMA	BAEDA	579,996	Economic Development
		<u>\$ 67,929,066</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 53,039,113	\$ (53,614,438)	\$ (575,325)
Proprietary Funds	14,889,953	(14,314,628)	575,325
Total Transfers	<u>\$ 67,929,066</u>	<u>\$ (67,929,066)</u>	<u>\$ -</u>

Reconciliation to Statement of Net Position:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Balances</u>
Net transfers	\$ (575,325)	\$ 575,325	\$ -
Business type expenses in special revenue funds	(197,053)	197,053	-
Net transfers	<u>\$ (772,378)</u>	<u>\$ 772,378</u>	<u>\$ -</u>

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Fund Balance:

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

	General Fund	Public Safety Sales Tax - Police	Public Safety Sales Tax - Fire	Sales Tax Capital Improvement Fund	2014 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total
Fund Balance								
Restricted For:								
Debt service	\$ 1,716,245	\$ -	\$ -	\$ -	\$ -	\$ 8,575,089	\$ -	\$ 10,291,334
Capital improvements	-	-	-	6,885,548	25,861,213	-	15,809,255	48,556,016
Convention and Visitor's Bureau	-	-	-	-	-	-	494,370	494,370
Public safety	-	1,486,185	158,473	-	-	-	105,517	1,750,175
Parks and recreation	-	-	-	-	-	-	37,781	37,781
Cemetery care	-	-	-	-	-	-	180,596	180,596
Street and alley operations	-	-	-	-	-	-	1,164,762	1,164,762
Housing and Urban Development	-	-	-	-	-	-	236,272	236,272
E911	-	-	-	-	-	-	1,636,687	1,636,687
Crime Prevention	-	-	-	-	-	-	236,476	236,476
Alcohol enforcement	-	-	-	-	-	-	90,491	90,491
Sub-total restricted	1,716,245	1,486,185	158,473	6,885,548	25,861,213	8,575,089	19,992,207	64,674,960
Committed for:								
Excess capacity sewer escrow	-	-	-	-	-	-	745,934	745,934
Stormwater capital improvements	-	-	-	-	-	-	1,234,435	1,234,435
Parks and recreation	-	-	-	-	-	-	760,476	760,476
Cemetery care	-	-	-	-	-	-	123,317	123,317
Street lights	-	-	-	-	-	-	1,222,953	1,222,953
Economic development	-	-	-	-	-	-	196,940	196,940
Sub-total committed	-	-	-	-	-	-	4,284,055	4,284,055
Assigned for:								
Subsequent year budget/activities	10,891,449	-	-	-	-	-	-	10,891,449
Sub-total assigned	10,891,449	-	-	-	-	-	-	10,891,449
Unassigned (deficit):								
	-	-	-	-	-	-	-	-
TOTAL FUND BALANCE	\$ 12,607,694	\$ 1,486,185	\$ 158,473	\$ 6,885,548	\$ 25,861,213	\$ 8,575,089	\$ 24,276,262	\$ 79,850,464

Prior Period Adjustment

The prior period adjustments are summarized as follows:

	Governmental Funds						Total Governmental Funds
	General Fund	Public Safety Sales Tax Fund - Police	Public Safety Sales Tax Fund - Fire	Sales Tax Capital Improvement	Housing and Urban Development	Crime Prevention Fund	
Beginning fund balance, as previously reported	\$ 10,012,415	\$ -	\$ -	\$ 8,073,489	\$ 732,008	\$ 223,212	\$ 19,041,124
(Over) understatement of due from other governments	10,788	5,950	329,953	21,839	(491,614)	9,920	(113,164)
Beginning net position, restated	<u>\$ 10,023,203</u>	<u>\$ 5,950</u>	<u>\$ 329,953</u>	<u>\$ 8,095,328</u>	<u>\$ 240,394</u>	<u>\$ 233,132</u>	<u>\$ 18,927,960</u>

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Prior Period Adjustment, (Continued)

	Enterprise Funds		Total Enterprise Funds
	Broken Arrow Municipal Authority	Battle Creek Golf Course Fund	
Beginning net position, as previously reported	\$ 104,006,578	\$ 3,763,614	\$ 107,770,192
(Over) understatement of capital assets, net	<u>(2,653,782)</u>	<u>23,985</u>	<u>(2,629,797)</u>
Beginning net position, restated	<u>\$ 101,352,796</u>	<u>\$ 3,787,599</u>	<u>\$ 105,140,395</u>

	Government-Wide	
	Governmental Activities	Business-type Activities
Beginning net position, as previously reported	\$ 186,990,357	\$ 100,331,961
(Over) understatement of due from other governments	(113,164)	-
(Over) understatement of deferred revenue	32,117	-
Overstatement of judgements payable	1,000	-
(Over) understatement of capital assets, net	<u>209,504</u>	<u>(2,629,797)</u>
Beginning net position, restated	<u>\$ 187,119,814</u>	<u>\$ 97,702,164</u>

Note 4 – Employee Pension and Other Benefit Plans

The City participates in three employee pension systems as follows:

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

Oklahoma Police Pension and Retirement System

Summary of Significant Accounting Policies

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

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

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

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

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

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

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

In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a "Back" DROP for members of the System. The "Back" DROP is a modified deferred retirement option plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member

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has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated as if the member had entered into the “Back” DROP. A member, however, cannot receive credit to the “Back” DROP account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the “Back” DROP and can receive a “Back” DROP benefit based upon up to 5 years of participation. The member’s regular retirement benefit will not take into account any years of service credited to the “Back” DROP.

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

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

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

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

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Members of the OPPRS are required to pay 8% of their base pay to the pension plan. The City is contractually required to pay 13% of base salary. For the year ended June 30, 2017 the total contribution to the system amounted to \$2,142,631 of which \$1,332,276 was made by the City and \$810,355 was made by the employees. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$1,132,842 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state’s on-behalf contributions on an accrual basis of \$1,135,081. These on-behalf payments did not meet the criteria of a special funding situation.

Pension liabilities, pension expense, and deferred outflows of resources related to pensions – At June 30, 2017, the City reported a liability of \$4,840,062 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2016. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of

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contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016 the City's proportion was 3.1605%.

For the year ended June 30, 2017, the City recognized pension expense of \$1,743,343. At June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 15,527	\$ 543,684
Net difference between projected and actual earnings on pension plan investments	4,650,475	-
Changes in proportion	59,574	22,050
City contributions during measurement date	-	5,076
City contributions subsequent to the measure date	1,332,276	-
Total	<u>\$ 6,057,852</u>	<u>\$ 570,810</u>

At June 30, 2017, the City reported \$1,332,276 as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources totaling \$4,154,766 related to pensions will be recognized as a (reduction) or increase in pension expense as follows:

Year ended June 30:		
	2018	\$ 683,861
	2019	683,861
	2020	1,635,715
	2021	1,153,010
	2022	(1,681)
		<u>\$ 4,154,766</u>

Actuarial assumptions – The total pension liability in the July 1, 2016 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.5% to 17.0% average, including inflation
Ad hoc cost of living adjustments	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any

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adjustment to the base salary of a regular police officer, based on an increase in base salary of 3%

Investment rate of return 7.5%, net of pension plan investment expense

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

The actuarial assumptions used in the July 1, 2016, valuation was based on the results of an actuarial experience study for the period July 1, 2007, through June 30, 2012.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	25%	5.53%
Domestic equity	35%	7.42%
International equity	15%	9.74%
Real estate	10%	7.23%
Private equity	10%	10.58%
Commodities	5%	4.68%
	100%	

Discount rate – The single discount rate used to measure the total pension liability was 7.5% for the year ended June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Police Pension net pension liability (asset)	\$ 12,698,746	\$ 4,840,062	\$ (1,795,397)

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

Oklahoma Fire Pension and Retirement System

Summary of Significant Accounting Policies

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

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

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

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

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

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

Firefighters hired prior to November 1, 2013, with 20 or more years of service may elect to participate in the Oklahoma Firefighters Deferred Retirement Option Plan (the "Deferred Option Plan"). Firefighters hired after November 1, 2013, with 22 or more years of service may elect to participate in the Deferred Option Plan. Active participation (having benefit payments credited to the account) in the Deferred Option Plan shall not exceed 5 years. Under the Deferred Option, retirement benefits are calculated based on compensation and service at the time of election. The retirement benefits plus half of the municipal contributions on behalf of the participant are deposited into a deferred retirement account. The Deferred Option Plan accounts are with interest at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest equal to the assumed actuarial interest of 7.5% as approved by the Board. The participant is no longer required to make contributions. Upon retirement, the firefighter receives his/her monthly retirement benefit as calculated at the time of election. The member can elect to either leave the account balance accumulated in the Deferred Option Plan account or they can elect to have the balance paid to them either as a lump sum or in specified monthly payments. If the member elects to leave their account balance in the Deferred Option Plan account, they will continue to earn interest on their balance at the rate described above; however, no more benefit payments will be credited to their account. The member can leave their account balance in the Deferred Option Plan account until 70.5 years of age. When the member reaches the 70.5 years of age, they must either begin receiving regular monthly payments, based on the annuity method, or a lump sum distribution.

