BROKEN ARROW

Where opportunity lives

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2015

WITH
INDEPENDENT AUDITOR'S REPORT

CONTENTS

List of Principal Officials 1

Independent Auditor's Report 2

Required Supplementary Information:
Management's Discussion and Analysis 4

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position 11

Statement of Activities 12

Fund Financial Statements:

Balance Sheet – Governmental Funds 13

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 15

Statement of Net Position – Proprietary Funds 17

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds 18

Statement of Cash Flows – Proprietary Funds 19

Statement of Net Position – Component Units 21

Statement of Revenues, Expenses and Changes in Fund Net Position – Component Units 22

Statement of Fiduciary Net Position 23

Notes to Basic Financial Statements 24

Required Supplementary Information:

Pension Plan Information 68

Schedule of Funding Progress – Other Post Employment Benefit Obligation 70

Budgetary Comparison Schedule – General Fund 71

Budgetary Comparison Schedule – Notes to Required Supplementary Information 77

Other Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds 79

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Nonmajor Governmental Funds 82

Schedule of Debt Service Coverage Requirements..... 85

Schedule of Debt Reserve Account Balance Requirements..... 86

City of Broken Arrow, Oklahoma

List of Principal Officials
June 30, 2015

City Council

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

City Manager

Michael L. Spurgeon

Acting Assistant City Manager

Russell Gale

Clerk

Mary E. Bryce

Finance Director/Treasurer

Thomas L. Caldwell

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* Our opinion is not modified with respect to these matters.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and debt service schedules, as listed in the table of contents, 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 debt service 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 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 March 17, 2016, 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.

Arledge & Associates, P.C.

March 17, 2016

CITY OF BROKEN ARROW, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- At June 30, 2015, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by $271,511,421 (net position)
- For the fiscal year ended June 30, 2015, the City's total net position increased by $14,969,052 or 6.84% from the prior year's restated net position.
- The City also booked a beginning balance adjustment of $(45,876,487) associated with the City's implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Financial Reporting for Pension Plans.* This amount represents the City's portion of the net pension liability of the Oklahoma Police Pension and Retirement System and the Oklahoma Firefighters Pension and Retirement System.
- During the year, the City's expenses for governmental activities were $63,604,969, and were funded by program revenues of $14,121,005, and further funded with taxes and other general revenues that totaled $60,888,973.
- In the City's business-type activities, such as utilities, total program revenues exceeded expenditures by $1,541,655.
- At June 30, 2015, the General Fund reported a total fund balance of $8,436,505, as compared to the prior year balance of $7,234,982. Fund balance of $1,658,418 has been restricted for debt service.
- For budgetary reporting purposes, the General Fund reported revenues in excess of estimates in the amount of $1,479,663 or 2.94%, while expenditures were over the final appropriations by $3,140,536 or 5.84%.

Overview of the Financial Statements

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

Reporting the City as a Whole

The statement of net position and the statement of activities

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

accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in net position from the prior year. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial condition or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

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

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

Reporting the City's Most Significant Funds

<u>Fund financial statements</u>

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 $256,542,369 to $271,511,421 between fiscal years 2015 and 2014. Looking at the net position of governmental and business-type activities separately, governmental activities increased $11,405,009 while business-type activities increased $3,564,043. A comparative, condensed presentation of net position follows (reported in thousands).

	Governmental Activities		Business-Type Activities		Total		Total Percentage
	2014 (Restated)	2015	2014	2015	2014 (Restated)	2015	Change
Assets:							
Current and other assets	$ 57,195	$ 61,394	$ (86)	$ 6,125	$ 57,109	$ 67,519	18.23%
Capital assets, net	278,191	287,026	172,524	173,936	450,715	460,962	2.27%
Other noncurrent assets	-	1,055	21,478	22,466	21,478	23,521	9.51%
Total assets	335,386	349,475	193,916	202,527	529,302	552,002	4.29%
Deferred Outflows of Resources	5,383	6,165	-	-	5,383	6,165	14.53%
Liabilities:							
Current liabilities	21,492	21,892	9,248	10,646	30,740	32,538	5.85%
Noncurrent liabilities	152,638	145,791	94,764	98,413	247,402	244,204	(1.29)%
Total liabilities	174,130	167,683	104,012	109,059	278,142	276,742	(0.50)%
Deferred Inflows of Resources	-	9,913	-	-	-	9,913	100.00%
Net Position:							
Invested in capital assets, net of related debt	166,620	170,799	91,150	87,339	257,770	258,138	0.14%
Restricted	36,868	40,265	2,612	3,030	39,480	43,295	9.67%
Unrestricted (deficit)	(36,849)	(33,020)	(3,858)	3,099	(40,707)	(29,921)	26.50%
Total net position	$ 166,639	$ 178,044	$ 89,904	$ 93,468	$ 256,543	$ 271,512	5.83%

Changes in net position

For the years ended June 30, 2015 and 2014, the change in net position of the primary government was the result of the following (amounts are reported in thousands):

	Governmental Activities		Business-Type Activities		Total		Total Percentage
	2014	2015	2014	2015	2014	2015	Change
Expenses:							
General government	$ 10,574	$ 11,235	$ -	$ -	$ 10,574	$ 11,235	6.25%
Public safety	36,747	34,880	-	-	36,747	34,880	(5.08)%
Public services	8,373	8,935	-	-	8,373	8,935	6.71%
Culture and recreation	4,472	4,441	-	-	4,472	4,441	(0.70)%
Interest on long-term debt	4,159	4,114	-	-	4,159	4,114	(1.08)%
Water	-	-	19,459	16,796	19,459	16,796	(13.69)%
Sewer	-	-	10,317	9,908	10,317	9,908	(3.96)%
Sanitation	-	-	6,526	7,307	6,526	7,307	11.97%
Stormwater	-	-	4,646	5,793	4,646	5,793	24.69%
Economic development	-	-	4,169	-	4,169	-	(100.00)%
Golf	-	-	1,594	1,648	1,594	1,648	3.39%
Total expenses	64,325	63,605	46,711	41,452	111,036	105,057	(5.38)%
Program revenues:							
Charges for services	11,147	12,361	39,279	41,163	50,426	53,524	6.14%
Operating grants and contributions	400	666	-	-	400	666	66.50%
Capital grants and contributions	5,095	1,094	2,558	1,831	7,653	2,925	(61.78)%
Total program revenues	16,642	14,121	41,837	42,994	58,479	57,115	(2.33)%
Net revenues (expenses)	(47,683)	(49,484)	(4,874)	1,542	(52,557)	(47,942)	8.78%
General revenues:							
Sales and use taxes	39,005	41,658	-	-	39,005	41,658	6.80%
Property taxes	12,889	12,785	-	-	12,889	12,785	(0.81)%
Franchise and other taxes	6,438	6,736	-	-	6,438	6,736	4.63%
Investment income (loss)	310	239	29	20	339	259	(23.60)%
Miscellaneous	1,301	1,473	-	-	1,301	1,473	13.22%
Transfers	(565)	(2,002)	565	2,002	-	-	0.00%
Total general revenues and transfers	59,378	60,889	594	2,022	59,972	62,911	4.90%
Change in net position	$ 11,695	$ 11,405	$ (4,280)	$ 3,564	$ 7,415	$ 14,969	101.87%

The City's governmental activities increase in net position of $11,405,009 represents a 6.84% positive change from the prior year net position. The business-type activities increase in net position of $3,564,043 represents a 3.96% positive change in net position. The results indicate the City as a whole, improved its financial condition from the prior year.

Governmental activities

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

For the year ended June 30, 2015, the City's governmental activities were funded as follows:

Government Activities Sources	
Sales and use taxes	55.54%
Other taxes	26.02%
Program revenue	18.83%
Other	(0.39)%

Government Activities Uses	
General government	17.66%
Public safety	54.84%
Public services	14.05%
Culture and recreation	6.98%
Interest on long-term debt	6.47%

For the year ended June 30, 2015, total expenses for governmental activities amounted to $63,604,969. To fund these activities, taxpayers and other general revenues funded $60,888,973 while those directly benefiting from the program funded $1,760,406 from grants and other contributions and $12,360,599 from charges for services.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services		Net Revenues (Expense) of Services	
	2014	2015	2014	2015
General government	$ 10,574,125	$ 11,235,282	$ (5,553,199)	$ (5,780,116)
Public safety	36,746,774	34,879,351	(31,450,700)	(28,551,514)
Public services	8,372,738	8,935,349	(2,547,907)	(7,199,378)
Culture and recreation	4,471,693	4,440,730	(3,971,365)	(3,838,699)
Interest on long-term debt	4,159,276	4,114,257	(4,159,276)	(4,114,257)
Total	$ 64,324,606	$ 63,604,969	$ (47,682,447)	$ (49,483,964)

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 $1,541,655 for the year ended June 30, 2015.
- Water and sewer activities reported net revenues of $1,575,711 and $923,188, respectively for the year ended June 30 2015, while sanitation, stormwater and golf operations, reported net expenses of $724,845, $127,986 and $104,413, respectively.

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services		Net Revenues (Expense) of Services	
	2014	2015	2014	2015
Water	$ 19,459,059	$ 16,795,657	$ (1,258,948)	$ 1,575,711
Sewer	10,316,761	9,908,584	(572,998)	923,188
Sanitation	6,525,816	7,306,877	(96,356)	(724,845)
Storm water	4,646,050	5,793,006	1,256,155	(127,986)
Economic development	4,169,326	-	(4,169,326)	-
Golf	1,594,049	1,648,241	(32,273)	(104,413)
Total	$ 46,711,061	$ 41,452,365	$ (4,873,746)	$ 1,541,655

A financial analysis of the City's funds

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of $53,166,980 or an 8.02% increase from 2014. The combined proprietary funds reported net position of $92,235,570 or a 3.65% increase from 2014.

Other fund highlights include:

- For the year ended June 30, 2015, the General Fund's total fund balance increased by $1,201,523 or 16.61%.
- The Sales Tax Capital Improvement Fund's total fund balance increased by $1,383,529 or16.85%.
- The General Obligation Bond Funds' total fund balance increased by $1,993,620 or 13.65% due to the proceeds from issuance of debt exceeding capital outlay during the year.

General fund budgetary highlights

Over the course of the year, the City Council revised the General Fund budget at various times. The revised budget included an increase in overall appropriations of 3.63% or $2,408,000.

Capital Asset and Debt Administration

Capital assets

At the end of June 30, 2015, the City had $460,962,667 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 $10,248,445 or 2.27% over last year.

Primary Government Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Land	$ 27,253,179	$ 35,822,912	$ 4,574,472	$ 4,953,097	$ 31,827,651	$ 40,776,009
Buildings	51,989,880	51,127,752	3,337,990	3,163,220	55,327,870	54,290,972
Improvements	20,121,338	21,153,209	74,114,129	138,070,732	94,235,467	159,223,941
Machinery and equipment	15,386,670	15,000,422	5,427,015	6,600,332	20,813,685	21,600,754
Infrastructure	152,154,245	159,081,549	20,453,902	20,221,765	172,608,147	179,303,314
Construction in progress	11,285,166	4,840,278	64,616,236	927,399	75,901,402	5,767,677
Total assets	$ 278,190,478	$ 287,026,122	$ 172,523,744	$ 173,936,545	$ 450,714,222	$ 460,962,667

This year's more significant capital asset additions included:

- Street improvements totaling $1,294,854
- Utility system improvements totaling $68,622,539 (including water treatment plant, see below)
- Storm water drainage improvements totaling $1,039,577

Additionally, the City completed the construction of a new water treatment plant in Fiscal Year 2015 at a total cost of approximately $65,000,000. The cost was moved from the Construction in Progress category to the Improvements category.

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

Long-term debt

At year end, the City had $265,190,089 in long-term debt outstanding which represents a $2,205,836 or 0.83% increase from prior year amount. The City's change in long-term debt by type of debt is as follows:

Primary Government Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Accrued compensated absences	$ 2,549,907	$ 2,596,708	$ 529,699	$ 556,653	$ 3,079,606	$ 3,153,361
Arbitrage rebate payable	19,125	19,125	-	-	19,125	19,125
General obligation bonds	93,958,621	100,306,484	-	-	93,958,621	100,306,484
Notes payable	15,023,037	13,748,037	89,373,008	94,692,205	104,396,045	108,440,242
Judgments payable	1,348,990	867,188	-	-	1,348,990	867,188
Automotive and general liability	857,000	1,065,000	-	-	857,000	1,065,000
Meter deposit liability	-	-	871,607	908,598	871,607	908,598
Claims payable	2,158,000	2,148,000	-	-	2,158,000	2,148,000
Other post employment benefit obligation	1,272,654	1,522,140	-	-	1,272,654	1,522,140
Net pension obligation	45,877,605	37,869,951	-	-	45,877,605	37,869,951
Capital lease obligation	-	-	1,145,000	890,000	1,145,000	890,000
Revenue bond payable	-	-	8,000,000	8,000,000	8,000,000	8,000,000
Total long-term debt	$ 163,064,939	$160,142,633	$ 99,919,314	$ 105,047,456	$ 262,984,253	$ 265,190,089

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

Economic Factors and Next Year's Budget and Rates

City growth continues to present a major challenge to funding the personnel and other operating costs as well as the increased demand for infrastructure improvements. The City’s General Fund is highly influenced by the receipt of sales tax Except for Fiscal Year 2010 which had a slight decrease; the City has experienced a consistent increase in sales tax collections since Fiscal Year 2003. Based on the historical growth in sales tax the City is projecting an increase in sales tax revenue of 3.0% for Fiscal Year 2016. The City continues to monitor the local and regional economy as well as the City’s expenditures to prudently manage the needs and resources available.

