



**BROKEN ARROW**

*Where opportunity lives*

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018**





**BROKEN ARROW**

*Where opportunity lives*

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2018**

**WITH  
INDEPENDENT AUDITOR'S REPORT**



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**City of Broken Arrow, Oklahoma**

**List of Principal Officials  
June 30, 2018**

**City Council**

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

**City Manager**

**Michael L. Spurgeon**

**Clerk**

**Curtis Green**

**Finance Director/Treasurer**

**Cynthia Arnold**







## 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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2019, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



April 30, 2019

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

**June 30, 2018**

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, 2018. Please read it in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

- At June 30, 2018, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$330,370,864.
- For the fiscal year ended June 30, 2018, the City's total net position increased by \$20,619,482 or 6.7% from the prior year's restated net position.
- During the year, the City's expenses for governmental activities were \$88,105,781 and were funded by program revenues of \$24,821,482, and further funded with taxes and other general revenues that totaled \$76,339,293.
- In the City's business-type activities, such as utilities, total program revenues exceeded expenditures by \$5,114,930.
- At June 30, 2018, the General Fund reported a total fund balance of \$14,783,435, as compared to the prior year restated balance of \$12,793,244. Fund balance of \$1,778,701 has been restricted for debt service.
- For budgetary reporting purposes, the General Fund reported revenues in excess of final estimates in the amount of \$640,151 or 0.88%, while expenditures were less than final appropriations by \$1,003,640 or 1.39%.

**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 three categories of activities – governmental, business-type and discretely-presented component units. 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) and deferred outflows, as well as all liabilities (including all long-term debt) and deferred inflows.

**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, deferred outflows, liabilities, and deferred inflows 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 deferred outflows, and liabilities and deferred inflows – 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 \$309,751,382 (restated) to \$330,370,864 between fiscal years 2017 and 2018. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$13,054,994 while business-type activities increased \$7,564,488. A comparative, condensed presentation of net position follows (reported in thousands).

**TABLE 1**  
**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)		(Dec.)	(restated)		(Dec.)	(restated)		(Dec.)
	2018	2017		2018	2017		2018	2017	
Current and other assets	\$ 110,124	\$ 90,460	22%	\$ 45,196	\$ 38,425	18%	\$ 155,320	\$ 128,885	21%
Capital assets, net	300,337	295,579	2%	184,641	180,278	2%	484,978	475,857	2%
Other non-current assets	-	-	-	33,734	27,546	22%	33,734	27,546	22%
<b>Total assets</b>	<b>410,461</b>	<b>386,039</b>	<b>6%</b>	<b>263,571</b>	<b>246,249</b>	<b>7%</b>	<b>674,032</b>	<b>632,288</b>	<b>7%</b>
Deferred Outflows of Resources	18,177	16,377	11%	55	-	100%	18,232	16,377	11%
Current liabilities	20,921	20,802	1%	26,186	14,138	85%	47,107	34,940	35%
Non-current liabilities	184,602	173,408	6%	125,930	128,166	-2%	310,532	301,574	3%
<b>Total liabilities</b>	<b>205,523</b>	<b>194,210</b>	<b>6%</b>	<b>152,116</b>	<b>142,304</b>	<b>7%</b>	<b>357,639</b>	<b>336,514</b>	<b>6%</b>
Deferred Inflows of Resources	3,104	571	444%	-	-	-	3,104	571	444%
Interest rate swap	1,150	1,829	-37%	-	-	-	1,150	1,829	-37%
	4,254	2,400		-	-		4,254	2,400	
Net position									
Net investment in capital assets	165,327	169,195	-2%	97,449	102,654	-5%	262,776	271,849	-3%
Restricted	85,170	66,375	28%	3,678	3,569	3%	88,848	69,944	27%
Unrestricted (deficit)	(31,636)	(29,764)	6%	10,383	(2,278)	-556%	(21,253)	(32,042)	-34%
<b>Total net position</b>	<b>\$ 218,861</b>	<b>\$205,806</b>	<b>6%</b>	<b>\$111,510</b>	<b>\$103,945</b>	<b>7%</b>	<b>\$ 330,371</b>	<b>\$309,751</b>	<b>7%</b>

## Changes in net position

For the years ended June 30, 2017 and 2018, the change in net position of the primary government was the result of the following (amounts are reported in thousands):

**TABLE 2**  
**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>2018</u>	<u>2017</u>	<u>(Dec.)</u>	<u>2018</u>	<u>2017</u>	<u>(Dec.)</u>	<u>2018</u>	<u>2017</u>	<u>(Dec.)</u>
<b>Revenues</b>									
<b>Program revenue:</b>									
Charges for service	\$ 12,885	\$ 14,449	-11%	\$ 47,355	\$ 45,313	5%	\$ 60,240	\$ 59,762	1%
Operating grants and contributions	7,566	7,207	5%	-	-	-	7,566	7,207	5%
Capital grants and contributions	4,371	9,683	-55%	4,512	8,102	-44%	8,883	17,785	-50%
<b>General Revenue:</b>									
Sales and use taxes	54,079	47,831	13%	-	-	-	54,079	47,831	13%
Property taxes	15,662	14,349	9%	-	-	-	15,662	14,349	9%
Franchise and other taxes	6,848	6,300	9%	-	-	-	6,848	6,300	9%
Investment income	475	294	62%	286	23	1143%	761	317	140%
Miscellaneous	1,439	1,362	6%	-	-	-	1,439	1,362	6%
<b>Total Revenues</b>	<u>103,325</u>	<u>101,475</u>	<u>2%</u>	<u>52,153</u>	<u>53,438</u>	<u>-2%</u>	<u>155,478</u>	<u>154,913</u>	<u>0%</u>
<b>Program Expenses:</b>									
General government	15,767	12,767	23%	-	-	-	15,767	12,767	23%
Public safety	50,502	46,155	9%	-	-	-	50,502	46,155	9%
Public services	11,688	14,083	-17%	-	-	-	11,688	14,083	-17%
Culture and recreation	5,775	5,634	3%	-	-	-	5,775	5,634	3%
Interest on long-term debt	4,374	4,051	8%	-	-	-	4,374	4,051	8%
Water	-	-	-	19,531	19,608	0%	19,531	19,608	0%
Sewer	-	-	-	11,421	11,382	0%	11,421	11,382	0%
Sanitation	-	-	-	6,613	6,399	3%	6,613	6,399	3%
Stormwater	-	-	-	6,184	5,831	6%	6,184	5,831	6%
Golf	-	-	-	1,532	1,647	-7%	1,532	1,647	-7%
Economic development	-	-	-	1,471	1,429	3%	1,471	1,429	3%
<b>Total Expenses</b>	<u>88,106</u>	<u>82,690</u>	<u>7%</u>	<u>46,752</u>	<u>46,296</u>	<u>1%</u>	<u>134,858</u>	<u>128,986</u>	<u>5%</u>
Excess (deficiency) before transfe	15,219	18,785	-19%	5,401	7,142	-24%	20,620	25,927	-20%
Net transfers	(2,164)	(772)	180%	2,164	772	180%	-	-	-
Increase in net position	<u>\$ 13,055</u>	<u>\$ 18,013</u>	<u>-28%</u>	<u>\$ 7,565</u>	<u>\$ 7,914</u>	<u>-4%</u>	<u>\$ 20,620</u>	<u>\$ 25,927</u>	<u>-20%</u>

The City's governmental activities increase in net position of \$13,054,994 represents a 27.5% decrease from the prior year's increase in net position. The business-type activities increase in net position of \$7,564,488 represents a 4.4% decrease from the prior year's increase 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, 2018, the City's governmental activities were funded as follows:

Governmental Activities Sources	
Sales and Use Taxes	52.34%
Other Taxes	21.60%
Charges for Service	12.47%
Grants	11.55%
Other	2.04%

Governmental Activities Uses	
General government	17.90%
Public safety	57.32%
Public services	13.27%
Culture and recreation	6.55%
Interest on long-term debt	4.96%

For the year ended June 30, 2018, total expenses for governmental activities amounted to \$88,105,781. To fund these activities, taxpayers and other general revenues funded \$76,339,293 while those directly benefiting from the program funded \$11,936,736 from grants and other contributions and \$12,884,746 from charges for services.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2018	2017		2018	2017	
	General government	\$ 15,767,195		\$ 12,766,789	24%	
Public safety	50,501,541	46,155,135	9%	(36,545,842)	(31,585,683)	16%
Public services	11,687,804	14,083,341	-17%	(5,827,611)	(2,869,319)	103%
Culture and recreation	5,775,089	5,633,777	3%	(5,186,667)	(5,036,466)	3%
Interest on long-term debt	4,374,152	4,050,767	8%	(4,374,152)	(4,050,767)	8%
<b>TOTAL</b>	<b>\$88,105,781</b>	<b>\$82,689,809</b>	<b>7%</b>	<b>\$ (63,284,299)</b>	<b>\$ (51,350,954)</b>	<b>23%</b>

**Business-type activities**

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

- Total business-type activities reported net revenues of \$5,114,930 for the year ended June 30, 2018.
- Water and sewer activities reported net revenues of \$3,758,838 and \$3,276,815 respectively for the year ended June 30 2018, while sanitation, stormwater, golf and economic development activities reported net expenses of \$14,552, \$222,699, \$212,233 and \$1,471,239, respectively.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2018	2017		2018	2017	
	Water	\$ 19,530,651		\$ 19,607,754	0%	
Sewer	11,420,852	11,382,164	0%	3,276,815	5,636,151	-42%
Sanitation	6,612,503	6,398,649	3%	(14,552)	158,709	-109%
Stormwater	6,184,232	5,830,828	6%	(222,699)	(511,649)	-56%
Golf	1,532,225	1,647,048	-7%	(212,233)	(262,308)	-19%
Economic Development	1,471,239	1,429,271	3%	(1,471,239)	(762,010)	93%
<b>TOTAL</b>	<b>\$46,751,702</b>	<b>\$46,295,714</b>	<b>1%</b>	<b>\$ 5,114,930</b>	<b>\$ 7,118,755</b>	<b>-28%</b>

**A financial analysis of the City's funds**

As the City completed its 2018 fiscal year, the governmental funds reported a combined fund balance of \$100,695,528 or a 26.1% increase from 2017. The combined proprietary funds reported a combined total net position of \$109,266,078 or a 7.16% increase from 2017.

Other fund highlights include:

- For the year ended June 30, 2018, the General Fund's total fund balance increased by \$1,990,191 or 15.56%.
- The Sales Tax Capital Improvement Fund's total fund balance increased by \$2,874,204 or 41.74%.
- The 2014 General Obligation Bond Funds' total fund balance increased by \$11,821,511 or 45.71% due to the proceeds from the issuance of debt exceeding the related 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 0.21% or \$150,000.

**Capital Asset and Debt Administration**

**Capital assets**

At the end of June 30, 2018, the City had \$484,978,041 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 \$9,121,305 or 1.92% over last year.

	Primary Government Capital Assets (Net of accumulated depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 36,921,966	\$ 36,921,966	\$ 5,016,257	\$ 5,016,257	\$ 41,938,223	\$ 41,938,223
Buildings	47,243,668	48,506,848	2,921,825	3,102,409	50,165,493	51,609,257
Improvements	29,193,803	25,027,740	131,258,814	134,397,786	160,452,617	159,425,526
Machinery and equipment	16,397,163	15,357,771	8,763,977	7,730,010	25,161,140	23,087,781
Infrastructure	154,510,995	151,617,568	22,464,198	22,211,532	176,975,193	173,829,100
Construction in progress	16,069,326	18,147,216	14,216,049	7,819,633	30,285,375	25,966,849
<b>Totals</b>	<b>\$ 300,336,921</b>	<b>\$ 295,579,109</b>	<b>\$ 184,641,120</b>	<b>\$ 180,277,627</b>	<b>\$ 484,978,041</b>	<b>\$ 475,856,736</b>

This year's more significant capital asset additions included:

- Streetscape Project, Phase 4 totaling \$6,050,910
- Rose District Interactive Water Feature totaling \$1,533,970
- Neinhuis Park Synthetic Turf Conversion Project totaling \$1,019,488

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 \$341,309,325 in long-term debt outstanding which represents a \$16,558,242 or 5.1% 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 Percentage Change
	Governmental Activities		Business-Type Activities		Total		
	2018	2017	2018	2017	2018	2017	
Accrued compensated absences	\$ 2,930,288	\$ 2,828,770	\$ 584,471	\$ 594,254	\$ 3,514,759	\$ 3,423,024	3%
General obligation bond	122,295,000	113,450,000	-	-	122,295,000	113,450,000	8%
Notes payable	11,418,037	11,778,037	127,893,435	122,226,379	139,311,472	134,004,416	4%
Unamortized premium	1,310,650	1,174,900	2,931,659	3,044,373	4,242,309	4,219,273	1%
Judgments payable	698,821	578,423	-	-	698,821	578,423	21%
Automotive and general liability	1,163,000	1,032,000	-	-	1,163,000	1,032,000	13%
Meter deposit liability	-	-	961,410	938,394	961,410	938,394	2%
Claims payable	6,138,503	3,379,290	-	-	6,138,503	3,379,290	82%
Total OPEB liability	862,514	1,525,644	323,933	613,778	1,186,447	2,139,422	-45%
Net pension liability	53,672,604	53,270,591	-	-	53,672,604	53,270,591	1%
Capital lease obligation	-	-	125,000	316,250	125,000	316,250	-60%
Revenue bond payable	-	-	8,000,000	8,000,000	8,000,000	8,000,000	0%
<b>Totals</b>	<b>\$ 200,489,417</b>	<b>\$ 189,017,655</b>	<b>\$ 140,819,908</b>	<b>\$ 135,733,428</b>	<b>\$ 341,309,325</b>	<b>\$ 324,751,083</b>	<b>5%</b>

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

## **Economic Factors and Next Year's Budget and Rates**

The City's revenue streams are largely influenced by overall economic conditions in the region. The gradual national recovery continues to improve, but our dependence on sales tax and its volatility affects our ability to meet on-going expenses. We have been very fortunate to see continual growth the last few years. Since 2003 we have seen consistent growth except for 2010 where we saw a slight decrease. For fiscal year 2019 we projected 1.0% for growth because it's a volatile source of revenue and we were conservative for projections. With the new developments that are going in, the proposed franchise tax growth was estimated at 3.14% with other revenues at 3.6%

As a result of the Vision 2025 sales tax renewal voters approved in November 2015, the Police and Fire Departments have had a dedicated revenue source since January 2017. This has allowed for additional personnel within the departments. The Fire Department has hired 20 new firefighters with the Vision money and supplemental grants and the Police Department has hired 15 of its promised 20. The remainder will be hired during the 2019-2020 fiscal year.

In the fall of 2018 the voters approved for a \$210 million bond package over the next ten years. This will help the needed infrastructures and quality of life issues that are needed in the future.

- Proposition 1: Transportation \$142.625 million
- Proposition 2: Public Safety \$20.35 million
- Proposition 3: Parks and Recreation \$17.75 million
- Proposition 4: Public Facilities \$16.8 million
- Proposition 5: Stormwater \$7.5 million
- Proposition 6: Drainage \$5.5 million

The City sold its first series in December 2018.