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

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statue and are not based on actuarial calculations. Members of the OFPRS are required to pay 9% of their base pay to the pension plan starting November 1, 2013, until they reach 20 years of service, after which no contributions are required. The City is contractually required to pay 14% of base salary starting November 1, 2013. For the Year ended June 30, 2017, the total contribution to the system amounted to \$2,878,974 of which \$1,752,419 was made by the City and \$1,126,555 was made by the employees. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$3,629,486 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is

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recognized for the state’s on-behalf contributions on an accrual basis of \$3,660,107. These on-behalf payments did not meet the criteria of a special funding situation.

Pension liabilities, pension expense, and deferred outflows/inflows of resources related to pensions – At June 30, 2017, the City reported a liability of \$48,430,529 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2016. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City’s proportion was 3.9641%.

For the year ended June 30, 2017, the City recognized pension expense of \$5,510,907. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,298,289	\$ -
Net difference between projected and actual earnings on pension plan investments	2,963,204	-
Changes in proportion	2,458,015	-
City contributions during measurement date	-	192
City contributions subsequent to the measure date	1,752,419	-
Total	<u>\$ 8,471,927</u>	<u>\$ 192</u>

At June 30, 2017, the City reported \$1,752,419 as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources totaling \$6,719,316 related to pensions will be recognized as a (reduction) or increase in pension expense as follows:

Year ended June 30:	
2018	\$ 885,670
2019	885,669
2020	2,428,353
2021	1,941,502
2022	474,378
2023	103,744
	<u>\$ 6,719,316</u>

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Actuarial assumptions – The total pension liability in the July 1, 2016, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2016, valuation was based on the results of an actuarial experience study for the period July 1, 2007, through June 30, 2012.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	5.18%
Domestic equity	47%	8.70%
International equity	15%	10.87%
Real estate	10%	7.23%
Other assets	8%	6.24%
	<u>100%</u>	

Discount rate – The single discount rate used to measure the total pension liability was 7.5% for the year ended June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, as actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease <u>(6.5%)</u>	Current Discount <u>Rate (7.5%)</u>	1% Increase <u>(8.5%)</u>
Fire Pension net pension liability	\$ 61,309,057	\$ 48,430,529	\$ 37,633,042

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

Related-party investments

As of June 30, 2017, the Systems held no related-party investments of the City or of its related entities.

Defined contribution plan – OMRF

The City has also provided effective November 1, 1990, a defined contribution plan and trust known as the City of Broken Arrow Plan and Trust (the Plan) in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by the OMRF. The defined contribution plan is available to all full-time employees not already participating in another plan. The employee may contribute to the Plan an amount not less than 2% or more than 10% of their compensation. The City Council determines the City's contribution rate each year and for the year ended June 30, 2017, contributed at the rate of 10% of employee compensation. City contributions for each employee begin vesting after three years of service and are fully vested after seven years. If an employee terminates before becoming fully vested, the employer's contributions that are forfeited may be used to reduce the City's current-period contribution requirements. The authority to establish and amend the provisions of the Plan rests with the City Council.

For the year ended June 30, 2017, the following amounts related to actual contributions to the defined contribution plan:

Employee contributions made	\$ 106,848
Employer (City) contributions made	\$ 2,151,527

Post-employment benefits other than pensions

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

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

The required monthly contribution rates of the plan members for 2017 range from \$25 to \$373 for active employees and \$884 to \$2,197 for retirees and COBRA participants.

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

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

Annual required contribution	\$ 453,514
Interest on net OPEB obligation	87,296
Amortization of net OPEB obligation	(118,894)
Annual OPEB cost (expense)	<u>421,916</u>
Expected Net OPEB payments	<u>(120,313)</u>
Increase in net OPEB obligation	301,603
Net OPEB obligation-beginning of year	<u>1,837,819</u>
Net OPEB obligation-end of year	<u><u>\$ 2,139,422</u></u>

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 172,637	13.50%	\$ 149,331
6/30/2010	\$ 223,874	14.86%	\$ 339,943
6/30/2011	\$ 225,757	11.90%	\$ 538,831
6/30/2012	\$ 242,329	15.38%	\$ 743,894
6/30/2013	\$ 260,154	0.00%	\$ 1,004,048
6/30/2014	\$ 296,931	9.54%	\$ 1,272,654
6/30/2015	\$ 296,475	15.85%	\$ 1,522,140
6/30/2016	\$ 395,173	20.12%	\$ 1,837,818
6/30/2017	\$ 421,916	28.52%	\$ 2,139,422

Funded status and funding progress. As of June 30, 2017, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$3,555,392 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,555,392. The covered payroll (annual payroll of active employees covered by the plan) was \$31,342,860, and the ratio of the UAAL to the covered payroll was 11.34%.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. An actuarial valuation takes inputs such as participant data, benefit provisions and assumptions. Participant data includes the members' ages, membership service, plan selection, etc. Benefit provisions include the structure of the benefits that the members receive; in the City's case, the subsidies supporting retiree medical benefits. In the actuarial valuation as of June 30, 2017, the projected unit credit (PUC) actuarial cost method was used to measure accruing costs. Under the principles of the PUC method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated pro-rata to each year of service between entry age and assumed exit.

The portion of this actuarial present value allocated to a valuation year is called the normal cost. Actuarial assumptions include the interest rate, health care inflation rates, general inflation rates, participation rates, Medicare coverage, etc. The 2017 ARC was based on a 4.75% discount rate and a health care trend rate of 5%. It also assumed that 25% of future retirees will opt to continue coverage and that 50% of these will cover a spouse at retirement.

Note 5 – Tax Abatements

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.

The sales tax rebate program allows a retail store business or developer to receive rebated sales tax in an amount equal to various percentages of reported annual total taxable sales of each business, based solely upon each agreement. To be eligible for this program, the project area should be developed or redeveloped after a significant vacancy to provide economic opportunity to the City and its' citizens.

Due to the confidentiality laws in Oklahoma Statutes, Title 68, Section 1354.11, the amounts of sales taxes rebated will not be disclosed. The following businesses had rebate agreements with the City as of June 30, 2017:

- A grocery retailer received rebated sales taxes during 2017. The sales tax rebated cannot exceed the lesser of (i) 1% of the gross sales tax generated over a 5 year period, or (ii) \$1,000,000 (\$200,000 annually). This sales tax rebate period is for five years from the sales tax commencement date (the date the City first receives sales tax). The agreement must be renewed for the City Council annually to ensure a continuing public benefit. This agreement was entered into January 2014 and will terminate no later than January 2019.
- A sporting goods store received rebated sales taxes during 2017. The sales tax rebated cannot exceed the lesser of (i) 1.5% of the gross sales tax generated over a 10 year period, or (ii) \$900,000. This sales tax rebate period is for ten years from the sales tax commencement date (the date the City first receives sales tax). The agreement must be renewed for the City Council annually to ensure a continuing public benefit. This agreement was entered into July 2011 and will terminate no later than June 2022.
- A developer received rebated sales taxes during 2017. The sales tax rebated cannot exceed the lesser of (i) 1.375% of the gross sales tax generated over a 15 year period, or (ii) \$3,250,000. This sales tax rebate period is for fifteen years from the sales tax commencement date (the date the City first receives sales tax). The agreement must be renewed for the City Council annually to

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

ensure a continuing public benefit. This agreement was entered into October 2012 and will terminate no later than April 2030.