The Municipal Authority continues to add utility customers, water, sewer, trash and stormwater, as the City grows. The Municipal Authority's Financial Plan for Fiscal Year 2016 factored in the average growth in formulating its Financial Plan.

Contacting the City's Financial Management

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

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 24,777,406	$ 8,333,467	$ 33,110,873	$ 13,706
Investments	13,816,123	109,855	13,925,978	-
Taxes receivable	1,013,466	-	1,013,466	-
Internal balances	9,185,175	(9,185,175)	-	-
Due from other governments	8,209,871	-	8,209,871	-
Accrued interest receivable	20,183	4,200	24,383	-
Other receivables, net	4,358,045	5,971,589	10,329,634	-
Notes receivable	-	8,000,000	8,000,000	-
Inventories	-	868,232	868,232	-
Other assets	13,838	23,000	36,838	-
Investment in joint venture	-	14,465,600	14,465,600	-
Net pension asset	1,054,626	-	1,054,626	-
Capital assets:				
Land and construction in progress	40,663,190	5,880,496	46,543,686	-
Other capital assets, net of depreciation	246,362,932	168,056,049	414,418,981	-
Total assets	349,474,855	202,527,313	552,002,168	13,706
Deferred outflow of resources				
Accumulated decrease in fair value of hedging derivative	2,621,122	-	2,621,122	-
Deferred resources related to pensions	3,544,288	-	3,544,288	-
Total deferred outflow of resources	6,165,410	-	6,165,410	-
Liabilities				
Accounts payable	1,284,673	2,282,608	3,567,281	-
Retainage payable	51,989	2,772	54,761	-
Accrued payroll	2,175,472	633,058	2,808,530	-
Accrued interest payable	1,299,881	755,396	2,055,277	-
Due to other governments	-	-	-	-
Other payables	-	93,011	93,011	-
Amounts held in escrow	107,507	245,454	352,961	-
Interest rate swap	2,621,122	-	2,621,122	-
Long-term liabilities:				
Due within one year	14,351,904	6,634,596	20,986,500	-
Due in more than one year	145,790,729	98,412,860	244,203,589	-
Total liabilities	167,683,277	109,059,755	276,743,032	-
Deferred inflow of resources				
Deferred resources related to pensions	9,913,125		9,913,125	
Total deferred outflow of resources	9,913,125	-	9,913,125	-
Net Position				
Invested in capital assets, net of related debt	170,798,707	87,339,340	258,138,047	-
Restricted for:				
Capital projects	26,369,671	-	26,369,671	-
Debt service	13,895,494	3,029,479	16,924,973	-
Unrestricted (deficit)	(33,020,009)	3,098,739	(29,921,270)	13,706
Total net position	$ 178,043,863	$ 93,467,558	$ 271,511,421	$ 13,706

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

		Program Revenues			Net Revenues (Expense) and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Primary Government:								
Governmental activities:								
General government	$ 11,235,282	$ 5,134,105	$ 321,061	$ -	$ (5,780,116)	$ -	$ (5,780,116)	$ -
Public safety	34,879,351	5,982,579	345,258	-	(28,551,514)	-	(28,551,514)	-
Public services	8,935,349	641,884	-	1,094,087	(7,199,378)	-	(7,199,378)	-
Culture and recreation	4,440,730	602,031	-	-	(3,838,699)	-	(3,838,699)	-
Interest on long-term debt	4,114,257	-	-	-	(4,114,257)	-	(4,114,257)	-
Total governmental activities	63,604,969	12,360,599	666,319	1,094,087	(49,483,964)	-	(49,483,964)	-
Business-type activities:								
Water	16,795,657	17,788,057	-	583,311	-	1,575,711	1,575,711	-
Sewer	9,908,584	10,631,866	-	199,906	-	923,188	923,188	-
Sanitation	7,306,877	6,582,032	-	-	-	(724,845)	(724,845)	-
Stormwater	5,793,006	4,687,469	-	977,551	-	(127,986)	(127,986)	-
Golf	1,648,241	1,473,574	-	70,254	-	(104,413)	(104,413)	-
Total business-type activities	41,452,365	41,162,998	-	1,831,022	-	1,541,655	1,541,655	-
Total primary government	$ 105,057,334	$ 53,523,597	$ 666,319	$ 2,925,109	$ (49,483,964)	$ 1,541,655	$ (47,942,309)	$ -
General Revenues:								
Taxes:								
Property taxes					12,784,809	-	12,784,809	-
Franchise and miscellaneous taxes					5,012,698	-	5,012,698	-
Sales and use taxes					41,658,270	-	41,658,270	-
Hotel/motel taxes					509,298	-	509,298	-
Tobacco tax					467,903	-	467,903	-
E-911 taxes					746,279	-	746,279	-
Intergovernmental revenue not restricted to specific programs					181,521	-	181,521	-
Investment income (loss)					238,868	20,646	259,514	-
Miscellaneous					1,291,069	-	1,291,069	-
Transfers - internal activities					(2,001,742)	2,001,742	-	-
Total general revenues and transfers					60,888,973	2,022,388	62,911,361	-
Change in net position					11,405,009	3,564,043	14,969,052	-
Net position, beginning of year - restated					166,638,854	89,903,515	256,542,369	13,706
Net position, end of year					$ 178,043,863	$ 93,467,558	$ 271,511,421	$ 13,706

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2015

	General Fund	Sales Tax Capital Improvement Fund	2008 General Obligation Bond Fund	2011 General Obligation Bond Fund	2014 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	$ 1,543,085	$ 1,129,775	$ 2,861,838	$ 681,474	$ 5,812,607	$ 6,003,437	$ 6,422,825	$ 24,455,041
Investments	-	-	-	7,500,000	-	5,301,264	1,014,859	13,816,123
Taxes receivable, net	280,825	-	-	-	-	732,641	-	1,013,466
Due from other funds	4,118,460	7,411,610	-	-	-	-	-	11,530,070
Receivable from other governments	6,258,130	1,472,295	-	-	-	-	479,446	8,209,871
Accrued interest receivable	-	-	-	6,137	8,000	5,416	630	20,183
Other receivables, net	4,660,568	-	-	-	-	-	140,185	4,800,753
Prepaid expenses	13,838	-	-	-	-	-	-	13,838
Total assets	$ 16,874,906	$ 10,013,680	$ 2,861,838	$ 8,187,611	$ 5,820,607	$ 12,042,758	$ 8,057,945	$ 63,859,345
Liabilities and Fund Balances								
Liabilities								
Accounts payable	$ 376,889	$ 117,924	$ 256	$ 255,148	$ -	$ -	$ 733,566	$ 1,483,783
Retainage payable	-	-	-	6,911	-	-	45,078	51,989
Accrued payroll	2,175,472	-	-	-	-	-	-	2,175,472
Accrued interest payable	-	-	-	-	-	13,300	-	13,300
Due to other funds	2,336,535	-	-	-	-	-	8,360	2,344,895
Payable to other governments	-	-	-	-	-	-	-	-
Amounts held in escrow	107,507	-	-	-	-	-	-	107,507
Total liabilities	4,996,403	117,924	256	262,059	-	13,300	787,004	6,176,946
Deferred inflows of resources								
Deferred revenue	3,441,998	300,455	-	6,137	8,000	692,382	66,447	4,515,419
Fund Balances								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	1,658,418	9,595,301	2,861,582	7,919,415	5,812,607	11,337,076	4,024,439	43,208,838
Committed	-	-	-	-	-	-	3,094,109	3,094,109
Assigned	6,778,087	-	-	-	-	-	85,946	6,864,033
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	8,436,505	9,595,301	2,861,582	7,919,415	5,812,607	11,337,076	7,204,494	53,166,980
Total liabilities, deferred inflows, and fund balances	$ 16,874,906	$ 10,013,680	$ 2,861,838	$ 8,187,611	$ 5,820,607	$ 12,042,758	$ 8,057,945	$ 63,859,345

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total fund balance, governmental funds		$ 53,166,980
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position		287,026,122
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position:		
Receivable from other governments	692,382	
Court fines receivable	931,324	
Ambulance receivable	2,050,783	
Cemetery receivable	21,200	
Street light fee	29,233	
Interest receivable	14,613	
Miscellaneous receivables	333,176	
		4,072,711
Certain assets are not reported in the funds on the modified accrual basis of accounting, however, at the government-wide financial statements are reported due to the accrual basis of accounting:		
Deferred outflow - interest rate swap	2,621,122	
Deferred resources related to pensions	3,544,288	
Net pension asset	1,054,626	
		7,220,036
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	(418,668)	
Stormwater Capital Fund	(813,320)	
		(1,231,988)
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		(1,916,677)
Some liabilities are not due and payable in the current period and are not included in this fund financial statement, but are included in the governmental activities of the Statement of Net Position:		
General obligation bonds payable	(100,306,484)	
Notes payable	(13,748,037)	
Accrued compensated absences	(2,596,708)	
Accrued interest payable	(1,286,581)	
Interest rate swap liability	(2,621,122)	
Automotive and general liability	(1,065,000)	
Judgments payable	(867,188)	
Net pension liability	(37,869,951)	
Deferred resources relaed to pensions	(9,913,125)	
Arbitrage rebate payable	(19,125)	
		(170,293,321)
Net Position of Governmental Activities in the Statement of Net Position		$ 178,043,863

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Sales Tax Capital Improvement Fund	2008 General Obligation Bond Fund	2011 General Obligation Bond Fund	2014 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Property tax	$ -	$ -	$ -	$ -	$ -	$ 12,729,547	$ -	$ 12,729,547
Sales and use taxes	35,029,814	6,628,456	-	-	-	-	-	41,658,270
Franchise and miscellaneous taxes	4,416,700	-	-	-	-	-	509,298	4,925,998
Licenses and permits	1,190,916	-	-	-	-	-	-	1,190,916
Intergovernmental	5,349,291	665,307	-	-	-	-	2,428,834	8,443,432
Charges for services	7,339,581	-	-	-	-	-	1,661,426	9,001,007
Fees and fines	1,928,658	-	-	-	-	-	20,735	1,949,393
Rental income	1,086,128	-	-	-	-	-	-	1,086,128
Interest income	18,348	15,561	6,600	113,334	10,107	135,066	8,746	307,762
Miscellaneous	96,427	17,114	-	-	-	-	156,807	270,348
Total revenues	56,455,863	7,326,438	6,600	113,334	10,107	12,864,613	4,785,846	81,562,801
Expenditures:								
Current:								
General government	8,512,470	-	-	-	-	-	331,597	8,844,067
Public safety	39,756,068	-	-	-	-	-	129,378	39,885,446
Public services	2,996,074	-	-	-	-	-	368,149	3,364,223
Parks and recreation	3,216,943	-	-	-	-	-	-	3,216,943
Debt service:								
Principal	440,000	835,000	-	-	-	9,332,802	-	10,607,802
Interest and other charges	441,109	433,675	-	-	-	3,197,684	-	4,072,468
Capital outlay	-	4,674,234	1,533,667	5,507,918	5,805,780	-	3,027,774	20,549,373
Total expenditures	55,362,664	5,942,909	1,533,667	5,507,918	5,805,780	12,530,486	3,856,898	90,540,322
Excess (deficiency) of revenues over expenditures	1,093,199	1,383,529	(1,527,067)	(5,394,584)	(5,795,673)	334,127	928,948	(8,977,521)
Other financing sources (uses):								
Proceeds from long-term debt, net	-	-	-	3,175,000	11,705,000	-	-	14,880,000
Bond premium	-	-	-	-	-	216,471	-	216,471
Bond issuance costs	-	-	-	(72,336)	(96,720)	-	-	(169,056)
Transfers in	14,770,666	-	-	-	-	-	-	14,770,666
Transfers out	(14,662,342)	-	-	-	-	(135,066)	(1,975,000)	(16,772,408)
Total other financing sources and (uses)	108,324	-	-	3,102,664	11,608,280	81,405	(1,975,000)	12,925,673
Net change in fund balances	1,201,523	1,383,529	(1,527,067)	(2,291,920)	5,812,607	415,532	(1,046,052)	3,948,152
Fund balances, beginning of year	7,234,982	8,211,772	4,388,649	10,211,335	-	10,921,544	8,250,546	49,218,828
Fund balances, end of year	$ 8,436,505	$ 9,595,301	$ 2,861,582	$ 7,919,415	$ 5,812,607	$ 11,337,076	$ 7,204,494	$ 53,166,980