The Municipal Authority continues to add utility customers, water, sewer, trash and stormwater, as the City grows. In the fall of 2016, the City Council approved a 5 year rate model and the related increases for utility services. The rate model covers the reasonable estimated expenses for operations and pay as you go capital improvements. The year three increase was approved effective October 1, 2018. We are in the process of updating the Black and Beatch rate study to help in formulating the Authority's 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, 2018**

**Statement of Net Position**

**Broken Arrow**  
**Statement of Net Position**  
**June 30, 2018**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Broken Arrow Home Finance Authority	Broken Arrow Hospital Authority
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 49,951,080	\$ 38,761,575	\$ 88,712,655	\$ 2,786	\$ 10,920
Investments	35,576,801	254,214	35,831,015	-	-
Taxes receivable	1,076,368	-	1,076,368	-	-
Internal Balances	8,187,357	(8,187,357)	-	-	-
Due from other governments	11,308,565	5,013,018	16,321,583	-	-
Accrued interest receivable	109,021	4,200	113,221	-	-
Accounts receivable, net of allowance	3,914,001	8,188,441	12,102,442	-	-
Notes receivable	-	8,000,000	8,000,000	-	-
Inventory	-	1,132,992	1,132,992	-	-
Prepaid assets	613	28,723	29,336	-	-
Investment in joint venture	-	25,733,603	25,733,603	-	-
Capital Assets:					
Non-depreciable	52,991,292	19,232,306	72,223,598	-	-
Depreciable, net of depreciation	247,345,629	165,408,814	412,754,443	-	-
<b>Total Assets</b>	<b>410,460,727</b>	<b>263,570,529</b>	<b>674,031,256</b>	<b>2,786</b>	<b>10,920</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated decrease in fair value of hedging derivative	1,150,398	-	1,150,398	-	-
Deferred outflow related to refunding of debt	13,963	-	13,963	-	-
Deferred outflows related to pension	17,013,058	-	17,013,058	-	-
Deferred outflows related to OPEB	-	54,922	54,922	-	-
<b>Total deferred outflow of resources</b>	<b>18,177,419</b>	<b>54,922</b>	<b>18,232,341</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>					
Accounts payable	1,870,922	9,550,157	11,421,079	-	-
Accrued payroll	1,749,705	344,763	2,094,468	-	-
Accrued interest payable	1,171,641	1,108,190	2,279,831	-	-
Due to other governments	24,241	8,835	33,076	-	-
Other payables	-	81,049	81,049	-	-
Amounts held in escrow	216,676	202,701	419,377	-	-
Long term liabilities:					
Due within one year	15,887,722	14,890,142	30,777,864	-	-
Due in more than one year	184,601,695	125,929,766	310,531,461	-	-
<b>Total Liabilities</b>	<b>205,522,602</b>	<b>152,115,603</b>	<b>357,638,205</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS</b>					
Deferred inflows related to pensions	3,049,208	-	3,049,208	-	-
Deferred inflows related to OPEB	54,922	-	54,922	-	-
Interest rate swap	1,150,398	-	1,150,398	-	-
<b>Total deferred inflow of resources</b>	<b>4,254,528</b>	<b>-</b>	<b>4,254,528</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	165,327,197	90,890,169	256,217,366	-	-
Restricted for:					
Capital projects	64,349,478	-	64,349,478	-	-
Debt service	11,995,853	3,677,934	15,673,787	-	-
Public Safety	6,392,362	-	6,392,362	-	-
Other purposes	2,432,258	-	2,432,258	-	-
Unrestricted (deficit)	(31,636,132)	16,941,745	(14,694,387)	2,786	10,920
<b>Total Net Position</b>	<b>\$ 218,861,016</b>	<b>\$ 111,509,848</b>	<b>\$ 330,370,864</b>	<b>\$ 2,786</b>	<b>\$ 10,920</b>

See accompanying notes to the basic financial statements.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**Year Ending June 30, 2018**

**Statement of Activities**

**Broken Arrow**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

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		
<b>Primary government</b>									
Governmental Activities									
General government	\$ 15,767,195	\$ 4,348,047	\$ 69,121	\$ -	\$ (11,350,027)	\$ -	\$ (11,350,027)	\$ -	\$ -
Public safety	50,501,541	7,139,579	6,568,293	247,827	(36,545,842)	-	(36,545,842)	-	-
Public services	11,687,804	808,698	928,561	4,122,934	(5,827,611)	-	(5,827,611)	-	-
Cultural and recreation	5,775,089	588,422	-	-	(5,186,667)	-	(5,186,667)	-	-
Interest on long-term debt	4,374,152	-	-	-	(4,374,152)	-	(4,374,152)	-	-
Total governmental activities	<u>88,105,781</u>	<u>12,884,746</u>	<u>7,565,975</u>	<u>4,370,761</u>	<u>(63,284,299)</u>	<u>-</u>	<u>(63,284,299)</u>	<u>-</u>	<u>-</u>
Business-type activities									
Water	19,530,651	20,563,055	-	2,726,434	-	3,758,838	3,758,838	-	-
Sewer	11,420,852	12,951,177	-	1,746,490	-	3,276,815	3,276,815	-	-
Sanitation	6,612,503	6,597,951	-	-	-	(14,552)	(14,552)	-	-
Stormwater	6,184,232	5,961,533	-	-	-	(222,699)	(222,699)	-	-
Golf	1,532,225	1,281,114	-	38,878	-	(212,233)	(212,233)	-	-
Economic Development	1,471,239	-	-	-	-	(1,471,239)	(1,471,239)	-	-
Total business-type activities	<u>46,751,702</u>	<u>47,354,830</u>	<u>-</u>	<u>4,511,802</u>	<u>-</u>	<u>5,114,930</u>	<u>5,114,930</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 134,857,483</u>	<u>\$ 60,239,576</u>	<u>\$ 7,565,975</u>	<u>\$ 8,882,563</u>	<u>(63,284,299)</u>	<u>5,114,930</u>	<u>(58,169,369)</u>	<u>-</u>	<u>-</u>
<b>Component Units</b>									
Finance	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>General revenues:</b>									
Taxes:									
Sales and use taxes					54,078,818	-	54,078,818	-	-
Property taxes					15,662,470	-	15,662,470	-	-
Franchise and miscellaneous taxes					4,430,489	-	4,430,489	-	-
Hotel/motel taxes					573,598	-	573,598	-	-
Tobacco taxes					565,516	-	565,516	-	-
E-911 taxes					1,087,957	-	1,087,957	-	-
Intergovernmental revenue not restricted to specific programs					189,725	-	189,725	-	-
Unrestricted investment earnings					475,148	285,728	760,876	-	-
Miscellaneous					1,439,402	-	1,439,402	-	-
Transfers					(2,163,830)	2,163,830	-	-	-
Total general revenues and transfers					<u>76,339,293</u>	<u>2,449,558</u>	<u>78,788,851</u>	<u>-</u>	<u>-</u>
Change in net position					<u>13,054,994</u>	<u>7,564,488</u>	<u>20,619,482</u>	<u>-</u>	<u>-</u>
Net position - beginning (restated)					<u>205,806,022</u>	<u>103,945,360</u>	<u>309,751,382</u>	<u>2,786</u>	<u>10,920</u>
Net position - ending					<u>\$ 218,861,016</u>	<u>\$ 111,509,848</u>	<u>\$ 330,370,864</u>	<u>\$ 2,786</u>	<u>\$ 10,920</u>

See accompanying notes to the basic financial statements.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**Year Ending June 30, 2018**

**Governmental Funds – Balance Sheet**

City of Broken Arrow, Oklahoma Balance Sheet Governmental Funds June 30, 2018								
	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
<b>ASSETS</b>								
Cash and cash equivalents	\$ 7,328,500	\$ 3,220,307	\$ 981,004	\$ 548,775	\$ 7,924,258	\$ 8,110,384	\$ 20,939,539	\$ 49,052,767
Investments	-	-	-	-	30,080,758	1,444,607	4,051,436	35,576,801
Taxes receivable, net	419,305	-	-	-	-	657,063	-	1,076,368
Due from other funds	2,587,012	-	-	8,187,357	-	-	-	10,774,369
Receivable from other governments	7,454,469	405,170	489,883	1,293,332	626,429	-	1,039,282	11,308,565
Accrued interest receivable	-	-	-	-	80,743	5,098	23,180	109,021
Other receivables, net	3,590,617	-	101,883	-	-	-	214,015	3,906,515
Prepaid expenses	613	-	-	-	-	-	-	613
Total assets	<u>\$ 21,380,516</u>	<u>\$ 3,625,477</u>	<u>\$ 1,572,770</u>	<u>\$ 10,029,464</u>	<u>\$ 38,712,188</u>	<u>\$ 10,217,152</u>	<u>\$ 26,267,452</u>	<u>\$ 111,805,019</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 261,593	\$ 81,214	\$ 112,770	\$ 269,712	\$ 364,142	\$ -	\$ 1,034,408	\$ 2,123,839
Accrued payroll	677,182	629,144	443,379	-	-	-	-	1,749,705
Due to other funds	2,586,664	-	-	-	-	-	348	2,587,012
Due to other governments	24,241	-	-	-	-	-	-	24,241
Amounts held in escrow	189,362	-	-	-	-	-	-	189,362
Total liabilities	<u>3,739,042</u>	<u>710,358</u>	<u>556,149</u>	<u>269,712</u>	<u>364,142</u>	<u>-</u>	<u>1,034,756</u>	<u>6,674,159</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred revenue	2,858,039	16,719	35,336	-	665,322	580,207	279,709	4,435,332
Total deferred inflows of resources	<u>2,858,039</u>	<u>16,719</u>	<u>35,336</u>	<u>-</u>	<u>665,322</u>	<u>580,207</u>	<u>279,709</u>	<u>4,435,332</u>
<b>Fund balances:</b>								
Restricted	1,778,701	2,898,400	981,285	9,759,752	37,682,724	9,636,945	20,878,170	83,615,977
Committed	-	-	-	-	-	-	4,074,817	4,074,817
Assigned	12,430,573	-	-	-	-	-	-	12,430,573
Unassigned	574,161	-	-	-	-	-	-	574,161
Total fund balances	<u>14,783,435</u>	<u>2,898,400</u>	<u>981,285</u>	<u>9,759,752</u>	<u>37,682,724</u>	<u>9,636,945</u>	<u>24,952,987</u>	<u>100,695,528</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 21,380,516</u>	<u>\$ 3,625,477</u>	<u>\$ 1,572,770</u>	<u>\$ 10,029,464</u>	<u>\$ 38,712,188</u>	<u>\$ 10,217,152</u>	<u>\$ 26,267,452</u>	<u>\$ 111,805,019</u>

See accompanying notes to the basic financial statements.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**Year Ending June 30, 2018**

**Broken Arrow**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net**  
**Position**  
**June 30, 2018**

Total fund balance, governmental funds \$ 100,695,528

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 300,336,921

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	1,429,687
Court fines receivable	418,126
Ambulance receivable	2,397,185
Cemetery receivable	19,538
Street light fee	23,319
Interest receivable	109,021
Miscellaneous receivables	38,456
Deferred outflow - accumulated decrease on derivative fair value	1,150,398
Deferred outflows related to pensions	17,013,058
Deferred outflow loss on refunding	13,963
	<u>22,612,751</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	(892,292)
Stormwater Capital Fund	(1,351,478)
	<u>(2,243,770)</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 (2,763,331)

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	(1,310,650)
General obligation bonds payable	(122,295,000)
Notes payable	(11,418,037)
Accrued compensated absences	(2,930,288)
Accrued interest payable	(1,171,641)
Deferred inflows related to interest rate swap	(1,150,398)
Automotive and general liability	(1,163,000)
Judgments payable	(698,821)
Deferred inflows related to OPEB	(54,922)
Total OPEB liability	(862,514)
Net pension liability	(53,672,604)
Deferred inflows related to pensions	(3,049,208)
	<u>(199,777,083)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ 218,861,016

See accompanying notes to the basic financial statements.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**Year Ending June 30, 2018**

**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, 2018								
	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
<b>REVENUES</b>								
Sales and use taxes	\$ 39,149,333	\$ 2,132,784	\$ 2,132,784	\$ 7,109,278	\$ -	\$ -	\$ 3,554,639	\$ 54,078,818
Property tax	-	-	-	-	-	15,571,594	-	15,571,594
Franchise and miscellaneous taxes	4,996,005	-	-	-	-	-	566,424	5,562,429
Intergovernmental	436,099	1,461,113	5,945,182	1,677,521	41,850	-	1,661,080	11,222,845
Charges for services	9,890,397	-	-	-	-	-	2,149,045	12,039,442
Fines and forfeitures	1,353,451	-	-	-	-	-	7,519	1,360,970
Licenses and permits	777,742	-	-	-	-	-	-	777,742
Rental income	1,224,896	-	-	-	-	-	-	1,224,896
Investment income	22,994	2,918	2,005	9,581	177,224	104,149	96,518	415,389
Miscellaneous	185,516	23,034	1,542	16,456	-	-	180,006	406,554
Total revenues	<u>58,036,433</u>	<u>3,619,849</u>	<u>8,081,513</u>	<u>8,812,836</u>	<u>219,074</u>	<u>15,675,743</u>	<u>8,215,231</u>	<u>102,660,679</u>
<b>EXPENDITURES</b>								
Current:								
General government	9,835,027	-	-	-	-	-	843,770	10,678,797
Public safety	1,005,969	22,791,475	23,809,367	-	-	-	129,612	47,736,423
Public services	3,023,279	-	-	-	-	-	175,450	3,198,729
Parks and recreation	3,832,106	-	-	-	-	-	-	3,832,106
Debt Service:								
Principal	-	-	-	1,090,000	-	10,179,102	-	11,269,102
Interest and other charges	-	-	-	725,189	-	3,644,346	-	4,369,535
Bond issuance costs	-	-	-	-	137,748	-	-	137,748
Capital Outlay	-	1,163,672	1,765,279	4,123,443	7,014,815	-	4,724,674	18,791,883
Total Expenditures	<u>17,696,381</u>	<u>23,955,147</u>	<u>25,574,646</u>	<u>5,938,632</u>	<u>7,152,563</u>	<u>13,823,448</u>	<u>5,873,506</u>	<u>100,014,323</u>
Excess (deficiency) of revenues over expenditures	<u>40,340,052</u>	<u>(20,335,298)</u>	<u>(17,493,133)</u>	<u>2,874,204</u>	<u>(6,933,489)</u>	<u>1,852,295</u>	<u>2,341,725</u>	<u>2,646,356</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from long-term debt	-	-	730,000	-	18,755,000	-	-	19,485,000
Bond premium	-	-	-	-	-	247,650	-	247,650
Transfers in	15,276,518	21,846,463	17,672,545	-	-	-	-	54,795,526
Transfers out	(53,626,379)	-	-	-	-	(1,038,089)	(1,665,000)	(56,329,468)
Total other financing sources and uses	<u>(38,349,861)</u>	<u>21,846,463</u>	<u>18,402,545</u>	<u>-</u>	<u>18,755,000</u>	<u>(790,439)</u>	<u>(1,665,000)</u>	<u>18,198,708</u>
Net change in fund balances	<u>1,990,191</u>	<u>1,511,165</u>	<u>909,412</u>	<u>2,874,204</u>	<u>11,821,511</u>	<u>1,061,856</u>	<u>676,725</u>	<u>20,845,064</u>
Fund balances - beginning, restated	12,793,244	1,387,235	71,873	6,885,548	25,861,213	8,575,089	24,276,262	79,850,464
Fund balances - ending	<u>\$ 14,783,435</u>	<u>\$ 2,898,400</u>	<u>\$ 981,285</u>	<u>\$ 9,759,752</u>	<u>\$ 37,682,724</u>	<u>\$ 9,636,945</u>	<u>\$ 24,952,987</u>	<u>\$ 100,695,528</u>

See accompanying notes to the basic financial statements.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**Year Ending June 30, 2018**

**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, 2018**

Net change in fund balances - total governmental funds: \$ 20,845,064

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	12,824,098
Book value on capital assets disposed	(13,478)
Capital assets contributed	1,803,452
Depreciation expense	(9,856,260)
	<u>4,757,812</u>

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	9,910,000
Bond proceeds	(18,755,000)
Premium on bonds	(247,650)
Amortization of premium on bonds	111,900
Issuance of judgments	(389,500)
Principal paid on judgments	269,102
Notes payable proceeds	(730,000)
Notes payable principal payment	1,090,000
	<u>(8,741,148)</u>

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 - accumulated decrease in fair value	(678,293)
Changes in deferred inflows related to pensions	2,483,279
Changes in deferred inflows related to OPEB	(54,922)
	<u>1,750,064</u>

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	<u>(64,264)</u>
----------------------------	-----------------