The City is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article X, Section 6B for qualifying manufacturing concerns.

Under this program, a 5 year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and Statutes. In exchange for the 5 year exemption, qualifying manufacturing concerns must incur investment costs of \$250,000 or more for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimal payroll requirements that must be met and qualifying manufacturing concern must offer a basic health benefit plan to all full-time employees within 180 days of employment.

The City had \$35,490 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S., Section 193 that is used to reimburse the City for the loss of revenue. Contributions to this Fund come from a dedicated tax stream comprised of one percent of net state personal and corporate income tax revenues. The City received \$0 during the fiscal year 2017 and has an outstanding, unpaid claim of \$35,490 of reimbursement from the State as of June 30, 2017.

Note 6 – Risk Management

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

Type of Loss	Method Managed	Risk of Loss Retained
a. General Liability: - Torts - Errors and omissions	Self-insured with limits of the Oklahoma Tort Liability Act as follows: - \$25,000 property loss - \$100,000 per individual - \$1,000,000 per incident	Entire risk of loss retained.
b. Physical Property: - Theft - Damage to assets - Natural disasters	All physical property except vehicles is insured through commercial insurance with deductibles ranging from \$10,000 to \$50,000. Vehicle damage is covered through self-insurance.	All physical property except vehicles subject to \$10,000 to \$50,000 risk of loss. Vehicles – entire risk of loss retained through fund incurring the loss.
c. Workers Compensation: - Employee injuries	Self-insured with third-party administration of the claims process. Workers Compensation Internal Service Fund used to account for activities with participating funds charged through an estimated annual claim cost for each fund.	Entire risk of loss retained. Claim liability determined through estimate of loss by the City's Risk Management staff and third-party.

CITY OF BROKEN ARROW, OKLAHOMA
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Year Ending June 30, 2017

<p>d. Health and Life:</p> <ul style="list-style-type: none"> - Medical - Dental - Vision 	<p>Self-insured with third-party administration of the claims provided by CoreSource, Inc.</p> <p>Participation in Vision Service Plan. City purchases annual eye examination benefits for insured at a monthly cost of \$.63 per month for single coverage, \$.93 per month for employee and children, \$1.00 per month for employee and spouse and \$1.59 per month for family coverage.</p> <p>Group Health & Life Internal Service Fund used to account for self-insurance activities with participating funds making payments to the internal service fund based upon factors determined by the City's benefit consultant.</p>	<p>Claims up to \$100,000 per individual are self-funded. Specific stop loss reinsurance covers claims in excess of \$100,000 per insured once a \$100,000 deductible has been met. Aggregate stop loss coverage is adjusted monthly based on number of participants and was \$8,128,468 at June 30, 2016⁽¹⁾.</p>
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⁽¹⁾ H.M. Insurance Group

Life and health benefit plan

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

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

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

The plan has excess stop loss coverage agreements which cover losses in excess of specific and aggregate retention levels. Stop loss coverage is purchased from Unimerica Insurance Company.

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Claims liability analysis

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standard No. 5., which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

For the two internal service self-insurance funds, changes in the claims liability for the City from June 30, 2014 to June 30, 2017, are as follows:

	Workers' Compensation	Health Care	Total
Claim liability, June 30, 2014	\$ 1,645,000	\$ 1,272,654	\$ 2,917,654
Claims and changes in estimates	1,636,335	6,623,065	8,259,400
Claims payments	(1,133,335)	(6,373,579)	(7,506,914)
Claim liability, June 30, 2015	2,148,000	1,522,140	3,670,140
Claims and changes in estimates	2,144,770	6,105,480	8,250,250
Claims payments	(1,618,770)	(6,761,166)	(8,379,936)
Claim liability, June 30, 2016	\$ 2,674,000	\$ 866,454	\$ 3,540,454
Claims and changes in estimates	935,007	8,388,283	9,323,290
Claims payments	(1,091,007)	(8,393,447)	(9,484,454)
Claim liability, June 30, 2017	<u>\$ 2,518,000</u>	<u>\$ 861,290</u>	<u>\$ 3,379,290</u>
Assets available to pay claims at June 30, 2017	<u>\$ 1,652,825</u>	<u>\$ 1,651,008</u>	<u>\$ 3,303,833</u>

Note 7 – Commitments and Contingencies

Construction commitments

At June 30, 2017 the following construction commitments were outstanding:

	Original Contract	Balance Remaining
Kenosha Resurface	\$ 825,959	\$ 391,772
Verdigris WTP Residuals Disposal, Lagoon 1 & 2	131,060	31,455
209 th St Lift Station and Force Main Phase II	332,608	122,114
209 th St Lift Station and Force Main Phase II	615,850	330,352
Streetscapes Phase IV	5,078,402	333,699
37 th Street: Albany to Omaha RWD #4 Waterline	3,415,623	3,327,103
Cedar Ave Improvements: Elgin – Freeport	202,487	196,312
Arrowhead Park Softball Shade Structures	89,995	12,867
Kenosha & 33 rd St Traffic Signal	161,612	57,707

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

Contingencies

Grant program involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loan agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

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

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

Note 8 – New Accounting Pronouncements

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. GASB Statement No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not yet determined the impact that implementation of GASB 75 will have on its net position.

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

GASB Statement No. 83, *Certain Asset Retirement Obligations* - GASB No. 83 was issued December 2016, under this statement a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. The City has not yet determined the impact that implementation of GASB 83 will have on its net position.

GASB Statement 84, *Fiduciary Activities* - GASB No. 84 was issued January 2017, this Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City has not yet determined the impact that implementation of GASB 84 will have on its net position.

GASB Statement 85, *Omnibus 2017* - GASB No. 85 issued March 2017, this Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The City has not yet determined the impact that implementation of GASB 85 will have on its net position.

GASB Statement 86, *Certain Debt Extinguishment Issues* - GASB No. 86 issued May 2017 the primary objective of this Statement is to improve the consistency in accounting and financial reporting for insubstance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt substance. The City has not yet determined the impact that implementation of GASB 86 will have on its net position.

GASB Statement 87, *Leases* - GASB No. 87 was issued June 2017, the primary objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about activities. The City has not yet determined the impact that implementation of GASB 87 will have on its net position.

GASB Statement 88, *Certain Disclosures Related to Debt* - GASB No. 87 was issued April 2018, the primary objective of this Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in the notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2017

established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The City has not yet determined the impact that implementation of GASB 87 will have on its net position.

Note 9 – Subsequent Events

On December 5, 2017, the City approved Resolution 1065 authorizing the execution of a Capital Lease Agreement for \$730,000 between the City of Broken Arrow and Bank of Oklahoma Financial Equipment Finance, Inc. for the acquisition of three ambulances. The lease will be due in annual payments of \$197,800.59 with the final payment due December 1, 2021 and bears interest of 3.30%.

On December 19, 2017, the Trustees of the Broken Arrow Municipal Authority (BAMA) approved Resolution 1077 authorizing a loan from the Oklahoma Water Resources Board (OWRB) in an amount not to exceed \$2,100,000. On the same date, the City Council approved Resolution 1078 ratifying the action by the BAMA Trustees. A Series 2018 promissory note in the amount of \$2,100,000 between BAMA and OWRB was issued as of January 11, 2018. The note is payable in semi-annual principal installments of \$210,000 together with interest and administrative fees of 1.80% with final payment due March 25, 2025. The note is secured by a pledge and assignment of revenues and receipts derived from the BAMA's operation of the water, sanitary sewer, and solid waste disposal systems of the City and further secured by a pledge of certain sales tax revenues pledged pursuant to a Security Agreement, dated June 1, 1992.