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds		$ 3,948,152
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets and bond issue costs as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	14,212,203	
Bond premium capitalized	(216,471)	
Amortization of bond premium	23,608	
Depreciation expense	(9,006,062)	
		5,013,278
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.		4,692,575
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.		(4,398,197)
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	(65,397)	
Accrued compensated absences not reflected on governmental funds	(46,801)	
Claims	(208,000)	
		(320,198)
Certain special revenue funds are used by management to perform business-type activities. The net change in fund balances of these special revenue funds are included in the business-type activities on the Statement of Activities:		
Excess Capacity Sewer Fund	(85,738)	
Stormwater Capital Fund	(223,518)	
		(309,256)
Employer retirement contributions made to pension plans are expenses in fund level financial statements but treated as increases to deferred outflows of resources in government-wide financial statements		2,641,982
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		136,673
Change in net position of governmental activities		$ 11,405,009

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2015

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	$ 696,400	$ 235,278	$ 91,871	$ 1,023,549	$ 1,847,464
Restricted cash and cash equivalents	1,871,261	-	-	1,871,261	-
Investments	109,855	-	-	109,855	-
Accounts receivable, net	5,964,875	-	6,714	5,971,589	-
Due from other funds	2,801,579	-	-	2,801,579	-
Interest receivable	-	4,200	-	4,200	-
Inventories	806,345	-	61,887	868,232	-
Prepaid assets	20,500	-	2,500	23,000	-
Total current assets	12,270,815	239,478	162,972	12,673,265	1,847,464
Noncurrent assets:					
Restricted cash and cash equivalents	3,162,556	751,002	-	3,913,558	-
Notes receivable	-	8,000,000	-	8,000,000	-
Restricted interest receivable	-	-	-	-	-
Investment in joint venture	14,465,600	-	-	14,465,600	-
Capital assets:					
Land and other nondepreciable assets	3,420,834	2,229,985	229,677	5,880,496	-
Other capital assets, net of accumulated depreciation	163,358,464	194,772	4,502,813	168,056,049	-
Total noncurrent assets	184,407,454	11,175,759	4,732,490	200,315,703	-
Total assets	196,678,269	11,415,237	4,895,462	212,988,968	1,847,464
Liabilities					
Current liabilities:					
Accounts payable	1,717,591	4,980	266,926	1,989,497	94,001
Retainage payable	2,772	-	-	2,772	-
Accrued payroll	633,058	-	-	633,058	-
Accrued interest payable	697,145	58,251	-	755,396	-
Due to other funds	7,610,100	3,750,000	626,654	11,986,754	-
Other accrued expenses	-	-	93,011	93,011	-
Amounts held in escrow	245,454	-	-	245,454	-
Compensated absences	371,102	-	-	371,102	-
Claims and judgments	-	-	-	-	1,101,000
Customer meter deposit reserves	181,719	-	-	181,719	-
Bonds, notes and loans payable, net	5,431,775	395,000	-	5,826,775	-
Capital lease obligation	255,000	-	-	255,000	-
Total current liabilities	17,145,716	4,208,231	986,591	22,340,538	1,195,001
Noncurrent liabilities:					
Compensated absences	185,551	-	-	185,551	-
Claims and judgments	-	-	-	-	2,569,140
Customer meter deposit reserves	726,879	-	-	726,879	-
Bonds, notes and loans payable, net	80,275,430	16,590,000	-	96,865,430	-
Capital lease oligation	635,000	-	-	635,000	-
Total noncurrent liabilities	81,822,860	16,590,000	-	98,412,860	2,569,140
Total liabilities	98,968,576	20,798,231	986,591	120,753,398	3,764,141
Net Position					
Invested in capital assets, net of related debt	80,182,093	2,424,757	4,732,490	87,339,340	-
Restricted for debt service	2,278,477	751,002	-	3,029,479	-
Unrestricted (deficit)	15,249,123	(12,558,753)	(823,619)	1,866,751	(1,916,677)
Total net position	$ 97,709,693	$ (9,382,994)	$ 3,908,871	92,235,570	$ (1,916,677)
Amounts reported for business-type activities in the Statement of Net Position are different because:					
Certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of certain special revenue funds are included in the business-type activities in the Statement of Net Position.				1,231,988	
Total net position per government-wide financial statements				$ 93,467,558	

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Operating revenues:					
Water charges	$ 16,687,587	$ -	$ -	$ 16,687,587	$ -
Sewer charges	9,974,088	-	-	9,974,088	-
Sanitation charges	6,174,942	-	-	6,174,942	-
Stormwater fees	4,057,514	-	-	4,057,514	-
Fees and fines	827,079	-	-	827,079	-
Golf	-	-	1,473,574	1,473,574	-
Miscellaneous	460,343	1,077,705	4,706	1,542,754	20,070
Self insurance charges	-	-	-	-	8,369,764
Total operating revenues	38,181,553	1,077,705	1,478,280	40,737,538	8,389,834
Operating expenses:					
General government	1,303,771	1,818,402	-	3,122,173	-
Finance and administration	942,528	-	-	942,528	-
Engineering and construction	1,933,637	-	-	1,933,637	-
Water distribution	8,320,578	-	-	8,320,578	-
Sanitary sewer system	4,630,583	-	-	4,630,583	-
Sanitation services	4,912,482	-	-	4,912,482	-
Support services	2,728,547	114,415	-	2,842,962	-
Stormwater	2,995,260	-	-	2,995,260	-
Claims expense	-	-	-	-	8,253,888
Golf	-	-	1,456,118	1,456,118	-
Depreciation	6,851,176	9,951	184,471	7,045,598	-
Total operating expenses	34,618,562	1,942,768	1,640,589	38,201,919	8,253,888
Operating income (loss)	3,562,991	(865,063)	(162,309)	2,535,619	135,946
Nonoperating revenues (expenses):					
Interest and investment revenue	2,485	17,532	105	20,122	727
Gain (loss) on sale of assets	740	-	-	740	-
Gain (loss) from joint venture	(291,772)	-	-	(291,772)	-
Interest expense and fiscal charges	(2,714,567)	(237,195)	(7,652)	(2,959,414)	-
Total nonoperating revenue (expenses)	(3,003,114)	(219,663)	(7,547)	(3,230,324)	727
Income (loss) before contributions and transfers	559,877	(1,084,726)	(169,856)	(694,705)	136,673
Capital contributions	1,877,496	-	70,254	1,947,750	-
Transfers in	13,267,342	1,545,000	-	14,812,342	-
Transfers out	(12,810,600)	-	-	(12,810,600)	-
Change in net position	2,894,115	460,274	(99,602)	3,254,787	136,673
Total net position, beginning of year	94,815,578	(9,843,268)	4,008,473	88,980,783	(2,053,350)
Total net position (deficit), end of year	$ 97,709,693	$ (9,382,994)	$ 3,908,871	$ 92,235,570	$ (1,916,677)
Change in net position, per above				$ 3,254,787	
Amounts reported for business-type activities in the Statement of Activities are difference because:					
Certain special revenue funds are used by management to perform business-type activities. The activities of certain special revenue funds are included in the business-type activities in the Statement of Activities.				309,256	
Change in business-type activities in net position per government-wide financial statements				$ 3,564,043	

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers	$ 37,747,010	$ 1,077,705	$ 1,476,180	$ 40,300,895	$ 8,389,834
Payments to employees	(12,792,890)	-	-	(12,792,890)	-
Payments to suppliers	(19,642,043)	(1,594,203)	(1,535,217)	(22,771,463)	(7,987,850)
Net cash provided by (used in) operating activities	5,312,077	(516,498)	(59,037)	4,736,542	401,984
Cash Flows from Noncapital Financing Activities					
Transfers in from other funds	13,267,342	1,545,000	-	14,812,342	-
Transfers out to other funds	(12,810,600)	-	-	(12,810,600)	-
Net cash provided by (used in) noncapital financing activities	456,742	1,545,000	-	2,001,742	-
Cash Flows from Capital and Related Financing Activities					
Proceeds of borrowings for capital purposes	8,090,452	-	-	8,090,452	-
Proceeds from sale of capital assets	23,800	-	-	23,800	-
Acquisition and construction of capital assets	(5,111,300)	(11,609)	-	(5,122,909)	-
Principal paid on bonds and notes	(4,393,255)	(375,000)	-	(4,768,255)	-
Interest paid on bonds and notes	(2,648,596)	(236,919)	(7,652)	(2,893,167)	-
Net cash used in capital and related financing activities	(4,038,899)	(623,528)	(7,652)	(4,670,079)	-
Cash Flows from Investing Activities					
Investment income	8,927	17,532	105	26,564	727
(Increase) decrease in investments	(103,188)	-	-	(103,188)	-
Investment in joint venture	(987,528)	-	-	(987,528)	-
Net cash provided by investing activities	(1,081,789)	17,532	105	(1,064,152)	727
Net increase (decrease) in cash and cash equivalents	648,131	422,506	(66,584)	1,004,053	402,711
Cash and cash equivalents, beginning of year	5,082,086	563,774	158,455	5,804,315	1,444,753
Cash and cash equivalents, end of year	$ 5,730,217	$ 986,280	$ 91,871	$ 6,808,368	$ 1,847,464

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (continued)

YEAR ENDED JUNE 30, 2015

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Proprietary Funds	Internal Service Funds
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	$ 3,562,991	$ (865,063)	$ (162,309)	$ 2,535,619	$ 135,946
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	6,851,176	9,951	184,471	7,045,598	-
Change in assets and liabilities:					
Accounts receivable	(434,543)	-	(2,100)	(436,643)	-
Due from other funds	(166,106)	-	-	(166,106)	-
Inventories	(29,391)	-	611	(28,780)	-
Prepaid assets	-	-	1,544	1,544	-
Accounts payable	4,899	(103,297)	(5,026)	(103,424)	26,552
Retainage payable	(132,107)	(8,089)	-	(140,196)	-
Accrued payroll	86,971	-	-	86,971	-
Due to other funds	(4,560,329)	450,000	(54,505)	(4,164,834)	-
Other payables	-	-	(21,723)	(21,723)	-
Amounts held in escrow	64,571	-	-	64,571	-
Compensated absences	26,954	-	-	26,954	-
Customer meter deposit reserves	36,991	-	-	36,991	-
Claims and judgments	-	-	-	-	239,486
Net cash provided by (used in) operating activities	$ 5,312,077	$ (516,498)	$ (59,037)	$ 4,736,542	$ 401,984
Noncash Activities					
Contributed capital assets	$ 1,877,496	$ -	$ 70,254	$ 1,947,750	$ -

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2015

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

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
COMPONENT UNITS
YEAR ENDED JUNE 30, 2015

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

See notes to the basic financial statements.

CITY OF BROKEN ARROW
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	Agency Funds
Assets	
Cash and cash equivalents	$ 719,722
Accounts receivable	97,731
Total assets	$ 817,453
Liabilities	
Amounts held in escrow	$ 817,453
Total liabilities	$ 817,453

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

NOTES TO BASIC FINANCIAL STATEMENTS

INDEX

Note 1 – Summary of Significant Accounting Policies

Organization and operations 25
Financial reporting entity 25
Blended component units 26
Discretely presented component units 27
Related organizations 27
Joint venture 28
Basis of presentation 28
Measurement focus and basis of accounting 31
Assets, liabilities and net position 32
Internal and interfund balances and activities 35
Revenues, expenditures and expenses 36
Use of estimates 37

Note 2 – Stewardship, Compliance and Accountability

Deposits and investments laws and regulations 37
Debt restrictions and covenants 38
Fund equity/net position restrictions 39
Budgetary compliance 39

Note 3 – Detail Notes on Transaction Classes/Accounts

Deposits 40
Accounts receivable 41
Note receivable 41
Restricted assets 42
Capital assets 42
Investment in joint venture 44
Long-term debt 44
Interfund balances and activities 51
Fund balances and net position 52

Note 4 – Employee Pension and Other Benefit Plans 52

Note 5 – Risk Management 62

Note 6 – Commitments and Contingencies 64

Note 7 – Subsequent Events 65

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.

Implementation of new accounting pronouncements and prior period adjustment

During the year ended June 30, 2015, the City adopted GASB Statement Nos. 68 *Accounting and Reporting for Pensions* and 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (together GASB No. 68) and recognized its proportionate share of the Oklahoma Firefighter Pension Retirement System ("OFPRS") net pension liability and its proportionate share of the Oklahoma Police Pension and Retirement System ("OPPRS") net pension asset (collectively the Plans). The provisions of these statements were retroactively applied and, accordingly, a prior period adjustment was made to the City's net position as of June 30, 2014, as follows:

	Government Wide
	Governmental Activities
Beginning net position, as previously reported	$ 212,515,341
Implementation of GASB Statements 68 & 71	(45,876,487)
Beginning net position, restated	$ 166,638,854

Of this adjustment amount, $43,557,794 was attributable to the OFPRS net pension liability and $4,834,253 to the OPPRS net pension liability. These amounts were offset by the deferrals of the City's 2014 contributions totaling $1,376,369 and $1,139,191 for OFPRS and OPPRS, respectively.