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	(111,731)
Accrued compensated absences change	(101,518)
Change in deferred inflow interest rate swap	678,293
Total OPEB liability change	(10,550)
Change in net pension liability	(402,013)
Change in deferred inflows related to pensions	(2,478,206)
Amortization of deferred outflow on refunding	(4,786)
Change in claims liability	(131,000)
	<u>(2,561,511)</u>

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	(146,358)
Change in Stormwater Capital Fund	(117,043)
	<u>(263,401)</u>

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	<u>(2,667,622)</u>
---	--------------------

Change in net position of governmental activities \$ 13,054,994



**CITY OF BROKEN ARROW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**Year Ending June 30, 2018**

**Proprietary Funds – Statement of Net Position**

**Broken Arrow**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	Enterprise Funds			Total	Internal Service Funds
	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ -	\$ 167,086	\$ 130,693	\$ 297,779	\$ 3,435,194
Restricted cash and cash equivalents	31,106,107	-	-	31,106,107	-
Investments	254,214	-	-	254,214	-
Accounts receivable, net	8,188,353	-	88	8,188,441	-
Due from other funds	3,051,708	-	-	3,051,708	-
Due from other governments-OWRB	5,013,018	-	-	5,013,018	-
Interest receivable	-	4,200	-	4,200	-
Other receivable	-	-	-	-	7,486
Inventories	1,070,845	-	62,147	1,132,992	-
Prepaid assets	20,500	-	8,223	28,723	-
Total current assets	<u>48,704,745</u>	<u>171,286</u>	<u>201,151</u>	<u>49,077,182</u>	<u>3,442,680</u>
Noncurrent assets:					
Restricted cash and cash equivalents	4,054,511	766,297	-	4,820,808	-
Notes receivable	-	8,000,000	-	8,000,000	-
Investment in joint venture	25,733,603	-	-	25,733,603	-
Capital Assets:					
Land and other nondepreciable assets	16,822,321	2,229,985	180,000	19,232,306	-
Other capital assets, net of accumulated depreciation	161,055,317	164,456	4,189,041	165,408,814	-
Total noncurrent assets	<u>207,665,752</u>	<u>11,160,738</u>	<u>4,369,041</u>	<u>223,195,531</u>	<u>-</u>
Total assets	<u>256,370,497</u>	<u>11,332,024</u>	<u>4,570,192</u>	<u>272,272,713</u>	<u>3,442,680</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amounts related to OPEB	54,922	-	-	54,922	-
Total deferred outflows of resources	<u>54,922</u>	<u>-</u>	<u>-</u>	<u>54,922</u>	<u>-</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	8,650,415	179,508	427,123	9,257,046	40,194
Accrued payroll payable	344,763	-	-	344,763	-
Accrued interest payable	1,062,131	46,059	-	1,108,190	-
Due to other funds	7,398,587	3,360,000	480,478	11,239,065	-
Other accrued expenses	-	-	81,049	81,049	-
Amounts held in escrow	202,701	-	-	202,701	27,314
Due to other governments	-	-	8,835	8,835	-
Compensated absences	389,647	-	-	389,647	-
Claims and judgments	-	-	-	-	1,140,000
Meter deposit liability	192,282	-	-	192,282	-
Bonds, notes and loans payable, net	5,707,875	8,455,000	20,338	14,183,213	-
Capital lease obligation	125,000	-	-	125,000	-
Total current liabilities	<u>24,073,401</u>	<u>12,040,567</u>	<u>1,017,823</u>	<u>37,131,791</u>	<u>1,207,508</u>
Non-current liabilities:					
Compensated absences	194,824	-	-	194,824	-
Claims and judgments	-	-	-	-	4,998,503
Meter deposit liability	769,128	-	-	769,128	-
Bonds, notes and loans payable, net	117,356,881	7,285,000	-	124,641,881	-
Total OPEB liability	323,933	-	-	323,933	-
Total non-current liabilities	<u>118,644,766</u>	<u>7,285,000</u>	<u>-</u>	<u>125,929,766</u>	<u>4,998,503</u>
Total liabilities	<u>142,718,167</u>	<u>19,325,567</u>	<u>1,017,823</u>	<u>163,061,557</u>	<u>6,206,011</u>
<b>NET POSITION</b>					
Net investment in capital assets	84,147,025	2,394,441	4,348,703	90,890,169	-
Restricted for debt service	3,677,934	-	-	3,677,934	-
Unrestricted (deficit)	25,882,293	(10,387,984)	(796,334)	14,697,975	(2,763,331)
Total net position	<u>\$ 113,707,252</u>	<u>\$ (7,993,543)</u>	<u>\$ 3,552,369</u>	<u>\$ 109,266,078</u>	<u>\$ (2,763,331)</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.

2,243,770

Total net position per Government-Wide financial statements

\$ 111,509,848

See accompanying notes to the basic financial statements.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**Year Ending June 30, 2018**

**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, 2018**

	<b>Enterprise Funds</b>			<b>Total</b>	<b>Internal Service Funds</b>
	<b>Broken Arrow Municipal Authority</b>	<b>Broken Arrow Economic Development Authority</b>	<b>Battle Creek Golf Course</b>		
<b>OPERATING REVENUES</b>					
Water charges	\$ 20,074,726	\$ -	\$ -	\$ 20,074,726	\$ -
Sewer charges	12,501,228	-	-	12,501,228	-
Sanitation charges	6,441,209	-	-	6,441,209	-
Stormwater fees	5,538,953	-	-	5,538,953	-
Fees and fines	994,744	-	-	994,744	-
Golf	-	-	1,281,114	1,281,114	-
Miscellaneous	89,228	-	-	89,228	-
Self insurance charges	-	-	-	-	9,818,540
Total operating revenues	<u>45,640,088</u>	<u>-</u>	<u>1,281,114</u>	<u>46,921,202</u>	<u>9,818,540</u>
<b>OPERATING EXPENSES</b>					
General government	779,918	1,201,153	-	1,981,071	-
Finance and administration	1,616,817	-	-	1,616,817	-
Engineering and construction	2,639,603	-	-	2,639,603	-
Water distribution	9,270,888	-	-	9,270,888	-
Sanitary sewer system	4,924,119	-	-	4,924,119	-
Sanitation services	5,067,747	-	-	5,067,747	-
Support services	3,131,265	-	-	3,131,265	-
Stormwater	3,186,513	-	-	3,186,513	-
Claims expense	-	-	-	-	12,489,977
Golf	-	-	1,264,178	1,264,178	-
Depreciation	8,859,162	10,105	177,083	9,046,350	-
Total Operating Expenses	<u>39,476,032</u>	<u>1,211,258</u>	<u>1,441,261</u>	<u>42,128,551</u>	<u>12,489,977</u>
Operating income (loss)	<u>6,164,056</u>	<u>(1,211,258)</u>	<u>(160,147)</u>	<u>4,792,651</u>	<u>(2,671,437)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	272,653	10,269	1,617	284,539	2,023
Miscellaneous revenue	-	-	-	-	1,792
Gain on disposal of capital assets	32,187	-	-	32,187	-
Bond issuance costs	(54,500)	-	-	(54,500)	-
Interest expense and fiscal charges	(4,022,717)	(259,981)	(2,683)	(4,285,381)	-
Total non-operating revenue (expenses)	<u>(3,772,377)</u>	<u>(249,712)</u>	<u>(1,066)</u>	<u>(4,023,155)</u>	<u>3,815</u>
Income (loss) before contributions and transfers	2,391,679	(1,460,970)	(161,213)	769,496	(2,667,622)
Capital contributions	4,958,771	-	38,878	4,997,649	-
Transfers in	14,227,371	2,133,942	-	16,361,313	-
Transfers out	(14,827,371)	-	-	(14,827,371)	-
Change in net position	6,750,450	672,972	(122,335)	7,301,087	(2,667,622)
Total net position (deficit) - beginning, restated	106,956,802	(8,666,515)	3,674,704	101,964,991	(95,709)
Total net position (deficit) - ending	<u>\$ 113,707,252</u>	<u>\$ (7,993,543)</u>	<u>\$ 3,552,369</u>	<u>\$ 109,266,078</u>	<u>\$ (2,763,331)</u>
Change in net position, per above				7,301,087	
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.				263,401	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements				<u>\$ 7,564,488</u>	

See accompanying notes to the basic financial statements.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**Year Ending June 30, 2018**

**Proprietary Funds – Statement of Cash Flows**

**Broken Arrow**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Enterprise Funds				
	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 45,265,329	\$ -	\$ 1,282,120	\$ 46,547,449	\$ 9,840,160
Payments to suppliers	(17,678,220)	(1,021,645)	(1,162,699)	(19,862,564)	-
Payments to employees	(15,198,292)	-	-	(15,198,292)	-
Receipts of customer meter deposits	296,177	-	-	296,177	-
Payment of customer meter deposits	(273,161)	-	-	(273,161)	-
Claims and judgments paid	-	-	-	-	(9,710,822)
Interfund receipts	(10,590,207)	(390,000)	(55,414)	(11,035,621)	-
Net cash provided by (used in) operating activities	1,821,626	(1,411,645)	64,007	473,988	129,338
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	14,227,371	2,133,942	-	16,361,313	-
Transfer to other funds	(14,827,371)	-	-	(14,827,371)	-
Net cash provided by (used in) noncapital financing activities	(600,000)	2,133,942	-	1,533,942	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(8,435,677)	-	-	(8,435,677)	-
Capital grant received	22,420	-	-	22,420	-
Proceeds from issuance of debt	6,934,195	-	-	6,934,195	-
Note issuance costs	(54,500)	-	-	(54,500)	-
Proceeds from sale of capital assets	33,250	-	-	33,250	-
Principal paid on capital debt	(6,014,659)	(435,000)	(20,330)	(6,469,989)	-
Interest paid on capital debt	(4,131,460)	(284,285)	(2,683)	(4,418,428)	-
Net cash provided by (used in) capital and related financing activities	(11,646,431)	(719,285)	(23,013)	(12,388,729)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sale (purchase) of investments	(39,946)	-	-	(39,946)	-
Interest and dividends	272,653	10,269	1,617	284,539	2,023
Net cash provided by investing activities	232,707	10,269	1,617	244,593	2,023
Net Increase (decrease) in cash and cash equivalents	(10,192,098)	13,281	42,611	(10,136,206)	131,361
Balances-beginning of year	45,352,716	920,102	88,082	46,360,900	3,303,833
Balances-end of year	\$ 35,160,618	\$ 933,383	\$ 130,693	\$ 36,224,694	\$ 3,435,194
<b>Reconciliation to Combining Statement of Net Position:</b>					
Cash and cash equivalents	\$ -	\$ 167,086	\$ 130,693	\$ 297,779	\$ 3,435,194
Restricted cash and cash equivalents-current	31,106,107	-	-	31,106,107	-
Restricted cash and cash equivalents-noncurrent	4,054,511	766,297	-	4,820,808	-
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 35,160,618</b>	<b>\$ 933,383</b>	<b>\$ 130,693</b>	<b>\$ 36,224,694</b>	<b>\$ 3,435,194</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>					
Operating income (loss)	\$ 6,164,056	\$ (1,211,258)	\$ (160,147)	\$ 4,792,651	\$ (2,671,437)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	8,859,162	10,105	177,083	9,046,350	-
Miscellaneous non-operating revenue (expense)	-	-	-	-	1,792
Change in assets and liabilities:					
Receivables, net	(364,598)	-	1,006	(363,592)	-
Due from other funds	(175,049)	-	-	(175,049)	-
Investment in joint venture	(6,187,719)	-	-	(6,187,719)	-
Other receivable	-	-	-	-	(7,486)
Inventories	(202,831)	-	625	(202,206)	-
Prepaid assets	-	-	9,838	9,838	-
Deferred amounts related to OPEB	(54,922)	-	-	(54,922)	-
Accounts payables	4,089,743	179,508	88,693	4,357,944	19,942
Accrued payroll	15,995	-	-	15,995	-
Due to other funds	(10,415,158)	(390,000)	(55,414)	(10,860,572)	-
Other payables	-	-	(6,512)	(6,512)	-
Amounts held in escrow	(10,161)	-	-	(10,161)	27,314
Due to other governments	-	-	8,835	8,835	-
Accrued compensated absences	(9,783)	-	-	(9,783)	-
Customer meter deposits payable	23,016	-	-	23,016	-
Claims and judgments	-	-	-	-	2,759,213
Total OPEB liability	89,875	-	-	89,875	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,821,626</b>	<b>\$ (1,411,645)</b>	<b>\$ 64,007</b>	<b>\$ 473,988</b>	<b>\$ 129,338</b>
<b>Non-cash Activities:</b>					
Capital assets donated	\$ 4,958,771	\$ -	\$ 38,878	\$ 4,997,649	\$ -
<b>Total Non-cash Activities</b>	<b>\$ 4,958,771</b>	<b>\$ -</b>	<b>\$ 38,878</b>	<b>\$ 4,997,649</b>	<b>\$ -</b>

See accompanying notes to the basic financial statements.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**Year Ending June 30, 2018**

**Statement of Fiduciary Net Position**

**Broken Arrow**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 804,858
Accounts receivable	54,071
Total assets	<u>\$ 858,929</u>
<b>LIABILITIES</b>	
Amounts held in escrow	858,929
Total liabilities	<u>\$ 858,929</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, 2018**

**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, 2018**

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, 2018**

Component Unit	Brief Description/Inclusion Criteria
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 RMUA is providing wastewater facilities at the Haikey Creek sewage treatment plants. On dissolution of the RMUA, 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, 2018, 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, 2018**

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, deferred outflows, liabilities, deferred inflows, 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 plus deferred outflows, liabilities plus deferred inflows, 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:

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*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.

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*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:

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*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, deferred outflows, liabilities and deferred inflows (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, along with certain deferred outflows and deferred inflows, 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, deferred outflows, liabilities and deferred inflows 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, 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. Net investment in capital assets – 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 "net investment in capital assets."

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 follows:

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.
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 levies a 3.55% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax recorded is allocated 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-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.

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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, 2018, the City's net assessed valuation of taxable property was \$874,740,130. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2018, was \$16.84.

*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 value after the initial term. Total rental income received during 2018 was \$888,333.

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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.
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.

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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 2018, the City issued General Obligation Bonds Series 2018A in the amount of \$18,755,000 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, 2018.

Requirement	Level of Compliance
a. Flow of Funds:	
OWRB Loans:	
<ul style="list-style-type: none"> <li>• Utility Revenue Fund</li> <li>• Sales Tax Fund</li> <li>• Operation and Maintenance Fund</li> <li>• Bond Fund (interest, principal and reserve accounts)</li> </ul>	All funds, except for a separate Utility Revenue Fund have been established. Utility revenue is deposited directly into O & M Fund. Method of actual transfers of funds is not made specifically in accordance with bond covenants; however, the end result of the flow of funds is being accomplished.
b. Reserve Account Requirement:	
OWRB Loans:	
<ul style="list-style-type: none"> <li>• Account balance on the 2012 OWRB note payable should equal \$2,435,677.</li> </ul>	Account balance at June 30, 2018 for the 2012 OWRB note payable is \$2,435,677.
<ul style="list-style-type: none"> <li>• Account balance on the 2015 OWRB note payable should equal \$849,706.</li> </ul>	Account balance at June 30, 2018 for the 2015 OWRB note payable is \$849,706.
<ul style="list-style-type: none"> <li>• Account balance on the 2010 BAEDA note payable should equal \$750,000.</li> </ul>	Account balance at June 30, 2018 for the 2010 BAEDA note payable is \$766,297.

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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 2001, 2004, 2005, 2007, 2009, 2011, 2012, 2015, 2016 A&B, 2017 A&B, and 2018 notes. Maximum annual debt service on all parity debt is \$10,011,551. Coverage is 295%.

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, 2018.

Budgetary compliance

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

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

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

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

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

For the year ended June 30, 2018, the City complied in all material respects with the applicable budget laws relating to expenditures and appropriations at the legal level of control.