On April 17, 2018, the City approved the sale of \$18,755,000 of General Obligation Bonds Series 2018A to be issued as of May 1, 2018. The bonds will be due in annual installments of \$985,000 with final installment of \$1,025,000 due May 1, 2038 and bear interest ranging from 2.375% to 4.00%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended June 30, 2017

	Budgeted		Actual	Variance with
	Amounts		Amounts	Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Beginning budgetary fund balance (restated)	\$ 10,166,595	\$ 10,023,203	\$ 10,023,203	\$ -
Resources (inflows):				
Taxes:				
Sales tax	35,230,000	35,230,000	34,309,727	(920,273)
Use tax	2,015,000	2,015,000	2,920,399	905,399
Tobacco tax	507,100	507,100	539,641	32,541
Franchise tax	4,087,200	4,087,200	4,136,229	49,029
Total taxes	<u>41,839,300</u>	<u>41,839,300</u>	<u>41,905,996</u>	<u>66,696</u>
Intergovernmental:				
Intergovernmental	200,000	200,000	238,468	38,468
Alcoholic beverage tax	188,900	188,900	189,565	665
Total intergovernmental	<u>388,900</u>	<u>388,900</u>	<u>428,033</u>	<u>39,133</u>
Charges for services:				
Planning and zoning	117,500	117,500	237,260	119,760
Sale of material	15,000	15,000	28,625	13,625
BAMA PILOT	2,933,800	2,933,800	3,045,179	111,379
BAMA overhead charge	720,000	720,000	720,000	-
Rural fire runs	5,300	5,300	2,062	(3,238)
Inspection fees	557,600	557,600	868,293	310,693
Ambulance revenue	4,642,400	4,642,400	4,670,338	27,938
Training	-	-	2,850	2,850
Special Events	6,300	6,300	9,015	2,715
Cemetery fee	128,300	128,300	145,108	16,808
Animal control fees	66,200	66,200	53,007	(13,193)
Nuisance abatement	6,600	6,600	44,216	37,616
Parks and recreation	193,700	193,700	228,322	34,622
Swimming pools	171,300	171,300	228,533	57,233
Administrative fees	13,700	13,700	14,644	944
Juvenile court	67,700	67,700	52,317	(15,383)
Total charges for services	<u>9,645,400</u>	<u>9,645,400</u>	<u>10,349,769</u>	<u>704,369</u>

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

CITY OF BROKEN ARROW, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
Year ended June 30, 2017

	Budgeted		Actual	Variance with
	Amounts		Amounts	Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Fines, forfeitures and assessments	1,924,000	1,924,000	1,589,498	(334,502)
Licenses and permits:				
Occupational licenses	209,700	209,700	238,514	28,814
Peddlers licenses	1,900	1,900	2,007	107
Food licenses	17,000	17,000	46,428	29,428
Other fees	102,100	102,100	92,061	(10,039)
Building permits	713,600	713,600	544,390	(169,210)
Total licenses and permits	1,044,300	1,044,300	923,400	(120,900)
Investment income	19,300	19,300	20,010	710
Miscellaneous:				
Rental property	1,232,500	1,232,500	1,172,061	(60,439)
Donations	26,100	26,100	1,195	(24,905)
Miscellaneous	355,700	355,700	106,053	(249,647)
Sale of capital assets	-	-	31,666	31,666
Insurance proceeds	48,000	48,000	76,437	28,437
Total miscellaneous	1,662,300	1,662,300	1,387,412	(274,888)
Other financing sources:				
Transfers in from other funds	15,254,000	15,254,000	14,801,750	(452,250)
Total other financing sources	15,254,000	15,254,000	14,801,750	(452,250)
Total revenues and other financing sources	71,777,500	71,777,500	71,405,868	(371,632)
Amounts available for appropriation	81,944,095	81,800,703	81,429,071	(371,632)

(Continued)

**CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

**CITY OF BROKEN ARROW, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
Year ended June 30, 2017**

	Budgeted		Actual	Variance with
	Amounts		Amounts	Final Budget
	Original	Final	Budgetary	Positive
			Basis	(Negative)
Charges to appropriations (outflows):				
General government:				
City manager:				
Personal services	1,160,100	1,225,100	1,209,920	15,180
Other services and charges	85,600	104,600	101,379	3,221
Materials and supplies	15,300	15,300	7,497	7,803
Total city manager	1,261,000	1,345,000	1,318,796	26,204
Finance:				
Personal services	989,100	989,100	946,250	42,850
Other services and charges	65,100	65,100	58,431	6,669
Materials and supplies	16,900	16,900	10,407	6,493
Total finance	1,071,100	1,071,100	1,015,088	56,012
City attorney:				
Personal services	813,700	813,700	755,168	58,532
Other service and charges	56,900	71,900	114,515	(42,615)
Materials and supplies	40,000	40,000	31,371	8,629
Total city attorney	910,600	925,600	901,054	24,546
Human resources:				
Personal services	838,800	838,800	711,808	126,992
Other services and charges	404,700	404,700	168,662	236,038
Materials and supplies	27,600	27,600	8,218	19,382
Total human resources	1,271,100	1,271,100	888,688	382,412
Information services:				
Personal services	935,300	935,300	958,873	(23,573)
Other services and charges	390,500	390,500	293,927	96,573
Materials and supplies	30,200	30,200	28,445	1,755
Total information services	1,356,000	1,356,000	1,281,245	74,755
Development services - One-Stop & Planning:				
Personal services	1,737,000	1,634,000	1,418,117	215,883
Other services and charges	120,700	120,700	126,485	(5,785)
Material and supplies	27,200	27,200	29,740	(2,540)
Total development services	1,884,900	1,781,900	1,574,342	207,558
General government:				
Personal services	22,500	22,500	7,969	14,531
Other services and charges	2,396,000	2,396,000	2,022,185	373,815
Materials and supplies	27,500	27,500	14,117	13,383
Total general government	2,446,000	2,446,000	2,044,271	401,729
City Clerk:				
Personal services	558,000	558,000	512,201	45,799
Other services and charges	70,000	70,000	71,729	(1,729)
Materials and supplies	9,800	9,800	7,959	1,841
Total City clerk	637,800	637,800	591,889	45,911
Total general government	10,838,500	10,834,500	9,615,373	1,219,127

(Continued)

**CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

**CITY OF BROKEN ARROW, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
Year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Public safety:				
Development services - Inspections:				
Personal services	616,700	719,700	719,492	208
Other services and charges	28,800	29,100	24,553	4,547
Materials and supplies	34,400	34,100	19,123	14,977
Total development services - inspections	<u>679,900</u>	<u>782,900</u>	<u>763,168</u>	<u>19,732</u>
Total public safety	<u>679,900</u>	<u>782,900</u>	<u>763,168</u>	<u>19,732</u>
Public services:				
Streets:				
Personal services	1,794,000	1,794,000	1,656,283	137,717
Other services and charges	83,600	83,600	74,579	9,021
Materials and supplies	577,100	577,100	469,025	108,075
Total streets	<u>2,454,700</u>	<u>2,454,700</u>	<u>2,199,887</u>	<u>254,813</u>
General services:				
Personal services	565,000	567,500	575,574	(8,074)
Other services and charges	71,200	70,400	51,347	19,053
Materials and supplies	109,800	152,600	142,173	10,427
Total general services	<u>746,000</u>	<u>790,500</u>	<u>769,094</u>	<u>21,406</u>
Total public services	<u>3,200,700</u>	<u>3,245,200</u>	<u>2,968,981</u>	<u>276,219</u>
Parks and recreation:				
Personal services	2,916,900	2,916,900	2,675,574	241,326
Other services and charges	629,600	629,600	591,145	38,455
Materials and supplies	438,800	438,800	379,816	58,984
Total parks and recreation	<u>3,985,300</u>	<u>3,985,300</u>	<u>3,646,535</u>	<u>338,765</u>
Other financing uses:				
Transfers to other funds	52,761,000	53,736,000	51,827,320	1,908,680
Total charges to appropriations	<u>71,465,400</u>	<u>72,583,900</u>	<u>68,821,377</u>	<u>3,762,523</u>
Ending budgetary fund balance	<u>\$ 10,478,695</u>	<u>\$ 9,216,803</u>	<u>\$ 12,607,694</u>	<u>\$ 3,390,891</u>

**CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

**Broken Arrow
Budgetary Comparison Schedule
Major Special Revenue Fund - Public Safety Sales Tax Fund - Police
For the year ended June 30, 2017**

Public Safety Sales Tax Fund - Police				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Beginning Budgetary Fund Balance (restated) \$	-	\$ -	\$ 5,950	\$ 5,950
Resources (Inflows):				
Taxes	1,056,300	1,056,300	1,020,338	(35,962)
Intergovernmental	-	-	101,189	101,189
Investment income	-	-	778	778
Miscellaneous	-	-	38,317	38,317
Transfers from other funds	21,464,200	21,464,200	21,148,594	(315,606)
Amounts available for appropriation	<u>22,520,500</u>	<u>22,520,500</u>	<u>22,309,216</u>	<u>(211,284)</u>
Charges to Appropriations (Outflows):				
Police:				
Personal Services	18,112,700	18,612,700	18,380,660	232,040
Other Services and Charges	1,537,400	1,533,600	1,310,092	223,508
Materials and Supplies	995,400	1,039,400	843,982	195,418
Capital Outlay	781,000	789,000	294,247	494,753
Total Charges to Appropriations	<u>21,426,500</u>	<u>21,974,700</u>	<u>20,828,981</u>	<u>1,145,719</u>
Ending Budgetary Fund Balance	<u>\$ 1,094,000</u>	<u>\$ 545,800</u>	<u>\$ 1,486,185</u>	<u>\$ 940,385</u>

**Broken Arrow
Budgetary Comparison Schedule
Major Special Revenue Fund - Public Safety Sales Tax Fund - Fire
For the year ended June 30, 2017**

Public Safety Sales Tax Fund - Fire				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Beginning Budgetary Fund Balance (restated) \$	-	\$ -	\$ 329,953	\$ 329,953
Resources (Inflows):				
Taxes	1,056,300	1,056,300	1,020,338	(35,962)
Intergovernmental	880,000	880,000	180,658	(699,342)
Investment income	-	-	615	615
Miscellaneous	-	-	3,520	3,520
Transfers from other funds	17,352,800	17,352,800	17,088,769	(264,031)
Amounts available for appropriation	<u>19,289,100</u>	<u>19,289,100</u>	<u>18,293,900</u>	<u>(995,200)</u>
Charges to Appropriations (Outflows):				
Fire:				
Personal Services	15,907,700	16,557,700	16,741,276	(183,576)
Other Services and Charges	786,800	812,300	831,888	(19,588)
Materials and Supplies	733,400	732,900	705,400	27,500
Capital Outlay	940,000	940,000	186,816	753,184
Total Charges to Appropriations	<u>18,367,900</u>	<u>19,042,900</u>	<u>18,465,380</u>	<u>577,520</u>
Ending Budgetary Fund Balance	<u>\$ 921,200</u>	<u>\$ 246,200</u>	<u>\$ 158,473</u>	<u>\$ (87,727)</u>

NOTES TO BUDGETARY COMPARISON SCHEDULES

Note 1 - Budgetary Accounting

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

Under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"), the legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. At June 30, 2017, the City's expenditures did not exceed appropriations in any department.

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

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

	<u>General Fund</u>
Total budgetary resources (inflows)	\$ 71,405,868
Less: Transfers in from other funds	<u>(14,801,750)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 56,604,118</u>
Total budgetary expenditures and transfers	\$ 68,821,377
Less: Transfers to other funds	<u>(51,827,320)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 16,994,057</u>

CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

Note 2 – Reconciliation of Budgetary Basis to Modified Accrual Basis – Major Special Revenue Funds

	Public Safety Sales Tax Fund - Police
Total budgetary resources (inflows)	\$ 22,309,216
Add: On-behalf payments	1,132,842
Less: Transfers in from other funds	<u>(21,148,594)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 2,293,464</u>
Total budgetary expenditures and transfers	\$ 20,828,981
Add: On-behalf payments	1,132,842
Less: Transfers to other funds	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 21,961,823</u>
	Public Safety Sales Tax Fund - Fire
Total budgetary resources (inflows)	\$ 18,293,900
Add: On-behalf payments	3,629,486
Less: Transfers in from other funds	<u>(17,088,769)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 4,834,617</u>
Total budgetary expenditures and transfers	\$ 18,465,380
Add: On-behalf payments	3,629,486
Less: Transfers to other funds	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 22,094,866</u>

**CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

**Schedules of Required Supplementary Information
SCHEDULE OF THE CITY OF BROKEN ARROW'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASS
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years***

For the year June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability	3.1323%	3.2237%	3.1605%
City's proportionate share of the net pension liability (asset)	\$(1,054,626)	\$ 131,444	\$4,840,062
City's covered-employee payroll	\$ 9,112,431	\$9,112,431	\$9,320,477
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.57%	1.44%	51.93%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	99.82%	93.50%

Notes to Schedule:

* Only three fiscal years are presented because 10-year data is not yet available.
Current year measurement date is June 30, 2016.

**SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years ***

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contribution	\$ 1,184,616	\$ 1,211,662	\$ 1,332,276
Contributions in relation to the statutorily required contribution	<u>1,184,616</u>	<u>1,211,662</u>	<u>1,332,276</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 9,112,431	\$ 9,320,477	\$ 10,248,277
Contributions as a percentage of covered-employee payroll	13%	13%	13%

Notes to Schedule:

Only two fiscal years are presented because 10-year data is not yet available.

**CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY OF BROKEN ARROW'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM**

Last 10 Fiscal Years*

For the year June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability	3.6826%	3.8107%	3.9641%
City's proportionate share of the net pension liability	\$ 37,869,951	\$ 40,447,082	\$ 48,430,529
City's covered-employee payroll	\$ 10,409,757	\$ 10,409,757	\$ 11,090,514
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	363.79%	388.55%	436.68%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%

Notes to Schedule:

* Only three fiscal years are presented because 10-year data is not yet available.
Current year measurement date is June 30, 2016.

**SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM**

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contribution	\$ 1,457,366	\$ 1,552,672	\$ 1,752,419
Contributions in relation to the statutorily required contribution	<u>1,457,366</u>	<u>1,552,672</u>	<u>1,752,419</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 10,409,757	\$ 11,090,514	\$ 12,517,279
Contributions as a percentage of covered-employee payroll	14%	14%	14%

Notes to Schedule:

* Only three fiscal years are presented because 10-year data is not yet available.

CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

Schedules of Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS -
OTHER POST EMPLOYMENT BENEFIT OBLIGATION
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b- a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2009	\$ -	\$ 1,190,138	\$ 1,190,138	0.0%	\$21,795,343	5.46%
6/30/2010	-	1,997,256	1,997,256	0.0%	23,242,452	8.59%
6/30/2011	-	1,875,248	1,875,248	0.0%	22,877,266	8.20%
6/30/2012	-	2,013,998	2,013,998	0.0%	24,348,846	8.27%
6/30/2013	-	2,082,272	2,082,272	0.0%	25,506,314	8.16%
6/30/2014	-	2,433,075	2,433,075	0.0%	27,023,899	9.00%
6/30/2015	-	2,520,917	2,520,917	0.0%	25,255,828	9.98%
6/30/2016	-	3,241,551	3,241,551	0.0%	29,558,739	10.97%
6/30/2017	-	3,555,392	3,555,392	0.0%	31,342,860	11.34%

OTHER SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

Combining Balance Sheet – Nonmajor Governmental Funds

Broken Arrow
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	SPECIAL REVENUE FUNDS					
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitor's Bureau	Police Enhancement	Street and Alley	Housing and Urban Development
ASSETS						
Cash and cash equivalents	\$ 39,045	\$ 134,435	\$ 201,139	\$ 107,256	\$ 301,102	\$ 240,042
Investments	-	-	-	-	-	-
Due from other funds	1,000,000	1,100,000	250,000	-	800,000	-
Receivable from other governments	-	-	-	-	141,855	36,901
Accrued interest receivable	-	-	-	-	-	-
Other receivables, net	-	-	64,095	-	-	-
Total assets	1,039,045	1,234,435	515,234	107,256	1,242,957	276,943
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	293,111	-	15,267	-	-	3,770
Due to other funds	-	-	-	1,739	-	-
Total liabilities	293,111	-	15,267	1,739	-	3,770
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	-	-	5,597	-	78,195	36,901
Total deferred inflows of resources	-	-	5,597	-	78,195	36,901
Fund balances:						
Restricted	-	-	494,370	105,517	1,164,762	236,272
Committed	745,934	1,234,435	-	-	-	-
Total fund balances	745,934	1,234,435	494,370	105,517	1,164,762	236,272
Total liabilities, deferred inflows of resources and fund balances	\$ 1,039,045	\$ 1,234,435	\$ 515,234	\$ 107,256	\$ 1,242,957	\$ 276,943