Financial reporting entity

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

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

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* and includes all

component units of which the City is fiscally accountable. Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance city services through issuance of revenue bonds or other nongeneral obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, in most cases, the City has leased certain existing assets at the creation of the Authorities to the trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

Blended component units

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

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

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

Related organizations

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

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

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

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

Joint venture

The City is currently a participant (with equity interest) in the general operating portion of the Regional Metropolitan Utility Authority (RMUA). The RMUA is a Title 60 Public Trust created to provide, operate, and maintain water supply, wastewater and pollution control facilities for the benefit of various governmental entities. Currently, the Authority is providing wastewater facilities at the Haikey Creek sewage treatment plant. On dissolution of the Authority, the net position will be distributed to the beneficiaries based upon their pro-rata interest. Separate audited financial statements of RMUA for the year ended June 30, 2015, are available from the Office of Finance, City of Tulsa, Oklahoma.

Basis of presentation

Government-wide financial statements

The statement of net position and statement of activities display information about the City as a whole including component units. They include all financial activities of the reporting entity except for fiduciary activities. Eliminations have been made to minimize the double reporting of transactions involving internal activities. Individual funds are not displayed in these statements. Instead, the statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund financial statements

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

a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and

b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

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

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

Governmental funds:

General fund

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

Special revenue funds

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

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

Fund (Cont.)	Brief Description (Cont.)
Stormwater Capital	Accounts for funds received in lieu of building a detention facility to be used for future or ongoing stormwater improvement and regional detention projects.
Alcohol Enforcement	Accounts for funds received limited in use for juvenile education and enforcement related to alcohol.
Street Light Fee	Accounts for funds received limited in use for operating, maintaining and construction of the street light program.

Debt service fund

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

Capital project funds

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

Fund	Brief Description
1994 Industrial Development Limited Tax Bonds	Accounts for bond proceeds to be used for industrial development purposes within the City.
2004 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation improvements and public buildings.
2008 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements.
2011 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements.
2014 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation, stormwater improvements and the purchase and construction of public buildings

Proprietary funds

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

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

Enterprise funds

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

Internal service funds

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

Component units

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

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

Measurement focus and basis of accounting

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

Measurement focus:

Government-wide, proprietary and fiduciary fund financial statements

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

Governmental fund financial statements

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

Basis of accounting:

Government-wide, proprietary and fiduciary fund financial statements

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

Governmental fund financial statements

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

<u>Assets, liabilities and net position</u>

Cash and cash equivalents

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

Investments

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

Receivables

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

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

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

Inventories

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

Capital assets and depreciation

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

Government-wide statements

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

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

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

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

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

Restricted assets

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

Long-term debt

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

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

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

Compensated absences

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

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

Equity classifications:

Government-wide and proprietary fund financial statements

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

a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

Governmental fund financial statements

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

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

<u>Internal and interfund balances and activities</u>

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

Government-wide financial statements:

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

2. Internal activities – amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers – internal activities. The effects of interfund services between funds are not eliminated in the statement of activities.

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

Fund financial statements

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

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

2. Interfund services – sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

3. Interfund reimbursements – repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

4. Interfund transfers – flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Revenues, expenditures and expenses

Sales tax

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

Property tax

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

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

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2015, the City's

net assessed valuation of taxable property was $763,138,797. The taxes levied by the City per $1,000 of net assessed valuation for the year ended June 30, 2015, was $17.14.

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 include U.S. Department of Housing and Urban Development.

2. Public safety – Ambulance revenue, court fines and administrative fees; operating and capital grants and contributions include U.S. Department of Justice, Federal Emergency Management Agency and miscellaneous donations.

3. Public services – Operating and capital grants and contributions include Federal Emergency Management Agency, U.S. Department of Housing and Urban Development, motor fuel and commercial vehicle intergovernmental revenues.

4. Culture and recreation – Park and recreation fees, swimming pool fees, rents and royalties; operating and capital grants and contributions include Oklahoma Arts Council and miscellaneous donations.

Expenditures and expenses

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

Use of estimates

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

Note 2 – Stewardship, Compliance and Accountability

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

Deposits and investments laws and regulations

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

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

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.

2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

3. With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.

4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

5. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs 1, 2, 3, and 4.

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

Debt restrictions and covenants

Other long-term debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. During Fiscal Year 2015, the City issued General Obligation Bonds Series 2014A in the amount of $3,175,000 and Series 2014B in the amount of $11,705,000 which were approved by the citizens of the City in 2011 and 2014 respectively.

Revenue bond and promissory note debt

The various bond and note indentures relating to the revenue bond and promissory note issuances of the Broken Arrow Municipal Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, a debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority’s level of compliance thereon as of June 30, 2015.

Requirement	Level of Compliance
a. Flow of Funds:	
OWRB Loans: • Utility Revenue Fund • Sales Tax Fund • Operation and Maintenance Fund • Bond Fund (interest, principal and reserve accounts)	All funds, except for a separate Utility Revenue Fund have been established. Utility revenue is deposited directly into O & M Fund. Method of actual transfers of funds is not made specifically in accordance with bond covenants; however, the end result of the flow of funds is being accomplished.
b. Reserve Account Requirement:	
OWRB Loans: • Account balance on the 2012 OWRB note payable should equal $2,435,677.	Account balance at June 30, 2015 for the 2012 OWRB note payable is $2,435,677.
c. Revenue Bond Coverage:	
OWRB Loans: • Net revenues of the Authority plus 125% of maximum annual debt service of all obligations on a parity with the OWRB 1997 A & C, 1999B, 2001, 2004, 2007, 2009, 2011 and 2012 notes.	Maximum annual debt service on all parity debt is $7,027,343. Coverage is 337%.

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, 2015.

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, 2015, the City complied in all material respects with the applicable budget laws relating to expenditures and appropriations at the legal level of control.

Workers compensation and Group Health and Life, internal service funds, have net deficits of $537,960 and $1,378,717 primarily due to actuarial determined unfunded liabilities. It is the City's intent to fund the liabilities as soon as economically feasible.

Note 3 – Detail Notes on Transaction Classes/Accounts

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

Deposits

As of June 30, 2015, the City had the following investments:

Investment	Maturities	Fair Value
Certificates of deposit	6 to 12 months	$ 5,558,790
U.S. Government securities		7,500,000
Judgments		867,188
Total		$ 13,925,978

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

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

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

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

Interest rate swap agreement

In May 2004, the City entered into a twenty year interest rate swap agreement as a cash flow hedge for $15,035,000 of its variable rate portion of a Construction and Term loan. The City owes interest on this portion of the loan at a variable rate of LIBOR plus 100 basis points not to exceed 6.2975%. The counterparty to the swap agreement owes the City interest if the LIBOR rate exceeds 6.2975%. The counterparty has not made any payments to the City since the LIBOR rate has not yet exceeded 6.2975%. The objective of the hedge is to cap the interest rate paid at 6.2975% plus 100 basis points (7.2975%). The City has achieved that objective and is reporting the derivative under hedge accounting standards according to GASB 53, *Accounting and Financial Reporting for Derivative Instruments*. The notional amount of the hedging derivative at June 30, 2015 is $10,810,000.

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

Year Ending June 30,	Assumed Interest Rate	Hedging Derivative Cash Flow
2016	< 6.2975%	$ (594,800)
2017	< 6.2975%	(547,600)
2018	< 6.2975%	(478,600)
2019	< 6.2975%	(431,400)
2020	< 6.2975%	(384,200)
2021-2025	< 6.2975%	(1,227,600)
2026	< 6.2975%	(90,800)
Total		$ (3,755,000)

Accounts receivable

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

	Governmental Activities	Business-type Activities
Accounts receivable	$ -	$ 7,839,909
Accounts receivable ambulance	2,932,005	-
Accounts receivable court	1,089,502	-
Other	779,246	-
Allowance for uncollectible accounts	(442,708)	(1,868,320)
Other receivables, net of allowance for uncollectible accounts	$ 4,358,045	$ 5,971,589

Note receivable

The note receivable reported by the Broken Arrow Economic Development Authority totaling $8,000,000 consists of one note with Blue Bell Creameries, Inc. The note was funded through industrial development and revenue notes and bonds for the expansion and construction of facilities and/or the purchase of equipment. The Authority entered into note purchase agreements on each project with the borrower.

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, 2015, were as follows:

Type of Restricted Assets	Current Cash and Cash Equivalents	Noncurrent Cash and Cash Equivalents	Accrued Interest	Total
BAMA				
Revenue bond and note trustee accounts	$ 1,689,542	$ 2,435,677	$ -	$ 4,125,219
Meter deposits	181,719	726,879	-	908,598
Total BAMA	$ 1,871,261	$ 3,162,556	$ -	$ 5,033,817
BAEDA				
Revenue bond and note trustee accounts	$ -	$ 751,002	$ -	$ 751,002
Total BAEDA	$ -	$ 751,002	$ -	$ 751,002

Capital assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at June 30, 2014	Additions	Deductions	Balance at June 30, 2015
Governmental activities:				
Nondepreciable:				
Land	$ 25,215,679	$ 8,569,733	$ -	$ 33,785,412
Land under capital lease obligation	2,037,500	-	-	2,037,500
Construction-in-progress	11,285,166	8,411,343	(14,856,231)	4,840,278
Total nondepreciable assets at historical cost	38,538,345	16,981,076	(14,856,231)	40,663,190
Depreciable:				
Buildings	62,573,094	438,506	-	63,011,600
Improvements	28,947,688	2,077,396	-	31,025,084
Machinery and equipment	34,810,977	1,906,105	(179,130)	36,537,952
Infrastructure	226,676,966	11,294,854	-	237,971,820
Total depreciable assets at historical cost	353,008,725	15,716,861	(179,130)	368,546,456
Less accumulated depreciation:				
Buildings	(10,583,214)	(1,300,634)	-	(11,883,848)
Improvements	(8,826,350)	(1,045,525)	-	(9,871,875)
Machinery and equipment	(19,424,307)	(2,292,353)	179,130	(21,537,530)
Infrastructure	(74,522,721)	(4,367,550)	-	(78,890,271)
Total accumulated depreciation	(113,356,592)	(9,006,062)	179,130	(122,183,524)
Net depreciable assets	239,652,133	6,710,799	-	246,362,932
Governmental activities capital assets, net	$ 278,190,478	$ 23,691,875	$ (14,856,231)	$ 287,026,122

	Balance at June 30, 2014	Additions	Deductions	Balance at June 30, 2015
Business-type activities:				
Nondepreciable:				
Land	$ 4,574,472	$ 378,625	$ -	$ 4,953,097
Construction-in-progress	64,616,236	2,711,486	(66,400,323)	927,399
Total nondepreciable assets at historical cost	69,190,708	3,090,111	(66,400,323)	5,880,496
Depreciable:				
Buildings	11,482,606	-	(4,476,386)	7,006,220
Improvements	189,006,246	68,622,539	(9,194)	257,619,591
Machinery and equipment	14,643,480	2,129,554	(362,981)	16,410,053
Infrastructure – drainage	33,459,197	1,039,577	-	34,498,774
Total depreciable assets at historical cost	248,591,529	71,791,670	(4,848,561)	315,534,638
Less accumulated depreciation:				
Buildings	(8,144,616)	(174,770)	4,476,386	(3,843,000)
Improvements	(114,892,117)	(4,660,174)	3,432	(119,548,859)
Machinery and equipment	(9,216,465)	(938,940)	345,684	(9,809,721)
Infrastructure – drainage	(13,005,295)	(1,271,714)	-	(14,277,009)
Total accumulated depreciation	(145,258,493)	(7,045,598)	4,825,502	(147,478,589)
Net depreciable assets	103,333,036	64,746,072	(23,059)	168,056,049
Business-type capital assets, net	$ 172,523,744	$ 67,836,183	$(66,423,382)	$ 173,936,545

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

Depreciation expense charged to governmental activities:	
General government	$ 1,241,932
Public safety	1,678,086
Public services	4,844,568
Culture and recreation	1,241,476
Total government activities depreciation expense	$ 9,006,062
Depreciation expense charged to business-type activities:	
Water	$ 2,560,606
Sewer	2,590,248
Sanitation	247,203
Stormwater management	1,463,070
Golf	184,471
Total business-type activities depreciation expense	$ 7,045,598

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, 2015, the "investment in joint venture" balance changed as follows:

Beginning investment in joint venture	$13,478,072
Current year contributions	1,279,300
Gain (loss) from joint venture	(291,772)
Ending investment in joint venture	$14,465,600

Long-term debt

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

Governmental activities long-term debt

As of June 30, 2015, the governmental activities long-term debt consisted of the following:

$6,800,000 General Obligation Bonds Series 2001A, due in annual installments of $520,000, final installment of $560,000 due July 1, 2015, with interest rates at 3.9% to 6.75%	$ 560,000
$9,500,000 General Obligation Bonds Series 2001B, due in annual installments of $675,000, final installment of $725,000 due August 1, 2016, with interest rates at 3.75% to 5.0%	1,400,000
$4,075,000 General Obligation Bonds of 2002, due in annual installments of $290,000, final installment of $305,000 due August 1, 2017, with interest rates at 2.75% to 5.75%	885,000
$7,725,000 General Obligation Bonds of 2003, due in annual installments of $550,000, final installment of $575,000 due August 1, 2018, with interest rates at 3.0% to 4.0%	2,225,000
$10,070,000 General Obligation Bonds of 2004, due in annual installments of $715,000, final installment of $775,000 due August 1, 2019, with interest rates at 3.0% to 5.25%	3,635,000
$8,600,000 General Obligation Bonds of 2005, due in annual installments of $610,000, final installment of $670,000 due December 1, 2020, with interest rates at 3.625% to 6.125%	3,720,000
$12,000,000 General Obligation Bonds of 2006, due in annual installments of $850,000, final installment of $950,000 due August 1, 2021, with interest rates at 4.25% to 4.50%	6,050,000
$10,685,000 General Obligation Bonds of 2008, due in annual installments of $760,000, final installment of $805,000 due April 1, 2023, with interest rates at 3.50% to 5.0%	6,125,000
$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%	7,350,000

$3,225,000 General Obligation Bonds Series 2009C, due in annual installments of $230,000, final installment of $235,000 due December 1, 2024, with interest rates at 2.25% to 3.75%	2,305,000
$6,400,000 General Obligation Bonds Series 2009D, due in annual installments of $455,000, final installment of $485,000 due December 1, 2024, with interest rates at 2.25% to 3.75%	4,580,000
$1,940,000 General Obligation Bonds Series 2010A, due in annual installments of $215,000, final installment of $220,000 due August 1, 2020, with interest rates at 1.35% to 4.00%	1,295,000
$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%	8,910,000
$5,000,000 General Obligation Bonds Series 2011A, due in annual installments of $260,000, final installment of $320,000 due August 1, 2031, with interest rates at 2.00% to 4.125%	4,480,000
$11,400,000 General Obligation Bonds Series 2011B, due in annual installments of $600,000, final installment of $650,000 due August 1, 2031, with interest rates at 2.00% to 4.125%	10,250,000
$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%	11,370,000
$3,700,000 General Obligation Bonds Series 2013A, due in annual installments of $410,000, final installment of $420,000 due December 1, 2023, with interest rates at 1.00% to 2.375%	3,700,000
$12,000,000 General Obligation Bonds Series 2013B, due in annual installments of $325,000, final installment of $350,000 due December1, 2033, with interest rates at 1.00% to 4.00%	6,200,000
$11,705,000 General Obligation Bonds Series 2014A, due in annual installments of $615,000, final installment of $635,000 due December 1, 2034, with interest rates at 3.00% to 5.00%	11,705,000
$3,175,000 General Obligation Bonds Series 2014B, due in annual installments of $350,000, final installment of $375,000 due December 1, 2024, with interest rates at 2.00% to 3.00%	3,175,000
Total general obligation bonds	$ 99,920,000
Unamortized premium on bonds	386,484
Total general obligations bonds	$100,306,484
Current portion	$ 9,529,258
Noncurrent portion	90,777,226
Total general obligations bonds	$100,306,484

Notes payable

$20,300,000 Construction and Term Loan dated May 10, 2004, assumed by the City on May 19, 2004. Converted to term loan effective November 1, 2005, due in semi-annual installments ranging from $15,000 to $925,000, final installment due November 1, 2025, with interest at the six-month LIBOR rate plus 1.0% (0.4397% at June 30, 2015), 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	$ 13,748,037
Total notes payable	$ 13,748,037
Current portion	$ 955,000
Noncurrent portion	12,793,037
Total notes payable	$ 13,748,037

Accrued compensated absences

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

Current portion	$ 1,731,139
Noncurrent portion	865,569
Total accrued compensated absences	$ 2,596,708

Judgments payable

$16,000 judgment in favor of Becky Sanders, held by sinking fund, final maturity February 2016, with interest at 5.25%	$ 5,333
$25,000 judgment in favor of Ernest A. Couch, held by sinking fund, final maturity October 2015, with interest at 5.25%	8,334
$1,700,000 judgment in favor of Roland Investments LTD, held by sinking fund, final maturity December 2016, with interest at 5.25%	566,667
$10,000 judgment in favor of Grace Irene Couch Irrevocable Living Trust, held by BAMA fund, final maturity November 2015, with interest at 5.25%	3,333
$69,000 judgment in favor of Bonnie Blalack, held by sinking fund, final maturity and interest to be determined	69,000
$56,521 judgment in favor of Charles Conley, held by BAMA, final maturity and interest to be determined	56,521
$48,000 judgment in favor of Jared & Tonya Miller, held by sinking fund, final maturity September 2016 with interest at 5.25%	32,000
$30,000 judgment in favor of Jered and Christina Henry, held by sinking fund, final maturity April 2018 with interest at 5.25%	30,000
$46,000 judgment in favor of Blizzard Trucking, Inc., held by sinking fund, final maturity October 2017 with interest at 5.25%	46,000
$50,000 judgment in favor of Robin Walker, held by BAMA, final maturity April 2018 with interest at 5.25%	50,000
Total judgments payable	$ 867,188

Judgments payable – cont:	
Current portion	$ 660,507
Noncurrent portion	206,681
Total judgments payable	$ 867,188
Actuarial determined automotive and general insurance liabilities, funded by General Fund resources, reported in the governmental activities at June 30, 2015	
Current portion	$ 375,000
Noncurrent portion	690,000
Total automotive and general insurance liabilities	$ 1,065,000
Other claims payable	
Actuarial determined workers compensation claims payable, funded by General Fund resources, reported in the governmental activities at June 30, 2015	
Current portion	$ 1,101,000
Noncurrent portion	1,047,000
Total claims payable	$ 2,148,000
Other post employment benefit obligation	
Current portion	$ -
Noncurrent portion	1,522,140
Total other post employment benefit obligation	$ 1,522,140
Arbitrage rebate	
Current portion	$ -
Noncurrent portion	19,125
Total arbitrage rebate	$ 19,125

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, 2015, was 337%.

As of June 30, 2015, the long-term debt payable from enterprise fund resources consisted of the following:

Notes payable

1997A SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of $1,079,559, dated October 1997, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.5%, final maturity February 2017	$ 110,724
1997C SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of $1,570,000, dated December 1997, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.5%, final maturity August 2017	196,250
1999B SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of $1,110,359, dated June 1999, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.5%, final maturity February 2018	175,320
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	114,447
2004 Drinking Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of $11,500,000, dated August 2004, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 3.5%, final maturity September 2025	6,111,378
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	10,351,479
2009 Drinking Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount $4,000,000 dated December 29, 2009, by Broken Arrow Municipal Authority, providing for engineering and design of the Water Treatment Plant, secured by pledged sales tax, interest rate at 3.11%, final maturity March 2031	3,142,945
2011 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount $4,680,000 dated July 20, 2011, by Broken Arrow Municipal Authority, providing for construction of a lift station and sanitary sewer lines, secured by pledged sales tax, interest rate at 2.85%, final maturity March 2029	3,284,688
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	30,885,891
2012 Drinking Water Promissory Note payable to Oklahoma Water Resources Board, original amount $29,7550,000 dated January 19, 2012, by Broken Arrow Municipal Authority, providing for engineering, design and construction of the Water Treatment Plant, secured by pledged sales tax, with interest rates at 2.145% to 4.145%, final maturity September 2040	29,430,000
2012 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount $6,540,0000 dated December 4, 2012, by Broken Arrow Municipal Authority, providing for construction, inspection and design of improvements to the Haikey Creek Wastewater Treatment Plant, secured by pledged sales tax, with interest rates at 2.01%, final maturity September 2034	162,083

2015 Note payable to Crossland Construction Company, Inc., original amount $1,742,000 for settlement of a debt, payable in monthly installments of $53,787.91 inclusive of interest at 7%, final maturity November 2018	1,742,000
Total Notes Payable	$ 85,707,205
Current portion	$ 5,431,775
Noncurrent portion	80,275,430
Total notes payable	$ 85,707,205

Capital lease obligation

Capital lease obligation for land payable in quarterly installments of $63,750 plus interest at 3.0%. final payment due October 2018	$ 890,000
Total capital lease obligation	$ 890,000
Current portion	$ 255,000
Noncurrent portion	635,000
Total capital lease obligation	$ 890,000

Accrued compensated absences

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

Current portion	$ 371,102
Noncurrent portion	185,551
Total accrued compensated absences	$ 556,653

Customer meter deposit reserves

Current portion	$ 181,719
Noncurrent portion	726,879
Total customer meter deposit reserves	$ 908,598

Broken Arrow Economic Development Authority (BAEDA)

The Authority has one industrial revenue bond issue outstanding at June 30, 2015. 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, 2015, 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 the funds in the BAEDA 2010 Reserve Account. The balance at June 30, 2015 is $8,985,000. The note calls for semi-annual principal payments ranging from $175,000 to $410,000 commencing October 1, 2013 together with interest based on the 6 month LIBOR rate plus 2%.

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

Type of Liability	Balance, restated June 30, 2014	Additions	Deductions	Balance, June 30, 2015	Amounts Due Within a Year
Governmental activities:					
General obligation bonds	$ 93,958,621	$ 15,096,471	$ 8,748,608	$ 100,306,484	$ 9,529,258
Notes payable	15,023,037	-	1,275,000	13,748,037	955,000
Accrued compensated absences	2,549,907	46,801	-	2,596,708	1,731,139
Judgments payable	1,348,990	182,522	664,324	867,188	660,507
Claims payable	3,015,000	198,000	-	3,213,000	1,476,000
Other post-employment benefit obligation	1,272,654	249,486	-	1,522,140	-
Net pension obligation	45,877,605	-	8,007,654	37,869,951	
Arbitrage rebate	19,125	-	-	19,125	-
Total governmental activities	$ 163,064,939	$ 15,773,280	$18,695,586	$ 160,142,633	$ 14,351,904
Business-type activities:					
Notes payable	$ 89,373,008	$ 9,832,452	$4,513,255	$ 94,692,205	$ 5,826,775
Accrued compensated absences	529,699	26,954	-	556,653	371,102
Customer meter deposit reserves	871,607	36,991	-	908,598	181,719
Capital lease obligation	1,145,000	-	255,000	890,000	255,000
Revenue bonds payable	8,000,000	-	-	8,000,000	-
Total business-type activities	$ 99,919,314	$ 9,896,397	$ 4,768,255	$ 105,047,456	$ 6,634,596

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, 2015, are as follows:

Year ending June 30,	Governmental Activities					
	General Obligation Bonds		Notes Payable		Judgments Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 9,529,258	$ 3,279,389	$ 955,000	$ 986,114	$ 683,507	$ 45,528
2017	9,984,263	2,695,596	1,015,000	915,328	99,841	9,642
2018	9,274,045	2,386,667	1,090,000	839,981	83,840	4,402
2019	8,993,222	2,098,227	1,160,000	759,162	-	-
2020	8,478,149	1,822,733	1,250,000	672,869	-	-
2021-2025	30,250,934	5,789,284	7,558,037	1,839,347	-	-
2026-2030	14,990,830	2,489,627	720,000	26,271	-	-
2031-2035	8,805,783	401,501	-	-	-	-
Total	$100,306,484	$ 20,963,024	$ 13,748,037	$ 6,039,072	$ 867,188	$ 59,572

Year ending June 30,	Business-Type Activities			
	Note Payable		Capital Lease Obligation	
	Principal	Interest	Principal	Interest
2016	$ 5,162,526	$ 3,035,715	$ 255,000	$ 23,832
2017	5,339,131	2,917,995	255,000	16,182
2018	5,398,047	2,736,765	255,000	8,532
2019	13,074,487	2,546,065	125,000	1,397
2020	4,897,817	2,374,804	-	-
2021-2025	23,611,646	9,617,906	-	-
2026-2030	16,814,229	6,526,343	-	-
2031-2035	9,094,322	4,656,531	-	-
2036-2040	15,760,000	2,418,196	-	-
2041-2045	3,540,000	73,367	-	-
Total	$102,692,205	$36,903,687	$ 890,000	$ 49,943