Workers Compensation internal service fund has a net deficit of \$3,340,356 primarily due to actuarially determined unfunded liabilities. It is the City's intent to fund the liabilities as soon as economically feasible.

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**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, deferred outflows, liabilities, deferred inflows, equity, revenues and expenditures/expenses.

Deposits

As of June 30, 2018, 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>
<u>Deposits:</u>				
Cash on hand	\$ 20,318	\$ 20,318	\$ -	\$ -
Demand deposits	47,934,473	47,934,473	-	-
Time deposits - certificate of deposits	35,132,194	-	15,046,159	20,086,035
	<u>Credit Rating</u>	<u>Fair Value Categories</u>		
<u>Investments:</u>				
Judgments	N/A	N/A	698,821	-
Bond Trustee Accounts:				
Cavanal Hill US Treasury-Admin #0002	AAAam	Level I	40,757,864	40,757,864
<b>Total deposits and investments</b>			<u>\$ 124,543,670</u>	<u>\$ 88,712,655</u>
				<u>\$ 15,384,256</u>
				<u>\$ 20,446,759</u>
<u>Reconciliation to Statement of Net Position:</u>				
Cash and cash equivalents	\$ 88,712,655			
Investments	35,831,015			
	<u>\$ 124,543,670</u>			
<u>Component Units:</u>				
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.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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. The notional amount of the hedging derivative at June 30, 2018 is \$8,495,000.

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>
2019	< 6.2975%	\$ (300,607)
2020	< 6.2975%	(233,347)
2021	< 6.2975%	(192,720)
2022	< 6.2975%	(158,816)
2023	< 6.2975%	(122,879)
2024-2026	< 6.2975%	(142,029)
Total		<u>\$ (1,150,398)</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	\$ -	\$ 10,928,685
Accounts receivable-ambulance	2,636,247	-
Accounts receivable-court	1,214,001	-
Accounts receivable-other	976,812	-
Less: allowance for uncollectible accounts	<u>(913,059)</u>	<u>(2,740,244)</u>
Other receivables, net of allowance	<u>\$ 3,914,001</u>	<u>\$ 8,188,441</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ending June 30, 2018**

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, 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, 2018, 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	\$ 30,913,825	\$ 3,285,383	\$ 34,199,208
Meter deposits	192,282	769,128	961,410
Total BAMA	\$ 31,106,107	\$ 4,054,511	\$ 35,160,618
BAEDA			
Revenue bond and note trustee accounts	\$ -	\$ 766,297	\$ 766,297
Total BAEDA	\$ -	\$ 766,297	\$ 766,297



**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ending June 30, 2018**

Capital assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at June 30, 2017	Additions	Deductions	Balance at June 30, 2018
Governmental activities:				
Nondepreciable:				
Land	\$ 36,921,966	\$ -	\$ -	\$ 36,921,966
Construction-in-progress	18,147,216	8,427,909	(10,505,799)	16,069,326
Total nondepreciable assets at historical cost	<u>\$ 55,069,182</u>	<u>\$ 8,427,909</u>	<u>\$ (10,505,799)</u>	<u>\$ 52,991,292</u>
Depreciable:				
Buildings	63,011,600	48,614	(25,600)	63,034,614
Improvements	37,080,849	5,618,734	-	42,699,583
Machinery and equipment	38,150,554	3,612,672	(689,128)	41,074,098
Infrastructure	239,502,011	7,425,420	-	246,927,431
Total depreciable assets at historical cost	<u>377,745,014</u>	<u>16,705,440</u>	<u>(714,728)</u>	<u>393,735,726</u>
Less accumulated depreciation:				
Buildings	(14,504,752)	(1,311,538)	25,344	(15,790,946)
Improvements	(12,053,109)	(1,452,671)	-	(13,505,780)
Machinery and equipment	(22,792,783)	(2,560,058)	675,906	(24,676,935)
Infrastructure	(87,884,443)	(4,531,993)	-	(92,416,436)
Total accumulated depreciation	<u>(137,235,087)</u>	<u>(9,856,260)</u>	<u>701,250</u>	<u>(146,390,097)</u>
Net depreciable assets	<u>240,509,927</u>	<u>6,849,180</u>	<u>(13,478)</u>	<u>247,345,629</u>
Governmental activities capital assets, net	<u>\$ 295,579,109</u>	<u>\$ 15,277,089</u>	<u>\$ (10,519,277)</u>	<u>\$ 300,336,921</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ending June 30, 2018**

Capital assets – (continued)

	Balance at June 30, 2017	Additions	Deductions	Balance at June 30, 2018
Business-type activities:				
Nondepreciable:				
Land	\$ 5,016,257	\$ -	\$ -	\$ 5,016,257
Construction-in-progress	7,819,633	6,663,470	(267,054)	14,216,049
Total nondepreciable assets at historical cost	<u>12,835,890</u>	<u>6,663,470</u>	<u>(267,054)</u>	<u>19,232,306</u>
Depreciable:				
Buildings	7,296,890	-	-	7,296,890
Improvements	265,296,480	2,867,499	-	268,163,979
Machinery and equipment	16,881,178	2,443,894	(290,606)	19,034,466
Infrastructure – drainage	39,204,455	1,703,097	-	40,907,552
Total depreciable assets at historical cost	<u>328,679,003</u>	<u>7,014,490</u>	<u>(290,606)</u>	<u>335,402,887</u>
Less accumulated depreciation:				
Buildings	(4,194,481)	(180,584)	-	(4,375,065)
Improvements	(130,898,694)	(6,006,471)	-	(136,905,165)
Machinery and equipment	(9,151,168)	(1,408,864)	289,543	(10,270,489)
Infrastructure – drainage	(16,992,923)	(1,450,431)	-	(18,443,354)
Total accumulated depreciation	<u>(161,237,266)</u>	<u>(9,046,350)</u>	<u>289,543</u>	<u>(169,994,073)</u>
Net depreciable assets	<u>167,441,737</u>	<u>(2,031,860)</u>	<u>(1,063)</u>	<u>165,408,814</u>
Business-type capital assets, net	<u>\$ 180,277,627</u>	<u>\$ 4,631,610</u>	<u>\$ (268,117)</u>	<u>\$ 184,641,120</u>

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

Depreciation expense charged to governmental activities:	
General government	\$ 1,459,859
Public safety	1,621,436
Public services	5,390,431
Culture and recreation	<u>1,384,534</u>
Total government activities depreciation expense	<u>\$ 9,856,260</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Depreciation expense charged to business-type activities:	
Water	\$ 3,960,625
Sewer	2,723,747
Sanitation	363,720
Stormwater management	1,811,070
Economic development	10,105
Golf	177,083
	<hr/>
Total business-type activities depreciation expense	<u>\$ 9,046,350</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, 2018, the "investment in joint venture" balance changed as follows:

Beginning investment in joint venture	\$ 19,545,884
Current year contributions	<u>6,187,719</u>
Ending investment in joint venture	<u>\$ 25,733,603</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).

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ending June 30, 2018**

*Governmental activities long-term debt*

As of June 30, 2018, the governmental activities long-term debt consisted of the following:

\$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%	\$575,000
\$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%	3,845,000
\$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%	4,920,000
\$3,225,000 General Obligation Bonds Series 2009C, due in annual installments of \$230,000, final installment of \$235,000 due December 1, 2024, with interest rates at 2.25% to 3.75%	1,615,000
\$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%	3,215,000
\$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%	650,000
\$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%	7,245,000
\$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%	3,700,000
\$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%	8,450,000
\$12,000,000 General Obligation Bonds Series 2012, due in annual installments of \$630,000, final installment of \$660,000 due November 1, 2032, with interest rates at 1.00% to 4.00%	9,480,000
\$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%	2,470,000
\$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%	5,225,000
\$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%	10,475,000
\$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%	2,475,000

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ending June 30, 2018**

\$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%	10,970,000
\$6,625,000 General Obligation Bonds Series 2016B, due in annual installments of \$345,000, final installment of \$341,000 due January 1, 2036, with interest rates at 2.50% to 3.250%	6,280,000
\$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%	3,230,000
\$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
\$18,755,000 General Obligation Bonds Series 2018A, due in annual installments of \$985,000, final installment of \$1,025,000 due May 1, 2038, final installment due October 1, 2044 with interest rates at 2.00% to 4.00%	<u>18,755,000</u>
Total general obligation bonds	122,295,000
Unamortized premium on bonds	<u>1,310,650</u>
Total general obligations bonds	<u>\$123,605,650</u>
Current portion	\$ 10,676,389
Noncurrent portion	<u>112,929,261</u>
Total general obligations bonds	<u>\$ 123,605,650</u>

Notes payable

\$730,000 Note with BOK Financial Equipment Finance dated 12-1-17, due in annual payments of \$197,801, with interest at 3.30%, final installment due December 1, 2021	\$730,000
\$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	<u>10,688,037</u>
Total Notes payable	<u>\$11,418,037</u>
Current portion	\$ 1,333,711
Noncurrent portion	<u>10,084,326</u>
Total notes payable	<u>\$ 11,418,037</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ending June 30, 2018**

Accrued compensated absences

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

Current portion	\$ 1,953,525
Noncurrent portion	976,763
	<hr/>
Total accrued compensated absences	\$ 2,930,288
	<hr/>

Judgments payable

\$30,000 judgment in favor of First Priority Bank, held by sinking fund, final maturity August 2018, with interest at 5.5%	\$10,000
\$156,967 judgment in favor of Gary Clark, held by sinking fund, final maturity August 2018, with interest at 5.5%	52,323
\$57,713 judgment in favor of Eric Tyler Manke, held by BAMA fund, final maturity May 2019, with interest at 5.5%	19,238
\$91,217 judgment in favor of Bonnie Blalack, held by sinking fund, final maturity March 2020, with interest at 5.75%	60,811
\$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%	16,667
\$26,929 judgment in favor of Sandra Ventures, LLC, held by BAMA, final maturity April 2019 with interest at 5.5%	8,976
\$62,960 judgment in favor of Bonnie Blalack, held by sinking fund, final maturity April 2020, with interest at 5.75%	41,973
\$60,000 judgment in favor of Elton Fernandes, held by sinking fund, final maturity March 2020, with interest at 5.75%	40,000
\$44,000 judgment in favor of David and Christina Vranesevich, held by BAMA, final maturity February 2020 with interest at 5.75%	29,333
\$45,000 judgment in favor of Vicky High, held by BAMA, final maturity March 2020 with interest at 5.75%	30,000
\$155,000 judgment in favor of REIP, LLC, held by sinking fund, final maturity January 2021 with interest at 6.50%	155,000
\$25,000 judgment in favor of Daniel & Kimberly O'Barr, held by BAMA, final maturity January 2021 with interest at 6.50%	25,000
\$40,000 judgment in favor of Amy & Tracy Hefley, held by sinking fund, final maturity March 2021 with interest at 6.50%	40,000
\$25,000 judgment in favor of Kelsie Bruner, held by sinking fund, final maturity April 2021 with interest at 6.50%	25,000

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ending June 30, 2018**

\$125,000 judgment in favor of Juan Rodriquez, held by BAMA, final maturity June 2021 with interest at 6.50%	125,000
\$19,500 judgment in favor of Naomi Chasteen & Rebecca Howeth, held by sinking fund, final maturity July 2020 with interest at 6.50%	<u>19,500</u>
Total judgments payable	<u>\$ 698,821</u>

Current portion	\$ 338,097
Noncurrent portion	<u>360,724</u>
Total judgments payable	<u>\$ 698,821</u>

Other claims payable

Actuarial determined automotive and general liability payable, funded by General Fund resources, reported in the governmental activities at June 30, 2018

Current portion	\$ 446,000
Noncurrent portion	<u>717,000</u>
Total automotive and general insurance liabilities	<u>\$ 1,163,000</u>

Claims payable

Actuarial determined workers compensation and health claims, funded by General Fund resources, reported in the governmental activities at June 30, 2018

Current portion	\$ 1,140,000
Noncurrent portion	<u>4,998,503</u>
Total claims payable	<u>\$ 6,138,503</u>

Total OPEB liability

Current portion	\$ -
Noncurrent portion	<u>862,514</u>
Total other post-employment benefit obligation	<u>\$ 862,514</u>

*Business-type activities long-term debt*

The Broken Arrow Municipal Authority's notes payable to the Oklahoma Water Resources Board are secured by utility revenues and pledged sales tax. The notes are subject to maximum annual debt service requirement coverage of at least 125%. Coverage at June 30, 2018, was 295%.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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As of June 30, 2018, the long-term debt payable from enterprise fund resources consisted of the following:

Notes payable

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	\$57,224
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	4,283,567
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	7,191,470
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	2,600,000
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	2,582,688
2012 Drinking Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$35,000,000 dated January 19, 2012, by Broken Arrow Municipal Authority, providing for engineering, design and construction of the Water Treatment Plant, secured by pledged sales tax, interest rate at 2.94%, final maturity March 2034	27,500,000
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	28,415,000
2012 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$6,540,000 dated December 4, 2012, by Broken Arrow Municipal Authority, providing for construction, inspection and design of improvements to the Haikey Creek wastewater treatment plant, secured by pledged sales tax, interest rate at 2.01%, final maturity September 2034	6,376,500
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	11,070,000
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	1,235,613



**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ending June 30, 2018**

2016 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$6,700,000 dated August 12, 2016, by Broken Arrow Municipal Authority, providing for construction and installation of various capital improvements at the Haikey Creek wastewater treatment plant, secured by pledged sales tax, interest rate at 1.96%, final maturity September 2038	2,800,810
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
2018 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$2,100,000 dated January 11, 2018, by Broken Arrow Municipal Authority, providing for Phase II of automated water meter project, secured by pledged sales tax, interest rate at 1.80%, final maturity March 2025	738,175
2015 Note payable to Crossland Construction Company, Inc., original amount \$1,742,000 for settlement of a debt, payable in monthly installments of \$53,788 inclusive of interest at 7%, final maturity November 2018	212,050
Total Notes Payable	\$ 120,133,097
Unamortized premium on notes payable	2,931,659
Total Notes Payable	<u>\$ 123,064,756</u>
Current portion	\$ 5,707,875
Noncurrent portion	<u>117,356,881</u>
Total notes payable	<u>\$ 123,064,756</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	\$ 125,000
Total capital lease obligation	<u>\$ 125,000</u>
Current portion	\$ 125,000
Noncurrent portion	<u>-</u>
Total capital lease obligation	<u>\$ 125,000</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ending June 30, 2018**

Total OPEB liability

Current portion	\$ -
Noncurrent portion	323,933
	<hr/>
Total other post-employment benefit obligation	<u>\$ 323,933</u>

*Accrued compensated absences*

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

Current portion	\$ 389,647
Noncurrent portion	194,824
	<hr/>
Total accrued compensated absences	<u>\$ 584,471</u>

*Customer meter deposit reserves*

Current portion	\$ 192,282
Noncurrent portion	769,128
	<hr/>
Total customer meter deposit reserves	<u>\$ 961,410</u>

*Broken Arrow Economic Development Authority (BAEDA)*

The Authority has one industrial revenue bond issue outstanding at June 30, 2018. 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, 2018, 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, 2018 is \$7,740,000 of which \$455,000 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.