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

Combining Balance Sheet – Nonmajor Governmental Funds. (Continued)

Broken Arrow Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017						
	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS	
	E911	Crime Prevention	Alcohol Enforcement	Street Light	Parks and Recreation	Cemetery Care
ASSETS						
Cash and cash equivalents	\$ 47,768	\$ 227,725	\$ 90,491	\$ 30,211	\$ 338,328	\$ 303,516
Investments	-	-	-	-	-	-
Due from other funds	1,500,000	-	-	1,200,000	500,000	-
Receivable from other governments	-	24,861	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-
Other receivables, net	90,418	-	2,170	24,154	-	898
Total assets	1,638,186	252,586	92,661	1,254,365	838,328	304,414
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	1,499	7,083	-	7,258	40,071	-
Due to other funds	-	9,027	-	-	-	-
Total liabilities	1,499	16,110	-	7,258	40,071	-
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	-	-	2,170	24,154	-	501
Total deferred inflows of resources	-	-	2,170	24,154	-	501
Fund balances:						
Restricted	1,636,687	236,476	90,491	-	37,781	180,596
Committed	-	-	-	1,222,953	760,476	123,317
Total fund balances	1,636,687	236,476	90,491	1,222,953	798,257	303,913
Total liabilities, deferred inflows of resources and fund balances	\$ 1,638,186	\$ 252,586	\$ 92,661	\$ 1,254,365	\$ 838,328	\$ 304,414

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

Combining Balance Sheet – Nonmajor Governmental Funds. (Continued)

Broken Arrow
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	CAPITAL PROJECT FUNDS				Total Governmental Funds
	1994				
	Street Sales Tax	General Obligation Bond Issue	2008 General Obligation Bond Fund	2011 General Obligation Bond Fund	
ASSETS					
Cash and cash equivalents	\$ 332,472	\$ 196,940	\$ 2,299,407	\$ 8,079,809	\$ 12,969,686
Investments	-	-	-	4,015,093	4,015,093
Due from other funds	750,000	-	-	-	7,100,000
Receivable from other governments	602,444	-	-	-	806,061
Accrued interest receivable	-	-	-	15,287	15,287
Other receivables, net	-	-	-	88,229	269,964
Total assets	<u>1,684,916</u>	<u>196,940</u>	<u>2,299,407</u>	<u>12,198,418</u>	<u>25,176,091</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	14,818	-	1,140	342,241	726,258
Due to other funds	-	-	-	-	10,766
Total liabilities	<u>14,818</u>	<u>-</u>	<u>1,140</u>	<u>342,241</u>	<u>737,024</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	15,287	162,805
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,287</u>	<u>162,805</u>
Fund balances:					
Restricted	1,670,098	-	2,298,267	11,840,890	19,992,207
Committed	-	196,940	-	-	4,284,055
Total fund balances	<u>1,670,098</u>	<u>196,940</u>	<u>2,298,267</u>	<u>11,840,890</u>	<u>24,276,262</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,684,916</u>	<u>\$ 196,940</u>	<u>\$ 2,299,407</u>	<u>\$ 12,198,418</u>	<u>\$ 25,176,091</u>

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds

Broken Arrow
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	SPECIAL REVENUE FUNDS					
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitor's Bureau	Police Enhancement	Street and Alley	Housing and Urban Development
REVENUES						
Sales and use tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise and miscellaneous taxes	-	-	561,773	-	-	-
Intergovernmental	-	-	-	149,887	945,278	124,709
Charges for services	-	373,893	-	-	-	-
Fees and fines	-	-	-	-	-	-
Investment earnings	411	478	269	372	658	-
Miscellaneous	152,019	-	4,500	-	-	-
Total revenues	<u>152,430</u>	<u>374,371</u>	<u>566,542</u>	<u>150,259</u>	<u>945,936</u>	<u>124,709</u>
EXPENDITURES						
Current:						
General government	-	-	314,546	-	-	52,110
Public safety	-	-	-	50,381	-	-
Public services	-	176,477	-	-	-	-
Capital outlay	-	-	8,804	4,404	400,703	76,721
Bond issuance costs	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>176,477</u>	<u>323,350</u>	<u>54,785</u>	<u>400,703</u>	<u>128,831</u>
Excess (deficiency) of revenues over expenditures	<u>152,430</u>	<u>197,894</u>	<u>243,192</u>	<u>95,474</u>	<u>545,233</u>	<u>(4,122)</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	<u>-</u>	<u>-</u>	<u>(270,000)</u>	<u>-</u>	<u>(720,000)</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(270,000)</u>	<u>-</u>	<u>(720,000)</u>	<u>-</u>
Net change in fund balances	152,430	197,894	(26,808)	95,474	(174,767)	(4,122)
Fund balances - beginning, restated	593,504	1,036,541	521,178	10,043	1,339,529	240,394
Fund balances - ending	<u>\$ 745,934</u>	<u>\$ 1,234,435</u>	<u>\$ 494,370</u>	<u>\$ 105,517</u>	<u>\$ 1,164,762</u>	<u>\$ 236,272</u>

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds, (Continued)

Broken Arrow
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	<u>SPECIAL REVENUE FUNDS</u>				<u>CAPITAL PROJECT FUNDS</u>	
	<u>E911</u>	<u>Crime Prevention</u>	<u>Alcohol Enforcement</u>	<u>Street Light</u>	<u>Parks and Recreation</u>	<u>Cemetery Care</u>
REVENUES						
Sales and use tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise and miscellaneous taxes	-	-	-	-	-	-
Intergovernmental	-	79,529	-	-	-	-
Charges for services	911,701	-	-	436,645	140,456	42,270
Fees and fines	-	-	10,101	-	-	-
Investment earnings	807	72	38	701	547	137
Miscellaneous	-	-	-	-	38,548	-
Total revenues	<u>912,508</u>	<u>79,601</u>	<u>10,139</u>	<u>437,346</u>	<u>179,551</u>	<u>42,407</u>
EXPENDITURES						
Current:						
General government	-	-	-	306,895	-	-
Public safety	-	76,257	3,540	-	-	-
Public services	-	-	-	-	-	-
Capital outlay	35,347	-	-	-	175,003	67,221
Bond issuance costs	-	-	-	-	-	-
Total Expenditures	<u>35,347</u>	<u>76,257</u>	<u>3,540</u>	<u>306,895</u>	<u>175,003</u>	<u>67,221</u>
Excess (deficiency) of revenues over expenditures	<u>877,161</u>	<u>3,344</u>	<u>6,599</u>	<u>130,451</u>	<u>4,548</u>	<u>(24,814)</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	<u>(720,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(720,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	157,161	3,344	6,599	130,451	4,548	(24,814)
Fund balances - beginning, restated	1,479,526	233,132	83,892	1,092,502	793,709	328,727
Fund balances - ending	<u>\$ 1,636,687</u>	<u>\$ 236,476</u>	<u>\$ 90,491</u>	<u>\$ 1,222,953</u>	<u>\$ 798,257</u>	<u>\$ 303,913</u>

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds, (Continued)