Sources of debt repayments

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

Interfund balances and activities

Interfund receivables and payables at June 30, 2015, consist of the following:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
BAMA	General	$ 2,336,535	Sales tax collections
BAMA	Battle Creek Golf Course	465,044	Operational advances
General Fund	BAMA	2,110,100	Operational subsidy
General Fund	BAMA	2,000,000	Eliminated negative cash
General Fund	Crime Prevention	8,360	Operation advances
Sales Tax Capital Improvement	BAMA	3,500,000	Eliminated negative cash
Sales Tax Capital Improvement	BAEDA	3,750,000	Eliminated negative cash
Sales Tax Capital Improvement	Battle Creek Golf Course	161,610	Eliminated negative cash

Interfund transfers for the year ended June 30, 2015, were as follows:

Transfer From	Transfer To	Amount	Nature of Transfer
General Fund	BAMA	$ 13,267,342	Sales tax collections
General Fund	BAEDA	1,395,000	Economic development
BAMA	General Fund	12,660,600	Operating subsidy
BAMA	BAEDA	150,000	Economic Development
Convention & Visitors Bureau	General Fund	545,000	Operational/General Government
Street and Alley	General Fund	720,000	Operational/Streets
E-911	General Fund	710,000	Operational/Public Safety
Debt Service	General Fund	135,066	Operational/Interest

Fund balances and net position

Net positon reserves at June 30, 2015, consist of the following:

	Primary Government BAMA & BAEDA Enterprise Funds
Restricted assets in:	
Bond accounts	$ 1,288,849
Bond reserve account	2,435,527
	3,724,376
Accrued interest receivable	-
Less: accrued interest payable	(690,470)
Restricted for debt service	$ 3,033,906

Note 4 – Employee Pension and Other Benefit Plans

The City participates in three employee pension systems as follows:

Name of Plan/System	Type of Plan
Oklahoma Police Pension and Retirement Fund Plan	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund Plan	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OkMRF) 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 can be amended by action of the OPPRS's board of trustees. The plan issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

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 year. 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 with 5 years. Once a member has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated as if the member had entered into the "Back" DROP. A member, however, cannot receive credit to the "Back" DROP account based upon any years prior to when the member 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 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 Board has the authority to establish and amend the contribution requirements of the City and active employees. 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, 2015 the total contribution to the system amounted to $1,906,606 of which $1,184,616 was made by the City and $721,990 was made by the employees. These contributions represent 13% by the City and 8% by the member of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The total amount contributed to the system by the State of Oklahoma on behalf of the City was approximately $981,300 and does not meet the criteria of a special funding situation.

Pension liabilities, pension expense, and deferred outflows of resources related to pensions – At June 30, 2015 the City reported an asset of $1,054,626 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014 the City's proportion was 3.1323%.

For the year ended June 30, 2015 the City recognized pension expense of $1,136,744. At June 30, 2015 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	$ -	$ 473,812
Net difference between projected and actual earnings on pension plan investments	-	3,706,840
City's contributions subsequent to the measurement date	1,184,616	-
Total	$ 1,184,616	$ 4,180,652

At June 30, 2015 the City reported $1,184,616 as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources totaling $4,180,652 related to pensions will be recognized as a (reduction) or increase in pension expense as follows:

Year ended June 30,	
2016	$ (1,024,808)
2017	(1,024,808)
2018	(1,024,808)
2019	(1,024,808)
2020	(81,420)
Thereafter	-
	$ (4,180,652)

Actuarial assumptions – The total pension liability in the July 1, 2014 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 Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3%
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on the RP-2000 Blue Collar Healthy Combined with generational mortality improvement using Scale AA with age set back four years for active, pre-retirement employees. For active post-retirement employees, mortality rates were based on the RP-2000 Blue Collar Healthy Combined index with generational mortality improvement using Scale AA. For disabled pensioners, 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, 2014 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%	2.83%
Domestic equity	35%	6.47%
International equity	15%	6.98%
Real estate	10%	5.50%
Private equity	10%	5.96%
Commodities	5%	3.08%
	100%	

Discount rate – The single discount rate used to measure the total pension liability was 7.5% for the year ended June 30, 2014. 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%)
City's proportionate share of the net pension liability	$6,274,858	$(1,054,626)	$(7,231,749)

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

Oklahoma Fire Pension and Retirement System

Summary of Significant Accounting Policies

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

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

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

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

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

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

of the Plan, with a guaranteed minimum interest equal to the assumed actuarial interest of 7.5% as approved by the Board. The participation 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 with 5 years. Once a member has met their normal retirement period of 20 years for those hired prior to November 1, 2013 and 22 years for those hired after November 1, 2013,, the member can choose, upon retirement, to be treated as if the member had entered into the Deferred Option Plan. A member, however, cannot receive credit to the Deferred Option Plan account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a Deferred Option Plan benefit based upon up to 5 years of participation. The member's regular retirement benefit will not take into account any years of service credited to the "Back" DROP. Firefighters with 20 years of service or who were receiving pension benefits as of May 26, 1983, are entitled to post-retirement adjustments equal to one-half the increase or decrease for top-step firefighters. Pensions will not be adjusted below the level at which the firefighter retired.

Contributions – The Board has the authority to establish and amend the contribution requirements of the City and active employees. 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, 2015 the total contribution to the system amounted to $2,394,241 of which $1,457,366 was made by the City and $936,875 was made by the employees. These contributions represent 14% by the City and 9% by the member of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The total amount contributed to the system by the State of Oklahoma on behalf of the City was approximately $2,929,337 and does not meet the criteria of a special funding situation.

Pension liabilities, pension expense, and deferred outflows of resources related to pensions – At June 30, 2015 the City reported a liability of $37,869,951 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. 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, 2014 the City's proportion was 3.6826%.

For the year ended June 30, 2015 the City recognized pension expense of $3,580,956. At June 30, 2015 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	$ 902,306	$ -
Net difference between projected and actual earnings on pension plan investments	-	5,732,473
City's contributions subsequent to the measurement date	1,457,366	-
Total	$ 2,359,672	$ 5,732,473

At June 30, 2015 the City reported $1,457,366 as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources totaling $4,830,167 related to pensions will be recognized as a (reduction) or increase in pension expense as follows:

Year ended June 30,	
2016	$ (1,265,091)
2017	(1,265,091)
2018	(1,265,091)
2019	(1,265,091)
2020	168,026
Thereafter	62,171
	$ (4,830,167)

Actuarial assumptions – The total pension liability in the July 1, 2014 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2014 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 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount rate – The single discount rate used to measure the total pension liability was 7.5% for the year ended June 30, 2014. 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%)
City's proportionate share of the net pension liability	$49,450,159	$37,869,951	$28,161,223

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

Related party investments

As of June 30, 2015, 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, 2015, 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, 2015, the following amounts related to actual contributions to the defined contribution plan:

Employee contributions made	$ 89,953
Employer (City) contributions made	$ 1,857,161

Post employment benefits other than pensions

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

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

The required monthly contribution rates of the plan members for 2015 range from $25 to $282 for active employees and $658 to $1,633 for retirees and COBRA participants.

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

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

Annual required contribution	$ 314,623
Interest on Net OPEB Obligation	60,451
Amortization of Net OPEB Obligation	(78,599)
Annual OPEB cost	296,475
Employer contributions	(46,989)
Increase in net OPEB obligation	249,486
Beginning OPEB obligation	1,272,654
Ending OPEB obligation	$1,522,140

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$172,637	13.50%	$ 149,331
2010	$223,874	14.86%	$ 339,943
2011	$225,757	11.90%	$ 538,831
2012	$242,329	15.38%	$ 743,894
2013	$260,154	0.00%	$1,004,048
2014	$296,931	9.54%	$1,272,654
2015	$296,475	15.85%	$1,522,140

Funded status and funding progress. As of June 30, 2015, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was $2,520,917 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $2,520,917. The covered payroll (annual payroll of active employees covered by the plan) was $25,255,828, and the ratio of the UAAL to the covered payroll was 8.92%.

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. An actuarial valuation takes inputs such as participant data, benefit provisions and assumptions. Participant data includes the members' ages, membership service, plan selection, etc. Benefit provisions include the structure of the benefits that the members receive; in the City's case, the subsidies supporting retiree medical benefits. In the actuarial valuation as of June 30, 2015, the projected unit credit (PUC) actuarial cost method was used to measure accruing costs. Under the principles of the PUC method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated pro-rata to each year of service between entry age and assumed exit.

The portion of this actuarial present value allocated to a valuation year is called the normal cost. Actuarial assumptions include the interest rate, health care inflation rates, general inflation rates, participation rates, Medicare coverage, etc. The 2015 ARC was based on a 4.75% discount rate, a health care trend rate of 5%. It also assumed that 25% of future retirees will opt to continue coverage and that 50% of these will cover a spouse at retirement.

Note 5 – Risk Management

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

Type of Loss	Method Managed	Risk of Loss Retained
a. General Liability: - Torts - Errors and omissions	Self-insured with limits of the Oklahoma Tort Liability Act as follows: - $25,000 property loss - $100,000 per individual - $1,000,000 per incident	Entire risk of loss retained.
b. Physical Property: - Theft - Damage to assets - Natural disasters	All physical property except vehicles is insured through commercial insurance with deductibles ranging from $1,000 to $50,000. Vehicle damage is covered through self-insurance.	All physical property except vehicles subject to $1,000 to $50,000 risk of loss. Vehicles – entire risk of loss retained through fund incurring the loss.

c. Workers Compensation: - Employee injuries	Self-insured with third-party administration of the claims process. Workers Compensation Internal Service Fund used to account for activities with participating funds charged through an estimated annual claim cost for each fund.	Entire risk of loss retained. Claim liability determined through estimate of loss by the City's Risk Management staff and third-party.
d. Health and Life: - Medical - Dental - Vision	Self-insured with third-party administration of the claims provided by HealthSmart. Participation in Vision Service Plan. City purchases annual eye examination benefits for insured at a monthly cost of $.63 per month for single coverage, $.93 per month for employee and children, $1.00 per month for employee and spouse and $1.59 per month for family coverage. Group Health & Life Internal Service Fund used to account for self-insurance activities with participating funds making payments to the internal service fund based upon factors determined by the City's benefit consultant.	Claims up to $100,000 per individual are self-funded. Specific stop loss reinsurance covers claims in excess of $100,000 per insured once a $100,000 deductible has been met. Aggregate stop loss coverage is adjusted monthly based on number of participants and was $4,940,686 at June 30, 2015[(1)].

[(1)] H.M. Insurance Group

Life and health benefit plan

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

The City is self-funded for health and dental benefits and has an Administrative Services Agreement with HealthSmart 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 HealthSmart 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 H.M. Insurance Group.

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

Claims liability analysis

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standard No. 5., which requires

that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

For the two internal service self-insurance funds, changes in the claims liability for the City from June 30, 2010 to June 30, 2015, are as follows:

	Workers Compensation	Health Care
Claim liability, June 30, 2011	$ 2,867,445	$ 737,683
Claims and changes in estimate	786,404	6,258,810
Claims payments	(1,284,849)	(6,164,493)
Claim liability, June 30, 2012	2,369,000	832,000
Claims and changes in estimate	1,043,594	6,643,294
Claims payments	(1,337,594)	(6,471,246)
Claim liability, June 30, 2013	2,075,000	1,004,048
Claims and changes in estimate	636,638	7,042,659
Claims payments	(1,066,638)	(6,774,053)
Claim liability, June 30, 2014	1,645,000	1,272,654
Claims and changes in estimate	1,636,335	6,623,065
Claims payments	(1,133,335)	(6,373,579)
Claim liability, June 30, 2015	$ 2,148,000	$ 1,522,140
Assets available to pay claims at June 30, 2015	$ 1,610,040	$ 143,423

Note 6 – Commitments and Contingencies

Construction commitments

At June 30, 2015 the following construction commitments were outstanding:

	Original Contract	Balance Remaining
Mill and overlay Concord Street to Aspen (Henshaw Park)	$ 645,039	$ 275,421
Rehabilitation and resurfacing of streets, Stacey Lynn 6 Subdivision	549,600	204,548
Events Park Electrical Improvements	231,092	52,427
Water Supply Improvements, Phases II & III	58,438,619	63,603
Camino Villa Community Center	246,335	12,317
Downtown Streets improvements	1,016,499	553,497

Operating lease commitments

The City leases office space and equipment under noncancellable operating leases. Rent expense totaled $74,820 for the year ended June 30, 2015. At June 30, 2015, the City was obligated under noncancellable operating lease with a term of from 2013 to 2017 for future minimum lease payments as follows:

Year	Amount
2016	26,174
2017	23,993
	$ 50,167

On August 21, 2012 the City entered into a new lease agreement for the rental of equipment. The initial term of the lease is 57 months and calls for monthly payments of $2,181.

The City leases land and a building to Bass Pro Shops under a lease which commenced May 2004. The initial term of the lease is 20 years and includes nine one-year renewal options and three five-year renewal options. Rental income is calculated as a percentage of gross sales. Bass Pro Shops has the option to purchase the premises for 90% of fair market value after the initial term. Total rental income received during 2015, was $812,030.