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ending June 30, 2018**

*Battle Creek Golf Course*

During fiscal 2016, the City's golf course entered into two loan agreements to purchase golf boards. The \$28,058 and \$32,345 loans pay interest at 8% and 9%, respectively and have three year terms and mature April 2019 and June 2019, respectively. The outstanding balances on the loans total \$20,338, all of which 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, 2018:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Amount due in one year
<b>Governmental Activities :</b>					
General obligation bonds	\$ 113,450,000	\$ 18,755,000	\$ 9,910,000	\$ 122,295,000	\$ 10,555,000
Notes payable	11,778,037	730,000	1,090,000	11,418,037	1,333,711
Accrued Compensated Absences	2,828,770	101,518	-	2,930,288	1,953,525
Judgments payable	578,423	389,500	269,102	698,821	338,097
Automotive and general liability	1,032,000	131,000	-	1,163,000	446,000
Claims payable	3,379,290	12,489,977	9,730,764	6,138,503	1,140,000
	<u>\$ 133,046,520</u>	<u>\$ 32,596,995</u>	<u>\$ 20,999,866</u>	<u>\$ 144,643,649</u>	<u>\$ 15,766,333</u>
Add:					
Unamortized premium				1,310,650	121,389
Net pension liability				53,672,604	-
Total OP EB liability				<u>862,514</u>	<u>-</u>
				<u>\$ 200,489,417</u>	<u>\$ 15,887,722</u>
<b>Business-type Activities :</b>					
Bonds, Notes and Loans Payable	\$ 130,226,379	\$ 11,945,795	\$ 6,278,739	\$ 135,893,435	\$ 14,070,498
Capital Lease Obligations Payable	316,250	-	191,250	125,000	125,000
Accrued Compensated Absences	594,254	-	9,783	584,471	389,647
	<u>\$ 131,136,883</u>	<u>\$ 11,945,795</u>	<u>\$ 6,479,772</u>	<u>\$ 136,602,906</u>	<u>\$ 14,585,145</u>
Add:					
Unamortized premium				2,931,659	112,715
Total OP EB liability				323,933	-
Customer Meter Deposit Reserves	938,394	296,177	273,161	961,410	192,282
				<u>\$ 140,819,908</u>	<u>\$ 14,890,142</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ending June 30, 2018**

*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, 2018, are as follows:

<b>Governmental Activities</b>						
<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Notes Payable</u>		<u>Judgments Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 10,555,000	\$ 3,494,182	1,333,711	783,252	338,097	45,424
2020	10,180,000	3,209,292	1,429,443	691,227	230,890	23,446
2021	9,495,000	2,922,441	1,520,364	592,626	129,834	8,440
2022	8,920,000	2,653,069	1,616,482	487,446	-	-
2023	8,965,000	2,380,281	1,525,000	375,313	-	-
2024-2028	32,945,000	8,580,869	3,993,037	428,989	-	-
2029-2033	27,725,000	3,998,528	-	-	-	-
2034-2038	13,510,000	800,893	-	-	-	-
Total	<u>\$ 122,295,000</u>	<u>\$ 28,039,555</u>	<u>\$ 11,418,037</u>	<u>\$ 3,358,853</u>	<u>\$ 698,821</u>	<u>\$ 77,310</u>

<b>Business-Type Activities</b>				
<u>Year Ending June 30,</u>	<u>Bonds, Notes &amp; Loans Payable</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 14,070,498	\$ 4,109,879	\$ 125,000	\$ 1,397
2020	6,585,214	4,081,845	-	-
2021	6,732,093	3,888,513	-	-
2022	6,500,033	3,701,329	-	-
2023	6,686,829	3,552,068	-	-
2024-2028	27,601,738	15,579,884	-	-
2029-2033	24,963,883	11,557,868	-	-
2034-2038	21,813,147	7,214,162	-	-
2039-2043	16,965,000	2,542,282	-	-
2044-2047	3,975,000	261,279	-	-
Total	<u>\$ 135,893,435</u>	<u>\$ 56,489,109</u>	<u>\$ 125,000</u>	<u>\$ 1,397</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
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*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 \$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, \$6,540,000 2012 Clean 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, \$6,700,000 2016 Clean Water SRF note payable, \$6,505,000 2017A Drinking Water SRF note payable, \$18,565,000 2017B Drinking Water SRF note payable, \$2,100,000 2018 Clean Water SRF note payable, and a \$19,770,000 2018 Drinking Water SRF note payable to the Oklahoma Water Resources Board (OWRB). These notes are payable through 2048. The total remaining principal and interest payable for the life of these notes is \$175,054,671. 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 \$14,227,371 and net utility revenues were \$15,295,871 for total pledged net revenues of \$29,523,242. Debt service payments of \$9,303,235 for the current year were 31.5% of net pledged revenues for these notes.

Interfund balances and activities

Interfund receivables and payables at June 30, 2018, 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	\$ 348	Operational advances
General Fund	BAMA	2,586,664	Operational subsidy
Sales Tax Capital Improvement	BAMA	4,811,923	Eliminated negative cash
Sales Tax Capital Improvement	BAEDA	3,360,000	Eliminated negative cash
Sales Tax Capital Improvement	Battle Creek Golf Course	15,434	Operational advances
BAMA	General	2,586,664	Sales tax collections
BAMA	Battle Creek Golf Course	465,044	Operational advances
		\$ 13,826,077	

**CITY OF BROKEN ARROW, OKLAHOMA**  
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**Due From/Due To:**

Reconciliation to Fund Financial Statements:

	Due from	Due to	Net Interfund Balances
Governmental Funds	\$ 10,774,369	\$ (2,587,012)	\$ 8,187,357
Proprietary Funds	3,051,708	(11,239,065)	(8,187,357)
	<u>\$ 13,826,077</u>	<u>\$ (13,826,077)</u>	<u>\$ -</u>

Interfund transfers for the year ended June 30, 2018, were as follows:

Transfer from	Transfer to	Amount	Nature of Transfer
General Fund	BAMA	\$ 14,227,371	Sales Tax Collections
General Fund	Public Safety Sales Tax-Police	21,126,463	Sales Tax Collections
General Fund	Public Safety Sales Tax-Fire	17,672,545	Sales Tax Collections
General Fund	BAEDA	600,000	Economic Development
Debt Service Fund	General Fund	104,147	Operational/Interest
Debt Service Fund	BAEDA	933,942	TIF Revenue
Convention and Visitor's Bureau	General Fund	225,000	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	14,227,371	Operating subsidy
BAMA	BAEDA	600,000	Economic Development
		<u>\$ 71,156,839</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 54,795,526	\$ (56,329,468)	\$ (1,533,942)
Proprietary Funds	16,361,313	(14,827,371)	1,533,942
Total Transfers	<u>\$ 71,156,839</u>	<u>\$ (71,156,839)</u>	<u>\$ -</u>

Reconciliation to Statement of Net Position:

	Governmental	Business-Type	Balances
Net transfers	\$ (1,533,942)	\$ 1,533,942	\$ -
Business type expenses in special revenue funds	(629,888)	629,888	-
Net transfers	<u>\$ (2,163,830)</u>	<u>\$ 2,163,830</u>	<u>\$ -</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Fund Balance:

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

Fund Balance	Governmental Funds							Total
	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	
Restricted For:								
Debt service	\$ 1,778,701	\$ -	\$ -	\$ -	\$ -	\$ 9,636,945	\$ -	\$ 11,415,646
Capital improvements	-	-	-	9,759,752	37,682,724	-	16,218,500	63,660,976
Convention and Visitor's Bureau	-	-	-	-	-	-	536,072	536,072
Public safety	-	2,898,400	981,285	-	-	-	217,592	4,097,277
Parks and recreation	-	-	-	-	-	-	-	-
Cemetery care	-	-	-	-	-	-	179,784	179,784
Street and alley operations	-	-	-	-	-	-	1,426,793	1,426,793
Housing and Urban Development	-	-	-	-	-	-	60,825	60,825
E911	-	-	-	-	-	-	1,927,808	1,927,808
Crime Prevention	-	-	-	-	-	-	216,844	216,844
Alcohol enforcement	-	-	-	-	-	-	93,952	93,952
Sub-total restricted	1,778,701	2,898,400	981,285	9,759,752	37,682,724	9,636,945	20,878,170	83,615,977
Committed for:								
Excess capacity sewer escrow	-	-	-	-	-	-	892,292	892,292
Stormwater capital improvements	-	-	-	-	-	-	1,351,478	1,351,478
Parks and recreation	-	-	-	-	-	-	604,898	604,898
Cemetery care	-	-	-	-	-	-	144,629	144,629
Street lights	-	-	-	-	-	-	884,580	884,580
Economic development	-	-	-	-	-	-	196,940	196,940
Sub-total committed	-	-	-	-	-	-	4,074,817	4,074,817
Assigned for:								
Subsequent year budget/activities	12,430,573	-	-	-	-	-	-	12,430,573
Sub-total assigned	12,430,573	-	-	-	-	-	-	12,430,573
Unassigned:	574,161	-	-	-	-	-	-	574,161
<b>TOTAL FUND BALANCE</b>	<b>\$ 14,783,435</b>	<b>\$ 2,898,400</b>	<b>\$ 981,285</b>	<b>\$ 9,759,752</b>	<b>\$ 37,682,724</b>	<b>\$ 9,636,945</b>	<b>\$ 24,952,987</b>	<b>\$ 100,695,528</b>

Prior Period Adjustment:

The prior period adjustments are summarized as follows:

	Governmental Funds		
	General	Public Safety Sales Tax	Public Safety Sales Tax
	Fund	Fund - Police	Fund - Fire
Beginning fund balance, as previously reported	\$ 12,607,694	\$ 1,486,185	\$ 158,473
(Under) overstatement of accrued payroll payable	185,550	(98,950)	(86,600)
Beginning net position, restated	<u>\$ 12,793,244</u>	<u>\$ 1,387,235</u>	<u>\$ 71,873</u>

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	<u>Enterprise Funds</u> Broken Arrow Municipal Authority
Beginning net position, as previously reported	\$ 108,627,680
(Under) overstatement of accounts payable	(2,050,598)
Implementation of GASB 75 - OPEB	<u>379,720</u>
Beginning net position, restated	<u>\$ 106,956,802</u>

	<u>Government-Wide</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Beginning net position, as previously reported	\$ 205,132,342	\$ 105,616,238
(Under) overstatement of accounts payable	-	(2,050,598)
Implementation of GASB 75 - OPEB	<u>673,680</u>	<u>379,720</u>
Beginning net position, restated	<u>\$ 205,806,022</u>	<u>\$ 103,945,360</u>

**Note 4 – Employee Pension and Other Benefit Plans**

The City participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
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](http://www.ok.gov/OPPRS).



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

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

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

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

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

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

In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a "Back" DROP for members of the System. The "Back" DROP is a modified deferred retirement option plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated

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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, 2018 the total contribution to the system amounted to \$2,214,553 of which \$1,377,253 was made by the City and \$837,300 was made by the employees. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$1,352,143 during the calendar year and this is reported as both an expenditure 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 \$1,134,674. These on-behalf payments did not meet the criteria of a special funding situation.

Pension liabilities, pension expense, deferred outflows, and deferred inflows of resources related to pensions – At June 30, 2018, the City reported a liability of \$254,584 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017 the City’s proportion was 3.3097%.

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For the year ended June 30, 2018, the City recognized pension expense of \$1,578,656. At June 30, 2018 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	\$ 12,786	\$ 1,539,147
Net difference between projected and actual earnings on pension plan investments	1,896,212	-
Changes in proportion	71,744	17,338
City contributions during measurement date	37,316	3,991
City contributions subsequent to the measurement date	1,377,253	-
Total	<u>\$ 3,395,311</u>	<u>\$ 1,560,476</u>

At June 30, 2018, the City reported \$1,377,253 as deferred outflows of resources related to pensions resulting from the 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources totaling \$457,582 related to pensions will be recognized as a (reduction) or increase in pension expense as follows:

Year ended June 30:		
2019	\$	(37,122)
2020		959,686
2021		454,355
2022		(754,384)
2023		(164,953)
	<u>\$</u>	<u>457,582</u>

Actuarial assumptions – The total pension liability in the July 1, 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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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, 2017, 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%	4.51%
Domestic equity	35%	6.62%
International equity	15%	9.70%
Real estate	10%	6.96%
Private equity	10%	9.86%
Commodities	5%	5.18%
	<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, 2017. 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 calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Police Pension net pension liability (asset)	\$ 8,604,267	\$ 254,584	\$ (6,797,983)

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/](http://www.ok.gov/OPPRS/).

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*Oklahoma Fire Pension and Retirement System*

Summary of Significant Accounting Policies

Plan description - Members of the City's Fire Department are covered by the Oklahoma Firefighters Pension and Retirement System (OFPRS), which is a statewide cost sharing multiple-employer public employee retirement system (the OFPRS Plan). The plan is administered by a board of trustees (the Board) appointed under state statute. Benefit provisions are contained in the plan document and were established and 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/](http://www.ok.gov/fprs/).

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

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

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

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

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

Firefighters hired prior to November 1, 2013, with 20 or more years of service may elect to participate in the Oklahoma Firefighters Deferred Retirement Option Plan (the "Deferred Option Plan"). Firefighters hired after November 1, 2013, with 22 or more years of service may elect to participate in the Deferred Option Plan. Active participation (having benefit payments credited to the account) in the Deferred Option Plan shall not exceed 5 years. Under the Deferred Option, retirement benefits are calculated based on compensation and service at the time of election. The retirement benefits plus half of the municipal contributions on behalf of the participant are deposited into a deferred retirement account. The Deferred Option Plan accounts are with interest at a rate of 2% below the rate of return on the investment portfolio

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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, 2018, the total contribution to the system amounted to \$3,044,046 of which \$1,852,898 was made by the City and \$1,191,148 was made by the employees. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$4,156,522 during the calendar year and this is reported as both an expenditure 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 \$3,743,209. 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, 2018, the City reported a liability of \$53,418,020 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017, the City’s proportion was 4.2472%.

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For the year ended June 30, 2018, the City recognized pension expense of \$6,926,318. At June 30, 2018, 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	\$ 7,135,728	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,488,577
Changes in proportion	4,595,790	-
City contributions during measurement date	33,331	155
City contributions subsequent to the measurement date	1,852,898	-
Total	<u>\$ 13,617,747</u>	<u>\$ 1,488,732</u>

At June 30, 2018, the City reported \$1,852,898 as deferred outflows of resources related to pensions resulting from the 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources totaling \$10,276,117 related to pensions will be recognized as a (reduction) or increase in pension expense as follows:

Year ended June 30:

2019	\$ 1,438,645
2020	3,091,481
2021	2,569,867
2022	1,009,583
2023	1,781,246
2024	385,295
	<u>\$ 10,276,117</u>

Actuarial assumptions – The total pension liability in the July 1, 2017, 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%

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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, 2017, 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%	4.38%
Domestic equity	47%	7.72%
International equity	15%	9.70%
Real estate	10%	6.96%
Other assets	8%	5.75%
	<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, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, as actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Fire Pension net pension liability	\$ 70,076,606	\$ 53,418,020	\$ 39,300,224

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/](http://www.ok.gov/fprs/).



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*Related-party investments*

As of June 30, 2018, 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, 2018, 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, 2018, the following amounts related to actual contributions to the defined contribution plan:

Employee contributions made	\$ 115,064
Employer (City) contributions made	\$ 1,988,065

*Post-employment benefits other than pensions*

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

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

Employees covered by benefit terms. At June 30, 2018 the following employees were covered by the benefit terms:

Active Employees	540
Inactives or beneficiaries currently receiving benefit payments	<u>6</u>
Total	<u>546</u>

Total OPEB Liability. The City's total OPEB liability of \$1,186,447 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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Actuarial Assumptions- The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Termination – Civilian employees are based on actual experience of the Oklahoma Municipal Retirement Fund. Rates for police and firefighters are based on rates for these groups in Oklahoma.