Broken Arrow
Combining Statement of Revenues, Expenditures and Changes in Fund Balance:
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	CAPITAL PROJECT FUNDS				
	Street Sales Tax	1994 General Obligation Bond Issue	2008 General Obligation Bond Fund	2011 General Obligation Bond Fund	Total-Other Governmental Funds
REVENUES					
Sales and use tax	\$ 1,700,564	\$ -	\$ -	\$ -	\$ 1,700,564
Franchise and miscellaneous taxes	-	-	-	-	561,773
Intergovernmental	-	-	-	-	1,299,403
Charges for services	-	-	-	-	1,904,965
Fees and fines	-	-	-	-	10,101
Investment earnings	786	-	4,792	58,011	68,079
Miscellaneous	-	-	-	138,229	333,296
Total revenues	<u>1,701,350</u>	<u>-</u>	<u>4,792</u>	<u>196,240</u>	<u>5,878,181</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	673,551
Public safety	-	-	-	-	130,178
Public services	-	-	-	-	176,477
Capital outlay	31,252	-	345,459	5,640,024	6,784,938
Bond issuance costs	-	-	-	500	500
Total Expenditures	<u>31,252</u>	<u>-</u>	<u>345,459</u>	<u>5,640,524</u>	<u>7,765,144</u>
Excess (deficiency) of revenues over expenditures	<u>1,670,098</u>	<u>-</u>	<u>(340,667)</u>	<u>(5,444,284)</u>	<u>(1,886,963)</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	(1,710,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,710,000)</u>
Net change in fund balances	1,670,098	-	(340,667)	(5,444,284)	(3,596,963)
Fund balances - beginning, restated	-	196,940	2,638,934	17,285,174	27,873,225
Fund balances - ending	<u>\$ 1,670,098</u>	<u>\$ 196,940</u>	<u>\$ 2,298,267</u>	<u>\$ 11,840,890</u>	<u>\$ 24,276,262</u>

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

Combining Schedule of Net Position – BAMA Enterprise Fund Accounts

Broken Arrow
Combining Schedule of Net Position
Broken Arrow Municipal Authority Accounts
June 30, 2017

	<u>Municipal Authority</u>	<u>BAMA Sales Tax Account</u>	<u>Sanitary Capital Account</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ (1,324,233)	\$ -	\$ 1,324,233	\$ -
Restricted cash and cash equivalents	187,679	41,128,939	-	41,316,618
Investments	214,268	-	-	214,268
Accounts receivable, net	7,823,755	1,417	-	7,825,172
Due from other funds	2,876,659	-	-	2,876,659
Inventories	868,014	-	-	868,014
Prepaid assets	20,500	-	-	20,500
Total current assets	<u>10,666,642</u>	<u>41,130,356</u>	<u>1,324,233</u>	<u>53,121,231</u>
Non-current assets:				
Restricted cash and cash equivalents	750,715	3,285,383	-	4,036,098
Investment in joint venture	19,545,884	-	-	19,545,884
Capital Assets:				
Land and other nondepreciable assets	10,425,905	-	-	10,425,905
Other capital assets, net of accumulated depreciation	162,939,930	-	-	162,939,930
Total non-current assets	<u>193,662,434</u>	<u>3,285,383</u>	<u>-</u>	<u>196,947,817</u>
Total assets	<u>204,329,076</u>	<u>44,415,739</u>	<u>1,324,233</u>	<u>250,069,048</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,510,074	-	-	2,510,074
Accrued payroll payable	328,768	-	-	328,768
Accrued interest payable	2,372	1,055,787	-	1,058,159
Due to other funds	5,038,805	12,774,940	-	17,813,745
Amounts held in escrow	212,862	-	-	212,862
Compensated absences	396,169	-	-	396,169
Meter deposit liability	187,679	-	-	187,679
Bonds, notes and loans payable, net	607,338	5,285,945	-	5,893,283
Capital lease obligation	255,000	-	-	255,000
Total current liabilities	<u>9,539,067</u>	<u>19,116,672</u>	<u>-</u>	<u>28,655,739</u>
Non-current liabilities:				
Compensated absences	198,085	-	-	198,085
Claims and judgments	-	-	-	-
Meter deposit liability	750,715	-	-	750,715
Bonds, notes and loans payable, net	212,050	110,949,751	-	111,161,801
Capital lease obligation	61,250	-	-	61,250
Net OPEB obligation	613,778	-	-	613,778
Total non-current liabilities	<u>1,835,878</u>	<u>110,949,751</u>	<u>-</u>	<u>112,785,629</u>
Total liabilities	<u>11,374,945</u>	<u>130,066,423</u>	<u>-</u>	<u>141,441,368</u>
NET POSITION				
Net Investment in capital assets	172,229,197	(76,446,245)	-	95,782,952
Restricted for debt service	-	3,569,084	-	3,569,084
Unrestricted (deficit)	20,724,934	(12,773,523)	1,324,233	9,275,644
Total net position	<u>\$ 192,954,131</u>	<u>\$ (85,650,684)</u>	<u>\$ 1,324,233</u>	<u>\$ 108,627,680</u>

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

Combining Schedule of Revenues, Expenses and Changes in Net Position – BAMA Enterprise Fund Accounts

Broken Arrow
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Broken Arrow Municipal Authority Accounts
For the Year Ended June 30, 2017

	Municipal Authority	BAMA Sales Tax Account	Sanitary Capital Account	Total
REVENUES				
Water charges	\$ 19,059,695	\$ -	\$ -	\$ 19,059,695
Sewer charges	11,281,592	-	-	11,281,592
Sanitation charges	6,358,341	-	-	6,358,341
Stormwater fees	4,795,114	-	-	4,795,114
Fees and fines	917,171	-	-	917,171
Miscellaneous	381,896	-	-	381,896
Total operating revenues	<u>42,793,809</u>	<u>-</u>	<u>-</u>	<u>42,793,809</u>
OPERATING EXPENSES				
General government	840,472	-	-	840,472
Finance and administration	1,201,975	-	-	1,201,975
Engineering and construction	2,387,739	-	-	2,387,739
Water distribution	9,753,418	-	-	9,753,418
Saitary sewer system	5,443,844	-	-	5,443,844
Sanitation services	4,931,800	-	-	4,931,800
Support services	3,001,390	-	-	3,001,390
Stormwater	3,115,765	-	-	3,115,765
Depreciation	8,510,474	-	-	8,510,474
Total Operating Expenses	<u>39,186,877</u>	<u>-</u>	<u>-</u>	<u>39,186,877</u>
Operating income	<u>3,606,932</u>	<u>-</u>	<u>-</u>	<u>3,606,932</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	12,933	4,379	571	17,883
Gain (loss) from joint venture	(10,609)	-	-	(10,609)
Gain on disposal of capital assets	45,496	-	-	45,496
Bond issuance costs	-	(442,337)	-	(442,337)
Interest expense and fiscal charges	(95,703)	(3,304,858)	-	(3,400,561)
Total non-operating revenue (expenses)	<u>(47,883)</u>	<u>(3,742,816)</u>	<u>571</u>	<u>(3,790,128)</u>
Income (loss) before contributions and transfers	3,559,049	(3,742,816)	571	(183,196)
Capital contributions	7,792,747	250,000	-	8,042,747
Transfers in	13,729,961	-	-	13,729,961
Transfers out	(14,314,628)	-	-	(14,314,628)
Change in net position	<u>10,767,129</u>	<u>(3,492,816)</u>	<u>571</u>	<u>7,274,884</u>
Total net position - beginning, restated	<u>182,187,002</u>	<u>(82,157,868)</u>	<u>1,323,662</u>	<u>101,352,796</u>
Total net position - ending	<u>\$ 192,954,131</u>	<u>\$ (85,650,684)</u>	<u>\$ 1,324,233</u>	<u>\$ 108,627,680</u>

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

Combining Schedule of Cash Flows – BAMA Enterprise Fund Accounts

Broken Arrow
Combining Schedule of Cash Flows
Broken Arrow Municipal Authority Accounts
For the Year Ended June 30, 2017