Contingencies

Grant program involvement

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

Litigation

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

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

Note 7 – Subsequent Events

On July 7, 2015, the Trustees of the Broken Arrow Municipal Authority (BAMA) approved Resolution 885 authorizing a loan from the Oklahoma Water Resources Board (OWRB) in an amount not to exceed $12,500,000. On the same date, the City Council approved Resolution 886 ratifying the action by the BAMA Trustees. A Series 2015 promissory note in the amount of $11,900,000 between BAMA and OWRB was issued as of July 30, 2015. The note is payable in annual principal installments ranging from $375,000 to $815,000 together with interest ranging from 2.200% to 4.045% with final payment due September 15, 2035. 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 September 1, 2015, the BAMA Trustees approved Resolution 890 authorizing a loan from the OWRB in an amount of $2,045,000. On the same date, the City Council approved Resolution 891 ratifying the action by the BAMA Trustees. A Series 2015 Clean Water SRF promissory note in the amount of $2,045,000 between BAMA and OWRB was issued as of September 4, 2015. The note is payable in semi-annual principal installments of $179,500 together with interest and administrative fee of 1.57% BA Franging from 2.200% to 4.045% with final payment due March 15, 2021. 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 November 10, 2015, the citizens of Broken Arrow approved two sales tax propositions. The first was a tax of three tenths of one percent for the purpose of staffing of public safety personnel and related equipment needs. The second was a tax of 25 hundredths of one percent for the purpose of improving, constructing and maintaining city streets, sidewalks as well as stormwater improvements and acquisition of machinery, equipment and materials and installation of traffic control devices and signalization. Both taxes will take effect January 1, 2017 and remain in effect for an unlimited term.

On December 1, 2015, the City approved the sale of $11,575,000 of General Obligation Bonds Series 2016A to be issued as of January 1, 2016. The bonds will be due in annual installments of $605,000 with final installment of $685,000 due January 1, 2036 and bear interest ranging from 2.00% to 4.00%.

On December 1, 2015, the City also approved the sale of $6,625,000 of General Obligation Bonds Series 2016B to be issued as of January 1, 2016. The bonds will be due in annual installments of $345,000 with final installment of $415,000 due December 1, 2036 and bear interest ranging from 2.50% to 3.25%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA

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

June 30, 2015

Oklahoma Police Pension and Retirement System (OPPRS)

City's proportion of the net pension liability or asset	3.1323%
City's proportionate share of the net pension liability or (asset)	$ (1,054,626)
City's covered-employee payroll	$ 9,112,431
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(11.5700%)
Plan fiduciary net position as a percentage of the total pension liability	101.5300%

Oklahoma Firefighters Pension and Retirement System (OFPRS)

City's proportion of the net pension liability or asset	3.6826%
City's proportionate share of the net pension liability or (asset)	$ 37,869,951
City's covered-employee payroll	$ 10,409,757
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	363.7900%
Plan fiduciary net position as a percentage of the total pension liability	68.1200%

Note to Schedule: Only the current fiscal year is presented because10 year data is not yet available.

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF CITY'S CONTRIBUTIONS

June 30, 2015

Oklahoma Police Pension and Retirement System (OPPRS)

Contractually required contribution	$	1,184,616
Contributions in relation to the contractually required contribution		1,184,616
Contribution deficiency (excess)	$	-
City's covered-employee payroll	$	9,112,431
Contributions as a percentage of covered-employee payroll		13%

Oklahoma Firefighters Pension and Retirement System (OFPRS)

Contractually required contribution	$	1,457,366
Contributions in relation to the contractually required contribution		1,457,366
Contribution deficiency (excess)	$	-
City's covered-employee payroll	$	10,409,757
Contributions as a percentage of covered-employee payroll		14%

Note to Schedule: Only the current fiscal year is presented because10 year data is not yet available.

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFIT OBLIGATION

June 30, 2015

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

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

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended June 30, 2015
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Beginning budgetary fund balance	$ 7,234,982	$ 7,234,982	$ 7,234,982	$ -
Resources (inflows):				
Taxes:				
Sales tax	31,629,600	31,629,600	32,947,793	1,318,193
Use tax	2,084,500	2,084,500	2,082,021	(2,479)
Tobacco tax	462,300	462,300	467,903	5,603
Franchise tax	3,676,000	3,676,000	3,948,797	272,797
Total taxes	37,852,400	37,852,400	39,446,514	1,594,114
Intergovernmental:				
Intergovernmental	324,500	324,500	450,070	125,570
Alcoholic beverage tax	176,400	176,400	181,521	5,121
Total intergovernmental	500,900	500,900	631,591	130,691
Charges for services:				
Planning and zoning	22,400	22,400	60,749	38,349
Sale of material	37,700	37,700	39,396	1,696
BAMA PILOT	3,062,600	3,062,600	2,829,091	(233,509)
BAMA overhead charge	909,000	909,000	1,013,953	104,953
Rural fire runs	3,600	3,600	2,573	(1,027)
Inspection fees	522,800	522,800	584,331	61,531
Ambulance revenue	2,350,300	2,350,300	2,037,031	(313,269)
Training	-	-	-	-
Special Events	600	600	3,775	3,175
Cemetery fee	148,100	148,100	113,169	(34,931)
Animal control fees	45,000	45,000	52,820	7,820
Nuisance abatement	102,400	102,400	40,804	(61,596)
Parks and recreation	168,300	168,300	235,968	67,668
Swimming pools	182,700	182,700	246,099	63,399
Swimming lessons	3,400	3,400	-	(3,400)
Administrative fees	14,000	14,000	23,447	9,447
Juvenile court	74,300	74,300	56,375	(17,925)
Total charges for services	7,647,200	7,647,200	7,339,581	(307,619)

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year ended June 30, 2015
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Fines, forfeitures and assessments	1,840,500	1,840,500	1,928,658	88,158
Licenses and permits:				
Occupational licenses	163,100	163,100	221,306	58,206
Peddlers licenses	600	600	1,370	770
Food licenses	38,000	38,000	46,109	8,109
Other fees	122,200	122,200	123,541	1,341
Building permits	883,000	883,000	798,590	(84,410)
Total licenses and permits	1,206,900	1,206,900	1,190,916	(15,984)
Investment income	18,000	18,000	18,348	348
Miscellaneous:				
Rental property	1,085,200	1,085,200	1,086,128	928
Donations	13,200	13,200	15,476	2,276
Miscellaneous	49,000	49,000	46,733	(2,267)
Insurance proceeds	45,200	45,200	34,218	(10,982)
Total miscellaneous	1,192,600	1,192,600	1,182,555	(10,045)
Other financing sources:				
Transfers in from other funds	14,810,600	14,810,600	14,770,666	(39,934)
Total other financing sources	14,810,600	14,810,600	14,770,666	(39,934)
Total revenues and other financing sources	65,069,100	65,069,100	66,508,829	1,439,729
Amounts available for appropriation	72,304,082	72,304,082	73,743,811	1,439,729

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year ended June 30, 2015
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Charges to appropriations (outflows):				
General government:				
City manager:				
Personal services	749,700	814,700	793,025	21,675
Other services and charges	81,500	91,500	43,259	48,241
Materials and supplies	13,500	13,500	1,967	11,533
Total city manager	844,700	919,700	838,251	81,449
Finance:				
Personal services	750,000	750,000	727,552	22,448
Other services and charges	64,000	64,000	55,204	8,796
Materials and supplies	15,400	15,400	9,034	6,366
Total finance	829,400	829,400	791,790	37,610
City attorney:				
Personal services	667,500	715,500	687,165	28,335
Other service and charges	53,300	83,300	68,355	14,945
Materials and supplies	38,500	48,500	42,705	5,795
Total city attorney	759,300	847,300	798,225	49,075
Human resources:				
Personal services	2,066,600	2,066,600	1,940,350	126,250
Other services and charges	568,300	568,300	481,585	86,715
Materials and supplies	40,600	40,600	32,150	8,450
Total human resources	2,675,500	2,675,500	2,454,085	221,415
Development services - One-Stop & Planning:				
Personal services	1,671,300	1,671,300	1,617,238	54,062
Other services and charges	208,200	208,200	116,478	91,722
Material and supplies	27,800	27,800	19,972	7,828
Total development services	1,907,300	1,907,300	1,753,688	153,612
General government:				
Personal services	10,000	10,000	9,402	598
Other services and charges	1,961,400	1,961,400	1,848,275	113,125
Materials and supplies	57,000	57,000	18,754	38,246
Total general government	2,028,400	2,028,400	1,876,431	151,969
Total general government	9,044,600	9,207,600	8,512,470	695,130

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year ended June 30, 2015
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Public safety:				
Police:				
Personal services	16,718,200	16,718,200	16,546,846	171,354
Other services and charges	1,445,200	1,443,600	1,132,405	311,195
Materials and supplies	923,800	925,400	757,267	168,133
Total police	19,087,200	19,087,200	18,436,518	650,682
Fire:				
Personal services	14,288,900	14,438,900	14,550,884	(111,984)
Other services and charges	705,500	798,500	704,529	93,971
Materials and supplies	677,900	784,900	705,955	78,945
Total fire	15,672,300	16,022,300	15,961,368	60,932
Development services - Inspections:				
Personal services	589,800	589,800	592,916	(3,116)
Other services and charges	20,700	20,700	27,858	(7,158)
Materials and supplies	26,700	26,700	19,708	6,992
Total development services - inspections	637,200	637,200	640,482	(3,282)
Total public safety	35,396,700	35,746,700	35,038,368	708,332
Public services:				
Streets:				
Personal services	1,441,100	1,441,100	1,409,634	31,466
Other services and charges	307,200	307,200	173,599	133,601
Materials and supplies	823,300	823,300	718,753	104,547
Total streets	2,571,600	2,571,600	2,301,986	269,614
General services:				
Personal services	585,100	585,100	552,644	32,456
Other services and charges	49,700	46,700	49,125	(2,425)
Materials and supplies	105,400	108,400	92,319	16,081
Total general services	740,200	740,200	694,088	46,112
Total public services	3,311,800	3,311,800	2,996,074	315,726

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year ended June 30, 2015
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Parks and recreation:				
Personal services	2,577,600	2,577,600	2,389,084	188,516
Other services and charges	640,100	640,100	505,859	134,241
Materials and supplies	451,700	451,700	322,000	129,700
Total parks and recreation	3,669,400	3,669,400	3,216,943	452,457
Debt service:				
Principal	895,000	895,000	440,000	455,000
Interest and other charges	955,000	955,000	441,109	513,891
Total debt service	1,850,000	1,850,000	881,109	968,891
Other financing uses:				
Transfers to other funds	13,010,600	14,905,600	14,662,342	243,258
Total charges to appropriations	66,283,100	68,691,100	65,307,306	3,383,794
Ending budgetary fund balance	$ 6,020,982	$ 3,612,982	$ 8,436,505	$ 4,823,523

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

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended June 30, 2015
(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Revenues:				
Sales and miscellaneous taxes	$ 37,852,400	$ 37,852,400	$ 39,446,514	$ 1,594,114
Licenses and permits	1,206,900	1,206,900	1,190,916	(15,984)
Intergovernmental	500,900	500,900	631,591	130,691
Charges for services	7,647,200	7,647,200	7,339,581	(307,619)
Fees and fines	1,840,500	1,840,500	1,928,658	88,158
Interest income	18,000	18,000	18,348	348
Miscellaneous	1,192,600	1,192,600	1,182,555	(10,045)
Total revenue	50,258,500	50,258,500	51,738,163	1,479,663
Expenditures:				
Current:				
General government	9,044,600	9,207,600	8,512,470	695,130
Public safety	35,396,700	35,746,700	35,038,368	708,332
Public services	3,311,800	3,311,800	2,996,074	315,726
Parks and recreation	3,669,400	3,669,400	3,216,943	452,457
Debt service:				
Principal	895,000	895,000	440,000	455,000
Interest and other charges	955,000	955,000	441,109	513,891
Total expenditures	53,272,500	53,785,500	50,644,964	3,140,536
Excess (deficiency) of revenues over expenditures	(3,014,000)	(3,527,000)	1,093,199	4,620,199
Other financing sources (uses):				
Transfers in	14,810,600	14,810,600	14,770,666	(39,934)
Transfers out	(13,010,600)	(14,905,600)	(14,662,342)	243,258
Total other financing sources (uses)	1,800,000	(95,000)	108,324	203,324
Net change in fund balances	(1,214,000)	(3,622,000)	1,201,523	4,823,523
Budgetary fund balances, beginning of year	7,234,982	7,234,982	7,234,982	-
Budgetary fund balances, end of year	$ 6,020,982	$ 3,612,982	$ 8,436,505	$ 4,823,523

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

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISION SCHEDULE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ending June 30, 2015
(unaudited)

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.

For the year ended June 30, 2015, the City complied in all material respects with the applicable budget laws relating to expenditures and appropriations at the legal level of control.