Retirement Age:

	<i>Civilian Retirement</i>
<u>Age</u>	<u>Rate</u>
55	25%
60	17%
61	17%
62	30%
63	20%
64	15%
65	30%
70	100%

*Retirement Rate*

<u>Years of Service</u>	<u>Police</u>	<u>Fire</u>
20	20%	10%
25	20%	15%
30	100%	20%
35		100%

- Participation – 100% of all retirees who currently have healthcare coverage will continue with the same coverage. 20% of all actives who currently have individual coverage will continue with individual coverage upon retirement. 20% of all actives who currently have dependent coverage will continue coverage upon retirement with 70% continuing as individual coverage and 30% as individual with spouse coverage.
- Healthcare cost trend rates - Level 5.5%
- Mortality Rates - RPH-2014 Mortality Table with cohort mortality projection

**Changes in Total OPEB Liability** –The following table reports the components of changes in total OPEB liability:

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	Total OPEB Liability
Balances at Beginning of Year	\$ 1,086,022
Changes for the Year:	
Service Cost	81,277
Interest expense	44,794
Expected net benefit payments	(25,646)
Net Changes	100,425
Balances at End of Year	\$ 1,186,447
Governmental Activities	\$ 862,514
Business-Type Activities	323,933
	\$ 1,186,447

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate-The following presents the total OPEB liability of the employer calculated using the discount rate of 3.88%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage-point higher (4.88) than the current rate:

	1% Decrease (2.88%)	Current Discount Rate (3.88%)	1% Increase (4.88%)
OPEB liability	\$ 1,310,959	\$ 1,186,447	\$ 1,075,557

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate-The following presents the total OPEB liability of the employer calculated using the healthcare cost trend rate of 5.50%, as well as what the Plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.50%) or 1-percentage-point higher (6.50%) than the current rate:

	1% Decrease 4.50%	Healthcare Cost Trend Rates 5.50%	1% Increase 6.50%
OPEB liability	\$ 1,046,732	\$ 1,186,447	\$ 1,351,893

OPEB Expense and Deferred Outflows of Resources and Deferred Outflows/Inflows of Resources Related to OPEB For the year ended June 30, 2018, the City recognized OPEB expense of \$126,071. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Business-Type Activities		Total Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 54,922	\$ 54,922	\$ -	\$ 54,922	\$ 54,922
Total	\$ -	\$ 54,922	\$ 54,922	\$ -	\$ 54,922	\$ 54,922

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental Activities	Business-Type Activities
Year ended June 30:		
2019	\$ (7,534)	\$ 7,534
2020	(7,534)	7,534
2021	(7,534)	7,534
2022	(7,534)	7,534
2023	(7,534)	7,534
Thereafter	(17,252)	17,252
	\$ (54,922)	\$ 54,922

**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, 2018:

- A grocery retailer received rebated sales taxes during 2018. 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 2018. 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 2018. 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 ensure a continuing public benefit. This agreement was entered into October 2012 and will terminate no later than April 2030.

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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 \$86,881 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

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 \$1,269 during the fiscal year 2018 and has an outstanding, unpaid claim of \$85,612 of reimbursement from the State as of June 30, 2018.

**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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<p>d. Health and Life:</p> <ul style="list-style-type: none"> <li>- Medical</li> <li>- Dental</li> <li>- Vision</li> </ul>	<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 &amp; 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 \$8,301,373 at June 30, 2018<sup>(1)</sup>.</p>
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<sup>(1)</sup> 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.

*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.

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For the two internal service self-insurance funds, changes in the claims liability for the City from June 30, 2015 to June 30, 2018, are as follows:

	Workers' Compensation	Health Care	Total
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	\$ 2,518,000	\$ 861,290	\$ 3,379,290
Claims and changes in estimates	3,657,610	8,832,367	12,489,977
Claims payments	(1,135,610)	(8,595,154)	(9,730,764)
Claim liability, June 30, 2018	<u>\$ 5,040,000</u>	<u>\$ 1,098,503</u>	<u>\$ 6,138,503</u>
Assets available to pay claims at June 30, 2018	<u>\$ 1,767,152</u>	<u>\$ 1,675,528</u>	<u>\$ 3,442,680</u>

**Note 7 – Commitments and Contingencies**

*Construction commitments*

At June 30, 2018 the following construction commitments were outstanding:

	Original Contract	Balance Remaining
LLWWTP Headworks	\$ 9,772,200	\$ 7,559,394
LLWWTP Belt Filter Feed Pumps & Feed Flow Meters	85,700	18,035
4th Street Rehabilitation; Detroit to Midway	196,980	10,508
9th St: El Paso - Elgin Improvements	3,392,045	3,017,638
Veterans Park; Phase II	143,143	1,431
Battle Creek Golf Course Improvements	153,102	4,138
ISSC Baseball and Soccer Improvements - Monument sign	91,900	87,535
Streets & Stormwater HVAC	42,563	2,128
Replace Corroded Piping at Greens Lift Station	41,050	2,000
Public Safety Training Facility - PD Down Range Bldg	512,423	19,252
Leisure Park Splashpad Country Aire Playground	514,368	25,718
Central Park Community Center HVAC	178,435	95,068
Events Park Regional Playground & Pavilions	519,863	50,508
Turnberry Drainage Impr and Eagle Creek Drainage Impr	477,657	268,791
Microsurfacing Aspen - Washington to New Orleans	285,645	10,668

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*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 – Subsequent Events**

On October 2, 2018, the trustees of the Broken Arrow Municipal Authority (BAMA) approved Resolution 1140 authorizing a loan from the Oklahoma Water Resources Board (OWRB) in an amount not to exceed \$21,305,000. On the same date, the City Council approved Resolution 1139 ratifying the action by the BAMA trustees. A Series 2018B promissory note in the amount of \$19,770,000 between BAMA and OWRB was issued as of November 25, 2018. The note is payable in semi-annual principal installments in variable amounts from \$100,000 to \$1,295,000 with interest of 3.325% to 5.20% with final payment due September 15, 2048. 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 January 15, 2019, the trustees of the Broken Arrow Municipal Authority (BAMA) approved Resolution 1179 authorizing a loan from the Oklahoma Water Resources Board (OWRB) in an amount not to exceed \$4,255,000. On the same date, the City Council approved Resolution 1180 ratifying the action by the BAMA trustees. A Series 2019A promissory note in the amount of \$4,255,000 between BAMA and OWRB was issued as of January 24, 2019. The note is payable in semi-annual principal installments in variable amounts from \$5,000 to \$120,000 with interest and administrative fees of 2.57% with final payment due September 15, 2046. The note is secured by a pledge and assignment of revenues and receipts derived from the BAMA's operation of the water, sanitary sewer, and solid waste disposal systems of the City and further secured by a pledge of certain sales tax revenues pledged pursuant to a Security Agreement, dated June 1, 1992.



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On October 16, 2018, the City approved the sale of \$10,860,000 of General Obligation Bonds Series 2018B to be issued as of December 1, 2018. The bonds will be due in annual installments of \$570,000 with final installment of \$600,000 due December 1, 2038 and bear interest ranging from 3.00% to 4.00%.

On October 16, 2018, the City approved the sale of \$11,500,000 of General Obligation Bonds Series 2018C to be issued as of December 1, 2018. The bonds will be due in annual installments of \$605,000 with final installment of \$610,000 due December 1, 2038 and bear interest ranging from 3.00% to 4.00%.

On October 16, 2018, the City approved the sale of \$1,000,000 of General Obligation Bonds Series 2018D to be issued as of December 1, 2018. The bonds will be due in annual installments of \$250,000 with final installment of \$250,000 due December 1, 2023 and bear interest ranging from 3.00% to 3.50%.

On October 16, 2018, the City approved the sale of \$7,490,000 of General Obligation Bonds Refunding Series 2018E to be issued as of December 13, 2018. The bonds will be due in annual installments of variable amounts from \$1,445,000 to \$1,655,000 with final installment of \$1,460,000 due April 1, 2023 and bear interest ranging from 3.00% to 5.00%.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BROKEN ARROW, OKLAHOMA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

**CITY OF BROKEN ARROW, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**Year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
<b>Beginning budgetary fund balance (restated)</b>	\$ 11,470,115	\$ 10,023,203	\$ 12,793,244	\$ 2,770,041
<b>Resources (inflows):</b>				
<b>Taxes:</b>				
Sales tax	35,765,000	35,765,000	35,555,205	(209,795)
Use tax	2,045,000	2,045,000	3,594,128	1,549,128
Tobacco tax	515,000	515,000	565,516	50,516
Franchise tax	4,244,100	4,244,100	4,430,489	186,389
<b>Total taxes</b>	<u>42,569,100</u>	<u>42,569,100</u>	<u>44,145,338</u>	<u>1,576,238</u>
<b>Intergovernmental:</b>				
Intergovernmental	200,000	200,000	246,374	46,374
Alcoholic beverage tax	197,200	197,200	189,725	(7,475)
<b>Total intergovernmental</b>	<u>397,200</u>	<u>397,200</u>	<u>436,099</u>	<u>38,899</u>
<b>Charges for services:</b>				
Planning and zoning	233,300	233,300	232,265	(1,035)
Sale of material	41,900	41,900	58,036	16,136
BAMA PILOT	3,458,800	3,458,800	3,280,004	(178,796)
BAMA overhead charge	120,000	120,000	-	(120,000)
Rural fire runs	2,900	2,900	2,868	(32)
Inspection fees	768,500	768,500	804,203	35,703
Ambulance revenue	5,045,300	5,045,300	4,831,344	(213,956)
Training	2,700	2,700	3,200	500
Special Events	10,400	10,400	-	(10,400)
Cemetery fee	145,400	145,400	154,896	9,496
Animal control fees	54,400	54,400	66,101	11,701
Nuisance abatement	36,000	36,000	(25,756)	(61,756)
Parks and recreation	205,100	205,100	247,992	42,892
Swimming pools	226,100	226,100	183,565	(42,535)
Administrative fees	19,800	19,800	13,727	(6,073)
Juvenile court	52,400	52,400	37,952	(14,448)
<b>Total charges for services</b>	<u>10,423,000</u>	<u>10,423,000</u>	<u>9,890,397</u>	<u>(532,603)</u>

(Continued)

**CITY OF BROKEN ARROW, OKLAHOMA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

**CITY OF BROKEN ARROW, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE (continued)**  
**GENERAL FUND**  
**Year ended June 30, 2018**

	Budgeted		Actual	Variance with
	Amounts		Amounts	Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
<b>Fines, forfeitures and assessments</b>	1,653,600	1,653,600	1,353,451	(300,149)
<b>Licenses and permits:</b>				
Occupational licenses	202,900	202,900	238,789	35,889
Peddlers licenses	1,900	1,900	3,309	1,409
Food licenses	19,000	19,000	47,535	28,535
Other fees	86,900	86,900	88,407	1,507
Building permits	618,700	618,700	399,702	(218,998)
<b>Total licenses and permits</b>	929,400	929,400	777,742	(151,658)
<b>Investment income</b>	19,600	19,600	22,994	3,394
<b>Miscellaneous:</b>				
Rental property	1,193,500	1,193,500	1,224,896	31,396
Donations	28,600	28,600	-	(28,600)
Miscellaneous	7,900	7,900	93,810	85,910
Sale of capital assets	-	-	43,850	43,850
Insurance proceeds	30,900	30,900	47,856	16,956
<b>Total miscellaneous</b>	1,260,900	1,260,900	1,410,412	149,512
<b>Other financing sources:</b>				
Transfers in from other funds	15,420,000	15,420,000	15,276,518	(143,482)
<b>Total other financing sources</b>	15,420,000	15,420,000	15,276,518	(143,482)
<b>Total revenues and other financing sources</b>	72,672,800	72,672,800	73,312,951	640,151
<b>Amounts available for appropriation</b>	84,142,915	82,696,003	86,106,195	3,410,192

(Continued)

**CITY OF BROKEN ARROW, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018**

**CITY OF BROKEN ARROW, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE (continued)  
GENERAL FUND  
Year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
<b>Charges to appropriations (outflows):</b>				
<b>General government:</b>				
<b>City manager:</b>				
Personal services	1,109,400	1,109,400	1,079,143	30,257
Other services and charges	113,600	113,600	113,707	(107)
Materials and supplies	11,200	11,200	9,129	2,071
<b>Total city manager</b>	<b>1,234,200</b>	<b>1,234,200</b>	<b>1,201,979</b>	<b>32,221</b>
<b>Finance:</b>				
Personal services	988,700	988,700	840,982	147,718
Other services and charges	86,000	86,200	64,505	21,695
Materials and supplies	16,700	16,500	8,687	7,813
<b>Total finance</b>	<b>1,091,400</b>	<b>1,091,400</b>	<b>914,174</b>	<b>177,226</b>
<b>City attorney:</b>				
Personal services	808,100	808,100	808,954	(854)
Other service and charges	113,800	188,800	165,096	23,704
Materials and supplies	45,600	45,600	27,794	17,806
<b>Total city attorney</b>	<b>967,500</b>	<b>1,042,500</b>	<b>1,001,844</b>	<b>40,656</b>
<b>Human resources:</b>				
Personal services	813,600	813,600	738,089	75,511
Other services and charges	384,200	387,114	287,750	99,364
Materials and supplies	50,800	47,886	24,720	23,166
<b>Total human resources</b>	<b>1,248,600</b>	<b>1,248,600</b>	<b>1,050,559</b>	<b>198,041</b>
<b>Information services:</b>				
Personal services	1,017,600	1,017,600	1,029,340	(11,740)
Other services and charges	414,100	414,100	353,598	60,502
Materials and supplies	30,200	30,200	26,322	3,878
<b>Total information services</b>	<b>1,461,900</b>	<b>1,461,900</b>	<b>1,409,260</b>	<b>52,640</b>
<b>Development services - One-Stop &amp; Planning:</b>				
Personal services	1,561,800	1,561,800	1,561,871	(71)
Other services and charges	99,100	109,640	116,844	(7,204)
Material and supplies	42,100	41,260	26,503	14,757
<b>Total development services</b>	<b>1,703,000</b>	<b>1,712,700</b>	<b>1,705,218</b>	<b>7,482</b>
<b>General government:</b>				
Personal services	12,500	12,500	11,527	973
Other services and charges	1,934,800	2,009,800	1,909,746	100,054
Materials and supplies	15,000	15,000	16,557	(1,557)
<b>Total general government</b>	<b>1,962,300</b>	<b>2,037,300</b>	<b>1,937,830</b>	<b>99,470</b>
<b>City Clerk:</b>				
Personal services	579,100	579,100	535,122	43,978
Other services and charges	84,700	84,700	64,415	20,285
Materials and supplies	20,100	20,100	14,626	5,474
<b>Total City clerk</b>	<b>683,900</b>	<b>683,900</b>	<b>614,163</b>	<b>69,737</b>
<b>Total general government</b>	<b>10,352,800</b>	<b>10,512,500</b>	<b>9,835,027</b>	<b>677,473</b>

(Continued)

**CITY OF BROKEN ARROW, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018**

**CITY OF BROKEN ARROW, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE (continued)  
GENERAL FUND  
Year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
<b>Public safety:</b>				
<b>Development services - Inspections:</b>				
Personal services	934,300	934,300	920,340	13,960
Other services and charges	103,000	91,300	52,455	38,845
Materials and supplies	31,100	33,100	33,174	(74)
<b>Total development services - inspections</b>	<b>1,068,400</b>	<b>1,058,700</b>	<b>1,005,969</b>	<b>52,731</b>
<b>Total public safety</b>	<b>1,068,400</b>	<b>1,058,700</b>	<b>1,005,969</b>	<b>52,731</b>
<b>Public services:</b>				
<b>Streets:</b>				
Personal services	2,307,300	2,307,300	2,211,294	96,006
Other services and charges	112,200	103,800	117,685	(13,885)
Materials and supplies	487,100	495,500	508,570	(13,070)
<b>Total streets</b>	<b>2,906,600</b>	<b>2,906,600</b>	<b>2,837,549</b>	<b>69,051</b>
<b>General services:</b>				
Personal services	182,100	182,100	160,581	21,519
Other services and charges	16,400	16,400	11,713	4,687
Materials and supplies	17,700	17,700	13,436	4,264
<b>Total general services</b>	<b>216,200</b>	<b>216,200</b>	<b>185,730</b>	<b>30,470</b>
<b>Total public services</b>	<b>3,122,800</b>	<b>3,122,800</b>	<b>3,023,279</b>	<b>99,521</b>
<b>Parks and recreation:</b>				
Personal services	3,044,800	3,044,800	2,811,859	232,941
Other services and charges	681,900	681,900	636,547	45,353
Materials and supplies	417,300	417,300	383,700	33,600
<b>Total parks and recreation</b>	<b>4,144,000</b>	<b>4,144,000</b>	<b>3,832,106</b>	<b>311,894</b>
<b>Other financing uses:</b>				
Transfers to other funds	53,488,400	53,488,400	53,626,379	(137,979)
<b>Total charges to appropriations</b>	<b>72,176,400</b>	<b>72,326,400</b>	<b>71,322,760</b>	<b>1,003,640</b>
<b>Ending budgetary fund balance</b>	<b>\$ 11,966,515</b>	<b>\$ 10,369,603</b>	<b>\$ 14,783,435</b>	<b>\$ 4,413,832</b>