	Municipal Authority	BAMA Sales Tax Account	Sanitary Capital Account	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 42,190,011	\$ -	-	\$ 42,190,011
Payments to suppliers	(16,744,566)	-	-	(16,744,566)
Payments to employees	(14,952,421)	-	-	(14,952,421)
Receipts of customer meter deposits	282,568	-	-	282,568
Payment of customer meter deposits	(254,737)	-	-	(254,737)
Interfund payments & receipts	(2,936,388)	6,438,518	-	3,502,130
Net cash provided by operating activities	<u>7,584,467</u>	<u>6,438,518</u>	<u>-</u>	<u>14,022,985</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	13,729,961	-	-	13,729,961
Transfer to other funds	(14,314,628)	-	-	(14,314,628)
Net cash provided by (used in) noncapital financing activities	<u>(584,667)</u>	<u>-</u>	<u>-</u>	<u>(584,667)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(6,999,522)	-	-	(6,999,522)
Capital grant received	780,580	-	-	780,580
Proceeds from issuance of debt	-	27,005,853	-	27,005,853
Note issuance costs	-	(442,337)	-	(442,337)
Premium on issuance of debt	-	2,938,447	-	2,938,447
Proceeds from sale of capital assets	121,518	-	-	121,518
Principal paid on capital debt	(885,143)	(4,942,035)	-	(5,827,178)
Interest paid on capital debt	(98,094)	(2,953,496)	-	(3,051,590)
Net cash provided by (used in) capital and related financing activities	<u>(7,080,661)</u>	<u>21,606,432</u>	<u>-</u>	<u>14,525,771</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(8,612)	-	-	(8,612)
Interest and dividends	12,933	4,379	571	17,883
Net cash provided by investing activities	<u>4,321</u>	<u>4,379</u>	<u>571</u>	<u>9,271</u>
Net Increase (decrease) in cash and cash equivalents	(76,540)	28,049,329	571	27,973,360
Balances-beginning of year	<u>(309,299)</u>	<u>16,364,993</u>	<u>1,323,662</u>	<u>17,379,356</u>
Balances-end of year	<u>\$ (385,839)</u>	<u>\$ 44,414,322</u>	<u>\$ 1,324,233</u>	<u>\$ 45,352,716</u>
Reconciliation to Combining Statement of Net Position:				
Cash and cash equivalents	\$ (1,324,233)	\$ -	\$ 1,324,233	\$ -
Restricted cash and cash equivalents-current	187,679	41,128,939	-	41,316,618
Restricted cash and cash equivalents-noncurrent	750,715	3,285,383	-	4,036,098
Total cash and cash equivalents, end of year	<u>(385,839)</u>	<u>44,414,322</u>	<u>1,324,233</u>	<u>45,352,716</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income	\$ 3,606,932	\$ -	\$ -	\$ 3,606,932
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	8,510,474	-	-	8,510,474
Change in assets and liabilities:				
Receivables, net	(586,195)	-	-	(586,195)
Due from other funds	(81,222)	-	-	(81,222)
Investment in joint venture	(1,747,027)	-	-	(1,747,027)
Inventories	(102,989)	-	-	(102,989)
Accounts payables	1,033,198	-	-	1,033,198
Accrued payroll	(457,244)	-	-	(457,244)
Due to other funds	(2,855,166)	6,438,518	-	3,583,352
Amounts held in escrow	(17,603)	-	-	(17,603)
Accrued compensated absences	35,785	-	-	35,785
Customer meter deposits payable	27,831	-	-	27,831
Net OPEB obligation	217,693	-	-	217,693
Net cash provided by operating activities	<u>\$ 7,584,467</u>	<u>\$ 6,438,518</u>	<u>\$ -</u>	<u>\$ 14,022,985</u>
Non-cash Activities:				
Capital assets contributed	\$ 7,012,167	\$ -	\$ -	\$ 7,012,167
Forgiveness of debt	-	250,000	-	250,000
Total Non-cash Activities	<u>\$ 7,012,167</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 7,262,167</u>

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

Combining Statement of Net Position – Internal Service Funds

Broken Arrow			
Combining Statement of Net Position			
Internal Service Funds			
June 30, 2017			
	Worker's Compensation	Group Health & Life	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,652,825	\$ 1,651,008	\$ 3,303,833
Total assets	1,652,825	1,651,008	3,303,833
LIABILITIES			
Current Liabilities:			
Accounts payable	20,252	-	20,252
Claims and judgments	1,238,000	-	1,238,000
Total current liabilities	1,258,252	-	1,258,252
Non-current liabilities:			
Claims and judgments	1,280,000	861,290	2,141,290
Total non-current liabilities	1,280,000	861,290	2,141,290
Total liabilities	2,538,252	861,290	3,399,542
NET POSITION			
Unrestricted (deficit)	(885,427)	789,718	(95,709)
Total Net Position	\$ (885,427)	\$ 789,718	\$ (95,709)

Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds

Broken Arrow			
Combining Statement of Revenues, Expenses and Changes in Fund Net Position			
Internal Service Funds			
For the Year Ended June 30, 2017			
	Worker's Compensation	Group Health & Life	Total
OPERATING REVENUES			
Self insurance charges	\$ 1,099,992	\$ 8,691,269	\$ 9,791,261
Total operating revenues	1,099,992	8,691,269	9,791,261
OPERATING EXPENSES			
Claims expense	935,007	8,388,283	9,323,290
Total operating expenses	935,007	8,388,283	9,323,290
Operating income	164,985	302,986	467,971
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	713	863	1,576
Total non-operating revenue (expenses)	713	863	1,576
Change in net position	165,698	303,849	469,547
Total net position - beginning	(1,051,125)	485,869	(565,256)
Total net position - ending	\$ (885,427)	\$ 789,718	\$ (95,709)

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

Combining Statement of Cash Flows – Internal Service Funds

Broken Arrow
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

	Worker's Compensation	Group Health & Life	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,099,992	\$ 8,691,269	\$ 9,791,261
Claims and judgments paid	(1,156,483)	(8,393,447)	(9,549,930)
Net cash provided by (used in) operating activities	(56,491)	297,822	241,331
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	713	863	1,576
Net cash provided by investing activities	713	863	1,576
Net Increase (decrease) in cash and cash equivalents	(55,778)	298,685	242,907
Balances-beginning of year	1,708,603	1,352,323	3,060,926
Balances-end of year	\$ 1,652,825	\$ 1,651,008	\$ 3,303,833
Reconciliation to Combining Statement of Net Position:			
Cash, including time deposits	\$ 1,652,825	\$ 1,651,008	\$ 3,303,833
Total cash and cash equivalents, end of year	\$ 1,652,825	\$ 1,651,008	\$ 3,303,833
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Operating income	\$ 164,985	\$ 302,986	\$ 467,971
Change in assets and liabilities:			
Accounts and other payables	(65,476)	-	(65,476)
Claims liability	(156,000)	(5,164)	(161,164)
Net cash provided by (used in) operating activities	\$ (56,491)	\$ 297,822	\$ 241,331

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

SCHEDULE OF DEBT SERVICE COVERAGE

Year Ended June 30, 2017

	OWRB 1997 A&C, 1999B, 2001, 2004, 2005, 2007, 2009, 2011, 2012, 2015 and 2017 Notes <u>Payable</u>
Gross revenue available for debt service:	
Charges for services	\$ 42,793,809
Investment income	17,883
Sales tax transferred from the City General Fund	<u>13,729,961</u>
Total gross revenues available	<u>56,541,653</u>
Operating expenses (1)	
General government	840,472
Finance and administration	1,201,975
Engineering and construction	2,387,739
Water distribution	9,753,418
Sanitary sewer system	5,443,844
Sanitation services	4,931,800
Support services	3,001,390
Stormwater	<u>3,115,765</u>
Total operating expenses	<u>30,676,403</u>
Net revenue available for debt service	<u>\$ 25,865,250</u>
Debt service requirements	
Maximum annual debt service on all BAMA parity debt	<u>\$ 9,620,270</u>
Computed coverage	<u>269%</u>
Coverage requirement	<u>125%</u>

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

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF DEBT RESERVE ACCOUNT BALANCE REQUIREMENTS

Year ended June 30, 2017

	Series 2010 BAEDA Note Payable	Series 2012 OWRB Note Payable	Series 2015 OWRB Note Payable
Required balance	\$ 750,000	\$ 2,435,677	\$ 849,706
Balance in Trustee Account, June 30, 2017	<u>756,026</u>	<u>2,435,677</u>	<u>849,706</u>
Excess of account balance over (under) required balance	<u>\$ 6,026</u>	<u>\$ -</u>	<u>\$ -</u>