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:

	General Fund
Total budgetary resources (inflows)	$ 66,508,829
Add: On-behalf payments	4,717,700
Total resources as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	$ 71,226,529

Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances:

Total revenues	$ 56,455,863
Transfers in	14,770,666
Total resources	$ 71,226,529
Total budgetary expenditures and transfers	$ 65,307,306
Add: On-behalf payments	4,717,700
Transfers to other funds	(14,662,342)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	$ 55,362,664

OTHER SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	Special Revenue Funds				
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitors Bureau	Police Enhancement	Parks and Recreation
Assets					
Cash and cash equivalents	$ 711,779	$ 813,320	$ 551,527	$ 42,115	$ 473,306
Investments	-	-	-	-	250,000
Due from other funds	-	-	-	-	-
Receivable from other governments	-	-	-	-	-
Accrued interest receivable	-	-	-	-	164
Other receivables, net	-	-	45,631	-	-
Prepaid expenses	-	-	-	-	-
Total assets	$ 711,779	$ 813,320	$ 597,158	$ 42,115	$ 723,470
Liabilities					
Accounts payable	$ 293,111	$ -	$ 3,231	$ 585	$ 1,000
Retainage payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	164
Amounts held in escrow	-	-	-	-	-
Total liabilities	293,111	-	3,231	585	1,164
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	593,927	41,530	37,781
Committed	418,668	813,320	-	-	684,525
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	418,668	813,320	593,927	41,530	722,306
Total liabilities and fund balances	$ 711,779	$ 813,320	$ 597,158	$ 42,115	$ 723,470

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

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	Special Revenue Funds				
	Cemetery Care	Street and Alley	Housing and Urban Development	E-911	Crime Prevention
Assets					
Cash and cash equivalents	$ 396,221	$ 912,770	$ 193,002	$ 1,130,842	$ 201,658
Investments	-	250,000	-	250,000	-
Due from other funds	-	-	-	-	-
Receivable from other governments	-	148,918	330,528	-	-
Accrued interest receivable	-	164	-	148	-
Other receivables, net	87	-	-	28,291	-
Prepaid expenses	-	-	-	-	-
Total assets	$ 396,308	$ 1,311,852	$ 523,530	$ 1,409,281	$ 201,658
Liabilities					
Accounts payable	$ -	$ 93,131	$ 330,919	$ 9,710	$ 1,879
Retainage payable	-	-	45,078	-	-
Due to other funds	-	-	-	-	8,360
Deferred revenue	87	164	-	148	-
Amounts held in escrow	-	-	-	-	-
Total liabilities	87	93,295	375,997	9,858	10,239
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	311,099	1,218,557	147,533	1,399,423	191,419
Committed	-	-	-	-	-
Assigned	85,122	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	396,221	1,218,557	147,533	1,399,423	191,419
Total liabilities and fund balances	$ 396,308	$ 1,311,852	$ 523,530	$ 1,409,281	$ 201,658

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	Special Revenue Funds			Capital Project Funds		
	Police Reserves	Alcohol Enforcement	Street Light	1994 General Obligation Bond Issue	2004 General Obligation Bond Fund	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	$ 824	$ 82,724	$ 732,597	$ 180,140	$ -	$ 6,422,825
Investments	-	-	264,859	-	-	1,014,859
Due from other funds	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	479,446
Accrued interest receivable	-	-	154	-	-	630
Other receivables, net	-	2,479	63,697	-	-	140,185
Prepaid expenses	-	-	-	-	-	-
Total assets	$ 824	$ 85,203	$ 1,061,307	$ 180,140	$ -	$ 8,057,945
Liabilities						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ 733,566
Retainage payable	-	-	-	-	-	45,078
Due to other funds	-	-	-	-	-	8,360
Deferred revenue	-	2,033	63,851	-	-	66,447
Amounts held in escrow	-	-	-	-	-	-
Total liabilities	-	2,033	63,851	-	-	853,451
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted	-	83,170	-	-	-	4,024,439
Committed	-	-	997,456	180,140	-	3,094,109
Assigned	824	-	-	-	-	85,946
Unassigned	-	-	-	-	-	-
Total fund balances	824	83,170	997,456	180,140	-	7,204,494
Total liabilities and fund balances	$ 824	$ 85,203	$ 1,061,307	$ 180,140	$ -	$ 8,057,945

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

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	Special Revenue Funds				
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitors Bureau	Police Enhancement	Parks and Recreation
Revenues:					
Franchise and miscellaneous taxes	$ -	$ -	$ 509,298	$ -	$ -
Intergovernmental	-	-	-	64,721	-
Charges for services	-	339,983	-	-	119,964
Fees and fines	-	-	-	-	-
Interest income	261	263	274	264	1,366
Miscellaneous	85,477	-	-	-	68,041
Total revenues	85,738	340,246	509,572	64,985	189,371
Expenditures:					
Current:					
General government	-	-	331,551	-	-
Public safety	-	-	-	27,299	-
Public services	-	-	-	-	-
Capital outlay	-	116,728	10,857	33,416	20,780
Total expenditures	-	116,728	342,408	60,715	20,780
Excess (deficiency) of revenues over expenditures	85,738	223,518	167,164	4,270	168,591
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(545,000)	-	-
Total other financing sources (uses)	-	-	(545,000)	-	-
Net change in fund balances	85,738	223,518	(377,836)	4,270	168,591
Fund balances, beginning of year	332,930	589,802	971,763	37,260	553,715
Fund balances, end of year	$ 418,668	$ 813,320	$ 593,927	$ 41,530	$ 722,306

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

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	Special Revenue Funds				
	Cemetery Care	Street and Alley	Housing and Urban Development	E-911	Crime Prevention
Revenues:					
Franchise and miscellaneous taxes	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	1,063,901	1,215,438	-	84,774
Charges for services	29,061	-	-	746,279	-
Fees and fines	-	-	-	-	-
Interest income	164	1,582	-	1,632	100
Miscellaneous	-	-	-	-	-
Total revenues	29,225	1,065,483	1,215,438	747,911	84,874
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	73,857
Public services	-	-	66,754	-	-
Capital outlay	233,059	283,146	1,499,170	196,573	-
Total expenditures	233,059	283,146	1,565,924	196,573	73,857
Excess (deficiency) of revenues over expenditures	(203,834)	782,337	(350,486)	551,338	11,017
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	(720,000)	-	(710,000)	-
Total other financing sources (uses)	-	(720,000)	-	(710,000)	-
Net change in fund balances	(203,834)	62,337	(350,486)	(158,662)	11,017
Fund balances, beginning of year	600,055	1,156,220	498,019	1,558,085	180,402
Fund balances, end of year	$ 396,221	$ 1,218,557	$ 147,533	$ 1,399,423	$ 191,419

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

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			Capital Project Funds		
	Police Reserves	Alcohol Enforcement	Street Light	1994 General Obligation Bond Issue	2004 General Obligation Bond Fund	Total Nonmajor Governmental Funds
Revenues:						
Franchise and miscellaneous taxes	$ -	$ -	$ -	$ -	$ -	$ 509,298
Intergovernmental	-	-	-	-	-	2,428,834
Charges for services	-	-	426,139	-	-	1,661,426
Fees and fines	-	20,735	-	-	-	20,735
Interest income	-	33	1,558	906	343	8,746
Miscellaneous	-	-	-	3,289	-	156,807
Total revenues	-	20,768	427,697	4,195	343	4,785,846
Expenditures:						
Current:						
General government	-	-	-	46	-	331,597
Public safety	2,660	25,562	-	-	-	129,378
Public services	-	-	301,395	-	-	368,149
Capital outlay	-	-	200,000	-	434,045	3,027,774
Total expenditures	2,660	25,562	501,395	46	434,045	3,856,898
Excess (deficiency) of revenues over expenditures	(2,660)	(4,794)	(73,698)	4,149	(433,702)	928,948
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(1,975,000)
Total other financing sources (uses)	-	-	-	-	-	(1,975,000)
Net change in fund balances	(2,660)	(4,794)	(73,698)	4,149	(433,702)	(1,046,052)
Fund balances, beginning of year	3,484	87,964	1,071,154	175,991	433,702	8,250,546
Fund balances, end of year	$ 824	$ 83,170	$ 997,456	$ 180,140	$ -	$ 7,204,494

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

CITY OF BROKEN ARROW, OKLAHOMA
(BROKEN ARROW MUNICIPAL AUTHORITY)

SCHEDULE OF DEBT SERVICE COVERAGE REQUIREMENTS

Year ended June 30, 2015

	OWRB 1997 A&C, 1999B, 2001, 2004, 2005, 2007, 2009, 2011 and 2012 Notes Payable
Gross revenue available for debt service:	
Charges for services	$ 38,181,553
Investment income	2,485
Sales tax transferred from the City General Fund	13,267,342
Total gross revenues available	51,451,380
Operating expenses (1)	
General government	1,303,771
Finance and administration	942,528
Engineering and construction	1,933,637
Water distribution	8,320,578
Sanitary sewer system	4,630,583
Sanitation services	4,912,482
Support services	2,728,547
Stormwater	2,995,260
Total operating expenses	27,767,386
Net revenue available for debt service	$ 23,683,994
Debt service requirements	
Maximum annual debt service on all BAMA parity debt	$ 7,027,343
Computed coverage	337%
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, 2015

	Series 2010 BAEDA Note Payable	Series 2012 OWRB Note Payable
Required balance	$ 600,000	$ 2,435,677
Balance in Trustee Account, June 30, 2015	751,002	2,435,677
Excess of account balance over (under) required balance	$ 151,002	$ -

CITY OF BROKEN ARROW, OKLAHOMA

SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

June 30, 2015

CITY OF BROKEN ARROW, OKLAHOMA

TABLE OF CONTENTS

	PAGE
SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES:	
Reports Related to Financial Statements of the Reporting Entity Required by GAO Government Auditing Standards:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	1
Reports Related to Federal Assistance Programs Required by OMB Circular A-133:	
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required By OMB Circular A-133; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7
Summary Schedule of Prior Audit Findings and Corrective Action Plan	9

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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, the 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 17, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates, P.C.

March 17, 2016

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Broken Arrow, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose

of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the 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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 17, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates, P.C.

March 17, 2016

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
Department of Justice			
Edward Byrne Memorial Justice Assistance Grant	16.738		$ 16,911
Passed-through Oklahoma District Attorney's Council:			
National Institute of Justice Research, Evaluation and Developmental Projects Grant	16.560		1,277
Crime Victim Assistance	16.575		38,151
Total Department of Justice			56,339
U.S. Department of Housing and Urban Development			
Passed-through the Tulsa County CDBG Urban County:			
Community Development Block Grant/ Entitlement Grants	14.218		1,329,791
Total U.S. Department of Housing and Urban Development			1,329,791
U.S. Environmental Protection Agency			
Passed through the Oklahoma Water Resources Board:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468		282,220
Total U.S. Environmental Protection Agency			282,220
U.S. Department of Transportation			
Passed -through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	PT-14-03-04-14	9,540
State and Community Highway Safety	20.600	M9MT-14-02-02-14	2,114
State and Community Highway Safety	20.600	PT-15-03-03-15	49,540
State and Community Highway Safety	20.600	MC-15-02-02-14	8,219
Total U.S. Department of Transportation			69,413
Total Expenditures of Federal Awards			$ 1,737,763

See notes to schedule of expenditures of federal awards.

CITY OF BROKEN ARROW, OKLAHOMA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* and the OMB *Uniform Guidance: Cost Principles, Audit and Administrative Requirements for Federal Awards,* where in certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. SUBRECIPIENTS

Of the federal expenditures presented in this schedule, the City provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
Community Development Block Grant/ Entitlement Grants	14.218	Margaret Hudson Program	$ 11,805
Community Development Block Grant/ Entitlement Grants	14.218	Broken Arrow Neighbors	21,089
Community Development Block Grant/ Entitlement Grants	14.218	Broken Arrow Seniors	16,000
Community Development Block Grant/ Entitlement Grants	14.218	Child Abuse Network	15,000
			$ 63,894

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	X no	
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	X none reported	
Noncompliance material to financial statements noted?	_____ yes	X no	

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	_____ yes	X no	
Reportable condition(s) identified not considered to be material weakness(es)?	_____ yes	X none reported	
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	_____ yes	X no	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant/Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs: $ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None

Internal Control Findings

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None

CITY OF BROKEN ARROW, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN
June 30, 2015

The City of Broken Arrow, Oklahoma respectfully submits the following summary schedule of prior audit findings and corrective action plan for the year ended June 30, 2015.

Name and address of independent public accounting firm: Arledge and Associates, P.C., 309 N. Bryant Avenue, Edmond, Oklahoma 73034.

Audit period: July 1, 2014 to June 30, 2015.

Summary Schedule of Prior Audit Findings
There were no audit findings for the year ended June 30, 2014 that requires preparation of a summary of prior audit findings.

Corrective Action Plan
No corrective action plan is required.

Questions regarding this plan should be addressed to Tom Caldwell at 116 East Dallas Street, P.O. Box 610, Broken Arrow, Oklahoma or by phone at (918) 259-2400.