**CITY OF BROKEN ARROW, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018**

**Broken Arrow  
Budgetary Comparison Schedule  
Major Special Revenue Fund - Public Safety Sales Tax Fund - Police  
For the year ended June 30, 2018**

<b>Public Safety Sales Tax Fund - Police</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Beginning Budgetary Fund Balance (restated)</b>	\$ 985,242	\$ 985,242	\$ 1,387,235	\$ 401,993
<b>Resources (Inflows):</b>				
Taxes	2,145,000	2,145,000	2,132,784	(12,216)
Intergovernmental	-	-	108,970	108,970
Investment income	1,000	1,000	2,918	1,918
Miscellaneous	-	-	23,034	23,034
Transfers from other funds	21,731,800	21,731,800	21,846,463	114,663
Amounts available for appropriation	23,877,800	23,877,800	24,114,169	236,369
<b>Charges to Appropriations (Outflows):</b>				
Police:				
Personal Services	19,601,100	19,601,100	19,189,088	412,012
Other Services and Charges	1,612,700	1,606,100	1,323,100	283,000
Materials and Supplies	984,700	991,300	927,144	64,156
Capital Outlay	1,850,000	1,850,000	1,163,672	686,328
Total Charges to Appropriations	24,048,500	24,048,500	22,603,004	1,445,496
<b>Ending Budgetary Fund Balance</b>	\$ 814,542	\$ 814,542	\$ 2,898,400	\$ 2,083,858

**Broken Arrow  
Budgetary Comparison Schedule  
Major Special Revenue Fund - Public Safety Sales Tax Fund - Fire  
For the year ended June 30, 2018**

<b>Public Safety Sales Tax Fund - Fire</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Beginning Budgetary Fund Balance (restated)</b>	\$ 1,296,960	\$ 2,158,516	\$ 71,873	\$ (2,086,643)
<b>Resources (Inflows):</b>				
Taxes	2,145,000	2,145,000	2,132,784	(12,216)
Intergovernmental	1,121,170	556,170	1,788,660	1,232,490
Investment income	1,000	1,000	2,005	1,005
Miscellaneous	-	-	1,542	1,542
Proceeds from long-term debt	-	-	730,000	730,000
Transfers from other funds	17,576,600	17,576,600	17,672,545	95,945
Amounts available for appropriation	20,843,770	20,278,770	22,327,536	2,048,766
<b>Charges to Appropriations (Outflows):</b>				
Fire:				
Personal Services	17,657,500	18,257,500	17,934,871	322,629
Other Services and Charges	851,000	881,000	905,334	(24,334)
Materials and Supplies	742,800	742,800	812,640	(69,840)
Capital Outlay	2,560,986	2,555,986	1,765,279	790,707
Total Charges to Appropriations	21,812,286	22,437,286	21,418,124	1,019,162
<b>Ending Budgetary Fund Balance</b>	\$ 328,444	\$ -	\$ 981,285	\$ 981,285

**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, 2018, 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)	\$ 73,312,951
Less: transfers in from other funds	<u>(15,276,518)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 58,036,433</u>
Total budgetary expenditures and transfers	\$ 71,322,760
Less: transfers to other funds	<u>(53,626,379)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 17,696,381</u>



**CITY OF BROKEN ARROW, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018**

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

	Public Safety Sales Tax Fund - Police
Total budgetary resources (inflows)	\$ 24,114,169
Add: On-behalf payments	1,352,143
Less: Transfers in from other funds	<u>(21,846,463)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 3,619,849</u>
Total budgetary expenditures and transfers	\$ 22,603,004
Add: On-behalf payments	<u>1,352,143</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 23,955,147</u>
	Public Safety Sales Tax Fund - Fire
Total budgetary resources (inflows)	\$ 22,327,536
Add: On-behalf payments	4,156,522
Less: Proceeds from long-term debt	(730,000)
Less: Transfers in from other funds	<u>(17,672,545)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 8,081,513</u>
Total budgetary expenditures and transfers	\$ 21,418,124
Add: On-behalf payments	<u>4,156,522</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 25,574,646</u>

**CITY OF BROKEN ARROW, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018**

**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY OF BROKEN ARROW'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM  
Last 10 Fiscal Years\***

**For the year June 30,**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportion of the net pension liability	3.1323%	3.2237%	3.1605%	3.3097%
City's proportionate share of the net pension liability (asset)	\$(1,054,626)	\$ 131,444	\$4,840,062	\$ 254,584
City's covered-employee payroll	\$ 9,112,431	\$9,112,431	\$9,320,477	\$ 10,248,277
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.57%	1.44%	51.93%	2.48%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%

**Notes to Schedule:**

\* Only four fiscal years are presented because 10-year data is not yet available. Current year measurement date is June 30, 2017.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily required contribution	\$ 1,184,616	\$ 1,211,662	\$ 1,332,276	\$ 1,377,253
Contributions in relation to the statutorily required contribution	<u>1,184,616</u>	<u>1,211,662</u>	<u>1,332,276</u>	<u>1,377,253</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 9,112,431	\$ 9,320,477	\$ 10,248,277	\$ 10,594,254
Contributions as a percentage of covered-employee payroll	13%	13%	13%	13%

**Notes to Schedule:**

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

**CITY OF BROKEN ARROW, OKLAHOMA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018**

**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>	<u>2018</u>
City's proportion of the net pension liability	3.6826%	3.8107%	3.9641%	4.2472%
City's proportionate share of the net pension liability	\$ 37,869,951	\$ 40,447,082	\$ 48,430,529	\$ 53,418,020
City's covered-employee payroll	\$ 10,409,757	\$ 10,409,757	\$ 11,090,514	\$ 12,517,279
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	363.79%	388.55%	436.68%	426.75%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%

**Notes to Schedule:**

\* Only four fiscal years are presented because 10-year data is not yet available.  
Current year measurement date is June 30, 2017.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily required contribution	\$ 1,457,366	\$ 1,552,672	\$ 1,752,419	\$ 1,852,898
Contributions in relation to the statutorily required contribution	<u>1,457,366</u>	<u>1,552,672</u>	<u>1,752,419</u>	<u>1,852,898</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 10,409,757	\$ 11,090,514	\$ 12,517,279	\$ 13,237,331
Contributions as a percentage of covered-employee payroll	14%	14%	14%	14%

**Notes to Schedule:**

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

**Schedules of Required Supplementary Information**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**

**Last 10 Years \***

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 81,277
Interest	44,794
Benefit payments, including refunds of member contributions	<u>(25,646)</u>
Net change in total OPEB liability	100,425
Total OPEB liability - beginning	<u>1,086,022</u>
Total OPEB liability - ending	<u>\$ 1,186,447</u>
Covered employee payroll	\$ 30,068,853
Total OPEB liability as a percentage of covered employee payroll	3.95%

**Notes to Schedule:**

\* Only the current year is presented because 10-year data is not yet available.

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF BROKEN ARROW, OKLAHOMA**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

Combining Balance Sheet – Nonmajor Governmental Funds

**Broken Arrow**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	SPECIAL REVENUE FUNDS					
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitor's Bureau	Police Enhancement	Street and Alley	Housing and Urban Development
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,185,403	\$ 1,351,478	\$ 480,647	\$ 214,140	\$ 1,282,888	\$ 260,979
Investments	-	-	-	-	-	-
Receivable from other governments	-	-	-	4,500	143,905	233,513
Accrued interest receivable	-	-	-	-	-	-
Other receivables, net	-	-	69,766	-	-	172
Total assets	1,185,403	1,351,478	550,413	218,640	1,426,793	494,664
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	293,111	-	1,570	700	-	218,554
Due to other funds	-	-	-	348	-	-
Total liabilities	293,111	-	1,570	1,048	-	218,554
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue	-	-	12,771	-	-	215,285
Total deferred inflows of resources	-	-	12,771	-	-	215,285
Fund balances:						
Restricted	-	-	536,072	217,592	1,426,793	60,825
Committed	892,292	1,351,478	-	-	-	-
Total fund balances	892,292	1,351,478	536,072	217,592	1,426,793	60,825
Total liabilities, deferred inflows of resources and fund balances	\$ 1,185,403	\$ 1,351,478	\$ 550,413	\$ 218,640	\$ 1,426,793	\$ 494,664

(Continued)

**CITY OF BROKEN ARROW, OKLAHOMA**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

Combining Balance Sheet – Nonmajor Governmental Funds. (Continued)

**Broken Arrow**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS	
	E911	Crime Prevention	Alcohol Enforcement	Street Light	Parks and Recreation	Cemetery Care
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,835,004	\$ 212,590	\$ 93,952	\$ 863,649	\$ 652,840	\$ 324,015
Investments	-	-	-	-	-	-
Receivable from other governments	-	10,698	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-
Other receivables, net	92,804	-	1,767	48,380	-	1,126
Total assets	1,927,808	223,288	95,719	912,029	652,840	325,141
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	-	3,785	-	4,130	47,942	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	3,785	-	4,130	47,942	-
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue	-	2,659	1,767	23,319	-	728
Total deferred inflows of resources	-	2,659	1,767	23,319	-	728
Fund balances:						
Restricted	1,927,808	216,844	93,952	-	-	179,784
Committed	-	-	-	884,580	604,898	144,629
Total fund balances	1,927,808	216,844	93,952	884,580	604,898	324,413
Total liabilities, deferred inflows of resources and fund balances	\$ 1,927,808	\$ 223,288	\$ 95,719	\$ 912,029	\$ 652,840	\$ 325,141

(Continued)

**CITY OF BROKEN ARROW, OKLAHOMA**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

Combining Balance Sheet – Nonmajor Governmental Funds. (Continued)

**Broken Arrow**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	<b>CAPITAL PROJECT FUNDS</b>				<b>Total Governmental Funds</b>
	<b>1994</b>				
	<b>Street Sales Tax</b>	<b>General Obligation Bond Issue</b>	<b>2008 General Obligation Bond Fund</b>	<b>2011 General Obligation Bond Fund</b>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,454,329	\$ 196,940	\$ 1,989,251	\$ 6,541,434	\$ 20,939,539
Investments	-	-	-	4,051,436	4,051,436
Receivable from other governments	646,666	-	-	-	1,039,282
Accrued interest receivable	-	-	-	23,180	23,180
Other receivables, net	-	-	-	-	214,015
Total assets	<u>4,100,995</u>	<u>196,940</u>	<u>1,989,251</u>	<u>10,616,050</u>	<u>26,267,452</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	11,793	-	1,844	450,979	1,034,408
Due to other funds	-	-	-	-	348
Total liabilities	<u>11,793</u>	<u>-</u>	<u>1,844</u>	<u>450,979</u>	<u>1,034,756</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	-	-	-	23,180	279,709
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,180</u>	<u>279,709</u>
Fund balances:					
Restricted	4,089,202	-	1,987,407	10,141,891	20,878,170
Committed	-	196,940	-	-	4,074,817
Total fund balances	<u>4,089,202</u>	<u>196,940</u>	<u>1,987,407</u>	<u>10,141,891</u>	<u>24,952,987</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,100,995</u>	<u>\$ 196,940</u>	<u>\$ 1,989,251</u>	<u>\$ 10,616,050</u>	<u>\$ 26,267,452</u>



**CITY OF BROKEN ARROW, OKLAHOMA**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

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, 2018**

	SPECIAL REVENUE FUNDS					
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitor's Bureau	Police Enhancement	Street and Alley	Housing and Urban Development
<b>REVENUES</b>						
Sales and use tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise and miscellaneous taxes	-	-	566,424	-	-	-
Intergovernmental	-	-	-	159,044	1,006,756	431,350
Charges for services	-	287,842	-	-	-	-
Fees and fines	-	-	-	-	-	-
Investment earnings	572	617	209	458	598	-
Miscellaneous	145,786	-	3,562	-	-	-
Total revenues	<u>146,358</u>	<u>288,459</u>	<u>570,195</u>	<u>159,502</u>	<u>1,007,354</u>	<u>431,350</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	302,636	-	-	58,099
Public safety	-	-	-	41,727	-	-
Public services	-	171,416	-	-	-	-
Capital outlay	-	-	857	5,700	25,323	548,698
Total Expenditures	<u>-</u>	<u>171,416</u>	<u>303,493</u>	<u>47,427</u>	<u>25,323</u>	<u>606,797</u>
Excess (deficiency) of revenues over expenditures	<u>146,358</u>	<u>117,043</u>	<u>266,702</u>	<u>112,075</u>	<u>982,031</u>	<u>(175,447)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	-	-	(225,000)	-	(720,000)	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(225,000)</u>	<u>-</u>	<u>(720,000)</u>	<u>-</u>
Net change in fund balances	146,358	117,043	41,702	112,075	262,031	(175,447)
Fund balances - beginning, restated	745,934	1,234,435	494,370	105,517	1,164,762	236,272
Fund balances - ending	<u>\$ 892,292</u>	<u>\$ 1,351,478</u>	<u>\$ 536,072</u>	<u>\$ 217,592</u>	<u>\$ 1,426,793</u>	<u>\$ 60,825</u>

(Continued)

**CITY OF BROKEN ARROW, OKLAHOMA**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

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, 2018**

	<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>
<b>REVENUES</b>						
Sales and use tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise and miscellaneous taxes	-	-	-	-	-	-
Intergovernmental	-	63,930	-	-	-	-
Charges for services	1,087,957	-	-	573,916	156,865	42,465
Fees and fines	-	-	7,519	-	-	-
Investment earnings	857	219	46	504	408	159
Miscellaneous	-	-	-	-	30,658	-
Total revenues	<u>1,088,814</u>	<u>64,149</u>	<u>7,565</u>	<u>574,420</u>	<u>187,931</u>	<u>42,624</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	483,035	-	-
Public safety	-	83,781	4,104	-	-	-
Public services	-	-	-	-	-	-
Capital outlay	77,693	-	-	429,758	381,290	22,124
Total Expenditures	<u>77,693</u>	<u>83,781</u>	<u>4,104</u>	<u>912,793</u>	<u>381,290</u>	<u>22,124</u>
Excess (deficiency) of revenues over expenditures	<u>1,011,121</u>	<u>(19,632)</u>	<u>3,461</u>	<u>(338,373)</u>	<u>(193,359)</u>	<u>20,500</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(720,000)	-	-	-	-	-
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	291,121	(19,632)	3,461	(338,373)	(193,359)	20,500
Fund balances - beginning, restated	1,636,687	236,476	90,491	1,222,953	798,257	303,913
Fund balances - ending	<u>\$ 1,927,808</u>	<u>\$ 216,844</u>	<u>\$ 93,952</u>	<u>\$ 884,580</u>	<u>\$ 604,898</u>	<u>\$ 324,413</u>

(Continued)

**CITY OF BROKEN ARROW, OKLAHOMA**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

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, 2018**

	<b>CAPITAL PROJECT FUNDS</b>				
	<b>Street Sales Tax</b>	<b>1994 General Obligation Bond Issue</b>	<b>2008 General Obligation Bond Fund</b>	<b>2011 General Obligation Bond Fund</b>	<b>Total-Other Governmental Funds</b>
<b>REVENUES</b>					
Sales and use tax	\$ 3,554,639	\$ -	\$ -	\$ -	\$ 3,554,639
Franchise and miscellaneous taxes	-	-	-	-	566,424
Intergovernmental	-	-	-	-	1,661,080
Charges for services	-	-	-	-	2,149,045
Fees and fines	-	-	-	-	7,519
Investment earnings	2,663	-	10,602	78,606	96,518
Miscellaneous	-	-	-	-	180,006
Total revenues	3,557,302	-	10,602	78,606	8,215,231
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	843,770
Public safety	-	-	-	-	129,612
Public services	4,034	-	-	-	175,450
Capital outlay	1,134,164	-	321,462	1,777,605	4,724,674
Total Expenditures	1,138,198	-	321,462	1,777,605	5,873,506
Excess (deficiency) of revenues over expenditures	2,419,104	-	(310,860)	(1,698,999)	2,341,725
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	-	-	-	(1,665,000)
Total other financing sources and uses	-	-	-	-	(1,665,000)
Net change in fund balances	2,419,104	-	(310,860)	(1,698,999)	676,725
Fund balances - beginning, restated	1,670,098	196,940	2,298,267	11,840,890	24,276,262
Fund balances - ending	\$ 4,089,202	\$ 196,940	\$ 1,987,407	\$ 10,141,891	\$ 24,952,987

**CITY OF BROKEN ARROW, OKLAHOMA**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

Combining Schedule of Net Position – BAMA Enterprise Fund Accounts

**Broken Arrow**  
**Combining Schedule of Net Position**  
**Broken Arrow Municipal Authority Accounts**  
**June 30, 2018**

	<u>Municipal Authority</u>	<u>BAMA Sales Tax Account</u>	<u>Sanitary Capital Account</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ (1,324,893)	\$ -	\$ 1,324,893	\$ -
Restricted cash and cash equivalents	192,282	30,913,825	-	31,106,107
Investments	254,214	-	-	254,214
Accounts receivable, net	8,188,353	-	-	8,188,353
Due from other funds	3,051,708	-	-	3,051,708
Due from other governments-OWRB	-	5,013,018	-	5,013,018
Inventories	1,070,845	-	-	1,070,845
Prepaid assets	20,500	-	-	20,500
Total current assets	<u>11,453,009</u>	<u>35,926,843</u>	<u>1,324,893</u>	<u>48,704,745</u>
Non-current assets:				
Restricted cash and cash equivalents	769,128	3,285,383	-	4,054,511
Investment in joint venture	25,733,603	-	-	25,733,603
Capital Assets:				
Land and other nondepreciable assets	16,822,321	-	-	16,822,321
Other capital assets, net of accumulated depreciation	161,055,317	-	-	161,055,317
Total non-current assets	<u>204,380,369</u>	<u>3,285,383</u>	<u>-</u>	<u>207,665,752</u>
Total assets	<u>215,833,378</u>	<u>39,212,226</u>	<u>1,324,893</u>	<u>256,370,497</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to OPEB	54,922	-	-	54,922
Total deferred outflows of resources	<u>54,922</u>	<u>-</u>	<u>-</u>	<u>54,922</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	8,650,415	-	-	8,650,415
Accrued payroll payable	344,763	-	-	344,763
Accrued interest payable	938	1,061,193	-	1,062,131
Due to other funds	2,662,451	4,736,136	-	7,398,587
Amounts held in escrow	202,701	-	-	202,701
Compensated absences	389,647	-	-	389,647
Meter deposit liability	192,282	-	-	192,282
Bonds, notes and loans payable, net	212,050	5,495,825	-	5,707,875
Capital lease obligation	125,000	-	-	125,000
Total current liabilities	<u>12,780,247</u>	<u>11,293,154</u>	<u>-</u>	<u>24,073,401</u>
Non-current liabilities:				
Compensated absences	194,824	-	-	194,824
Meter deposit liability	769,128	-	-	769,128
Bonds, notes and loans payable, net	-	117,356,881	-	117,356,881
Total OPEB liability	<u>323,933</u>	<u>-</u>	<u>-</u>	<u>323,933</u>
Total non-current liabilities	<u>1,287,885</u>	<u>117,356,881</u>	<u>-</u>	<u>118,644,766</u>
Total liabilities	<u>14,068,132</u>	<u>128,650,035</u>	<u>-</u>	<u>142,718,167</u>
<b>NET POSITION</b>				
Net investment in capital assets	177,540,588	(93,393,563)	-	84,147,025
Restricted for debt service	-	3,677,934	-	3,677,934
Unrestricted	24,279,580	277,820	1,324,893	25,882,293
Total net position	<u>\$ 201,820,168</u>	<u>\$ (89,437,809)</u>	<u>\$ 1,324,893</u>	<u>\$ 113,707,252</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

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, 2018**

	<u>Municipal Authority</u>	<u>BAMA Sales Tax Account</u>	<u>Sanitary Capital Account</u>	<u>Total</u>
<b>REVENUES</b>				
Water charges	\$ 20,074,726	\$ -	\$ -	\$ 20,074,726
Sewer charges	12,501,228	-	-	12,501,228
Sanitation charges	6,441,209	-	-	6,441,209
Stormwater fees	5,538,953	-	-	5,538,953
Fees and fines	994,744	-	-	994,744
Miscellaneous	89,228	-	-	89,228
Total operating revenues	<u>45,640,088</u>	<u>-</u>	<u>-</u>	<u>45,640,088</u>
<b>OPERATING EXPENSES</b>				
General government	779,918	-	-	779,918
Finance and administration	1,616,817	-	-	1,616,817
Engineering and construction	2,639,603	-	-	2,639,603
Water distribution	9,270,888	-	-	9,270,888
Saitary sewer system	4,924,119	-	-	4,924,119
Sanitation services	5,067,747	-	-	5,067,747
Support services	3,131,265	-	-	3,131,265
Stormwater	3,186,513	-	-	3,186,513
Depreciation	8,859,162	-	-	8,859,162
Total Operating Expenses	<u>39,476,032</u>	<u>-</u>	<u>-</u>	<u>39,476,032</u>
Operating income	<u>6,164,056</u>	<u>-</u>	<u>-</u>	<u>6,164,056</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	24,265	247,728	660	272,653
Gain on disposal of capital assets	32,187	-	-	32,187
Bond issuance costs	-	(54,500)	-	(54,500)
Interest expense and fiscal charges	(42,364)	(3,980,353)	-	(4,022,717)
Total non-operating revenue (expenses)	<u>14,088</u>	<u>(3,787,125)</u>	<u>660</u>	<u>(3,772,377)</u>
Income (loss) before contributions and transfers	6,178,144	(3,787,125)	660	2,391,679
Capital contributions	4,958,771	-	-	4,958,771
Transfers in	14,227,371	-	-	14,227,371
Transfers out	(14,827,371)	-	-	(14,827,371)
Change in net position	<u>10,536,915</u>	<u>(3,787,125)</u>	<u>660</u>	<u>6,750,450</u>
Total net position - beginning, restated	<u>191,283,253</u>	<u>(85,650,684)</u>	<u>1,324,233</u>	<u>106,956,802</u>
Total net position - ending	<u>\$ 201,820,168</u>	<u>\$ (89,437,809)</u>	<u>\$ 1,324,893</u>	<u>\$ 113,707,252</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

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, 2018**

	<b>Municipal Authority</b>	<b>BAMA Sales Tax Account</b>	<b>Sanitary Capital Account</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 45,265,329	\$ -	\$ -	\$ 45,265,329
Payments to suppliers	(17,678,220)	-	-	(17,678,220)
Payments to employees	(15,198,292)	-	-	(15,198,292)
Receipts of customer meter deposits	296,177	-	-	296,177
Payment of customer meter deposits	(273,161)	-	-	(273,161)
Interfund payments & receipts	(2,551,403)	(8,038,804)	-	(10,590,207)
Net cash provided by (used in) operating activities	<u>9,860,430</u>	<u>(8,038,804)</u>	<u>-</u>	<u>1,821,626</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	14,227,371	-	-	14,227,371
Transfer to other funds	(14,827,371)	-	-	(14,827,371)
Net cash provided by (used in) noncapital financing activities	<u>(600,000)</u>	<u>-</u>	<u>-</u>	<u>(600,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(8,435,677)	-	-	(8,435,677)
Capital grant received	22,420	-	-	22,420
Proceeds from issuance of debt	-	6,934,195	-	6,934,195
Note issuance costs	-	(54,500)	-	(54,500)
Proceeds from sale of capital assets	33,250	-	-	33,250
Principal paid on capital debt	(798,588)	(5,216,071)	-	(6,014,659)
Interest paid on capital debt	(43,798)	(4,087,662)	-	(4,131,460)
Net cash provided by (used in) capital and related financing activities	<u>(9,222,393)</u>	<u>(2,424,038)</u>	<u>-</u>	<u>(11,646,431)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sales (purchases) of investments	(39,946)	-	-	(39,946)
Interest and dividends	24,265	247,728	660	272,653
Net cash provided by (used in) investing activities	<u>(15,681)</u>	<u>247,728</u>	<u>660</u>	<u>232,707</u>
Net Increase (decrease) in cash and cash equivalents	22,356	(10,215,114)	660	(10,192,098)
Balances-beginning of year	<u>(385,839)</u>	<u>44,414,322</u>	<u>1,324,233</u>	<u>45,352,716</u>
Balances-end of year	<u>\$ (363,483)</u>	<u>\$ 34,199,208</u>	<u>\$ 1,324,893</u>	<u>\$ 35,160,618</u>
<b>Reconciliation to Combining Statement of Net Position:</b>				
Cash and cash equivalents	\$ (1,324,893)	\$ -	\$ 1,324,893	\$ -
Restricted cash and cash equivalents-current	192,282	30,913,825	-	31,106,107
Restricted cash and cash equivalents-noncurrent	769,128	3,285,383	-	4,054,511
Total cash and cash equivalents, end of year	<u>(363,483)</u>	<u>34,199,208</u>	<u>1,324,893</u>	<u>35,160,618</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating income	\$ 6,164,056	\$ -	\$ -	\$ 6,164,056
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	8,859,162	-	-	8,859,162
Change in assets, liabilities and deferrals:				
Receivables, net	(364,598)	-	-	(364,598)
Due from other funds	(175,049)	-	-	(175,049)
Investment in joint venture	(6,187,719)	-	-	(6,187,719)
Inventories	(202,831)	-	-	(202,831)
Deferred amounts related to OPEB	(54,922)	-	-	(54,922)
Accounts payables	4,089,743	-	-	4,089,743
Accrued payroll	15,995	-	-	15,995
Due to other funds	(2,376,354)	(8,038,804)	-	(10,415,158)
Amounts held in escrow	(10,161)	-	-	(10,161)
Accrued compensated absences	(9,783)	-	-	(9,783)
Customer meter deposits payable	23,016	-	-	23,016
Total OPEB liability	89,875	-	-	89,875
Net cash provided by (used in) operating activities	<u>\$ 9,860,430</u>	<u>\$ (8,038,804)</u>	<u>\$ -</u>	<u>\$ 1,821,626</u>
<b>Non-cash Activities:</b>				
Capital assets contributed	\$ 4,958,771	\$ -	\$ -	\$ 4,958,771
Total Non-cash Activities	<u>\$ 4,958,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,958,771</u>

**CITY OF BROKEN ARROW, OKLAHOMA**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

Combining Statement of Net Position – Internal Service Funds

<b>Broken Arrow</b>			
<b>Combining Statement of Net Position</b>			
<b>Internal Service Funds</b>			
<b>June 30, 2018</b>			
	<b>Worker's Compensation</b>	<b>Group Health &amp; Life</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,767,152	\$ 1,668,042	\$ 3,435,194
Other receivables	-	7,486	7,486
Total assets	1,767,152	1,675,528	3,442,680
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	40,194	-	40,194
Amounts held in escrow	27,314	-	27,314
Claims and judgments	1,140,000	-	1,140,000
Total current liabilities	1,207,508	-	1,207,508
Non-current liabilities:			
Claims and judgments	3,900,000	1,098,503	4,998,503
Total non-current liabilities	3,900,000	1,098,503	4,998,503
Total liabilities	5,107,508	1,098,503	6,206,011
<b>NET POSITION</b>			
Unrestricted (deficit)	(3,340,356)	577,025	(2,763,331)
Total Net Position	\$ (3,340,356)	\$ 577,025	\$ (2,763,331)

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

<b>Broken Arrow</b>			
<b>Combining Statement of Revenues, Expenses and Changes in Fund Net Position</b>			
<b>Internal Service Funds</b>			
<b>For the Year Ended June 30, 2018</b>			
	<b>Worker's Compensation</b>	<b>Group Health &amp; Life</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Self insurance charges	\$ 1,200,000	\$ 8,618,540	\$ 9,818,540
Total operating revenues	1,200,000	8,618,540	9,818,540
<b>OPERATING EXPENSES</b>			
Claims expense	3,657,610	8,832,367	12,489,977
Total operating expenses	3,657,610	8,832,367	12,489,977
Operating income (loss)	(2,457,610)	(213,827)	(2,671,437)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	889	1,134	2,023
Miscellaneous revenue	1,792	-	1,792
Total non-operating revenue (expenses)	2,681	1,134	3,815
Change in net position	(2,454,929)	(212,693)	(2,667,622)
Total net position - beginning	(885,427)	789,718	(95,709)
Total net position - ending	\$ (3,340,356)	\$ 577,025	\$ (2,763,331)

**CITY OF BROKEN ARROW, OKLAHOMA**  
**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

Combining Statement of Cash Flows – Internal Service Funds

**Broken Arrow**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2018**

	<b>Worker's Compensation</b>	<b>Group Health &amp; Life</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,229,106	\$ 8,611,054	\$ 9,840,160
Claims and judgments paid	(1,115,668)	(8,595,154)	(9,710,822)
Net cash provided by operating activities	113,438	15,900	129,338
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	889	1,134	2,023
Net cash provided by investing activities	889	1,134	2,023
Net increase in cash and cash equivalents	114,327	17,034	131,361
Balances-beginning of year	1,652,825	1,651,008	3,303,833
Balances-end of year	\$ 1,767,152	\$ 1,668,042	\$ 3,435,194
<b>Reconciliation to Combining Statement of Net Position:</b>			
Cash, including time deposits	\$ 1,767,152	\$ 1,668,042	\$ 3,435,194
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 1,767,152</b>	<b>\$ 1,668,042</b>	<b>\$ 3,435,194</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income (loss)	\$ (2,457,610)	\$ (213,827)	\$ (2,671,437)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Miscellaneous non-operating revenue (expense)	1,792	-	1,792
Change in assets and liabilities:			
Other receivable	-	(7,486)	(7,486)
Accounts and other payables	19,942	-	19,942
Amounts held in escrow	27,314	-	27,314
Claims liability	2,522,000	237,213	2,759,213
<b>Net cash provided by operating activities</b>	<b>\$ 113,438</b>	<b>\$ 15,900</b>	<b>\$ 129,338</b>



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

**SCHEDULE OF DEBT SERVICE COVERAGE**

**Year Ended June 30, 2018**

	OWRB 2001, 2004, 2007, 2009, 2011, 2012, 2015, 2016, 2017 and 2018 Notes Payable
Gross revenue available for debt service:	
Charges for services	\$ 45,640,088
Investment income	272,653
Sales tax transferred from the City General Fund	14,227,371
Total gross revenues available	60,140,112
Operating expenses (1)	
General government	779,918
Finance and administration	1,616,817
Engineering and construction	2,639,603
Water distribution	9,270,888
Sanitary sewer system	4,924,119
Sanitation services	5,067,747
Support services	3,131,265
Stormwater	3,186,513
Total operating expenses	30,616,870
Net revenue available for debt service	\$ 29,523,242
Debt service requirements	
Maximum annual debt service on all BAMA parity debt	\$ 10,011,551
Computed coverage	295%
Coverage requirement	125%

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

**CITY OF BROKEN ARROW, OKLAHOMA**

**SCHEDULE OF DEBT RESERVE ACCOUNT BALANCE REQUIREMENTS**

**Year ended June 30, 2018**

	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, 2018	<u>766,297</u>	<u>2,435,677</u>	<u>849,706</u>
Excess of account balance over (under) required balance	<u>\$ 16,297</u>	<u>\$ -</u>	<u>\$ -</u>