



BROKEN ARROW

Where opportunity lives

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2020

**WITH
INDEPENDENT AUDITOR'S REPORT**

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City of Broken Arrow, Oklahoma

**List of Principal Officials
June 30, 2020**

City Council

**Craig Thurmond, Mayor
Scott Eudey, Vice Mayor
Johnnie Parks
Christi Gillespie
Debra Wimpee**

City Manager

Michael L. Spurgeon

Clerk

Curtis Green

Finance Director/Treasurer

Cynthia Arnold





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Broken Arrow, Oklahoma (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2021, 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.

Arlidge & Associates

March 3, 2021

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

June 30, 2020

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, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- At June 30, 2020, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$383,197,840.
- For the fiscal year ended June 30, 2020, the City's total net position increased by \$25,104,222 or 7.0% from the prior year's net position.
- During the year, the City's expenses for governmental activities were \$97,374,831 and were funded by program revenues of \$29,703,811, and further funded with taxes and other general revenues that totaled \$85,300,929.
- In the City's business-type activities, such as utilities, total program revenues exceeded expenditures by \$5,518,965.
- At June 30, 2020, the General Fund reported a total fund balance of \$18,743,002, as compared to the prior year total fund balance of \$15,105,832.
- For budgetary reporting purposes, the General Fund reported revenues in excess of final estimates in the amount of \$573,098 or 0.70%, while expenditures were less than final appropriations by \$1,907,275 or 2.36%.

Overview of the Financial Statements

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

Reporting the City as a Whole

The statement of net position and the statement of activities

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund financial statements

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

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

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

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

A Financial Analysis of the City as a Whole

Net position

The City's combined net position increased from \$358,093,618 to \$383,197,840 between fiscal years 2019 and 2020. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$17,629,909 while business-type activities increased \$7,474,313. A comparative, condensed presentation of net position follows (reported in thousands).

TABLE 1
NET POSITION (In Thousands)

	<u>Governmental Activities</u>		<u>% Inc.</u>	<u>Business-Type Activities</u>		<u>% Inc.</u>	<u>Total</u>		<u>% Inc.</u>
	2020	2019	(Dec.)	2020	2019	(Dec.)	2020	2019	(Dec.)
Current and other assets	\$ 145,007	\$ 130,670	11%	\$ 39,772	\$ 56,800	-30%	\$ 184,779	\$ 187,470	-1%
Capital assets, net	323,239	305,323	6%	214,714	197,873	9%	537,953	503,196	7%
Other non-current assets	-	-	-	32,750	27,571	19%	32,750	27,571	19%
Total assets	<u>468,246</u>	<u>435,993</u>	7%	<u>287,236</u>	<u>282,244</u>	2%	<u>755,482</u>	<u>718,237</u>	5%
Deferred Outflows of Resources	<u>19,384</u>	<u>22,339</u>	-13%	<u>90</u>	<u>55</u>	64%	<u>19,474</u>	<u>22,394</u>	-13%
Current liabilities	25,357	21,626	17%	20,659	17,241	20%	46,016	38,867	18%
Non-current liabilities	<u>197,475</u>	<u>191,474</u>	3%	<u>139,281</u>	<u>145,198</u>	-4%	<u>336,756</u>	<u>336,672</u>	0%
Total liabilities	<u>222,832</u>	<u>213,100</u>	5%	<u>159,940</u>	<u>162,439</u>	-2%	<u>382,772</u>	<u>375,539</u>	2%
Deferred Inflows of Resources	<u>8,935</u>	<u>6,999</u>	28%	<u>52</u>	-	N/A	<u>8,987</u>	<u>6,999</u>	28%
	<u>8,935</u>	<u>6,999</u>	28%	<u>52</u>	-	N/A	<u>8,987</u>	<u>6,999</u>	28%
Net position									
Net investment in capital assets	164,401	159,658	3%	99,138	92,539	7%	263,539	252,197	4%
Restricted	112,113	102,531	9%	4,616	4,401	5%	116,729	106,932	9%
Unrestricted (deficit)	<u>(20,651)</u>	<u>(23,956)</u>	-14%	<u>23,580</u>	<u>22,920</u>	3%	<u>2,929</u>	<u>(1,036)</u>	-383%
Total net position	<u>\$ 255,863</u>	<u>\$ 238,233</u>	7%	<u>\$ 127,334</u>	<u>\$ 119,860</u>	6%	<u>\$ 383,197</u>	<u>\$ 358,093</u>	7%

Changes in net position

For the years ended June 30, 2019 and 2020, the change in net position of the primary government was the result of the following (amounts are reported in thousands):

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	<u>Governmental Activities</u>		<u>% Inc.</u>	<u>Business-Type Activities</u>		<u>% Inc.</u>	<u>Total</u>		<u>% Inc.</u>
	<u>2020</u>	<u>2019</u>	<u>(Dec.)</u>	<u>2020</u>	<u>2019</u>	<u>(Dec.)</u>	<u>2020</u>	<u>2019</u>	<u>(Dec.)</u>
Revenues									
Program revenue:									
Charges for service	\$ 15,162	\$ 12,453	22%	\$ 52,389	\$ 47,779	10%	\$ 67,551	\$ 60,232	12%
Operating grants and contributions	7,406	7,679	-4%	160	20	N/A	7,566	7,699	-2%
Capital grants and contributions	7,136	3,562	100%	6,778	4,733	43%	13,914	8,295	68%
General Revenue:									
Sales and use taxes	61,195	57,260	7%	-	-	-	61,195	57,260	7%
Property taxes	16,000	15,330	4%	-	-	-	16,000	15,330	4%
Franchise and other taxes	6,753	6,715	1%	-	-	-	6,753	6,715	1%
Investment income	1,324	1,361	-3%	465	794	-41%	1,789	2,155	-17%
Miscellaneous	1,518	1,612	-6%	-	-	-	1,518	1,612	-6%
Total Revenues	116,494	105,972	10%	59,792	53,326	12%	176,286	159,298	11%
Program Expenses:									
General government	14,221	13,806	3%	-	-	-	14,221	13,806	3%
Public safety	57,884	46,390	25%	-	-	-	57,884	46,390	25%
Public services	13,846	11,290	23%	-	-	-	13,846	11,290	23%
Culture and recreation	6,211	5,787	7%	-	-	-	6,211	5,787	7%
Interest on long-term debt	5,212	4,084	28%	-	-	-	5,212	4,084	28%
Water	-	-	-	21,550	20,163	7%	21,550	20,163	7%
Sewer	-	-	-	14,751	13,641	8%	14,751	13,641	8%
Sanitation	-	-	-	7,559	7,057	7%	7,559	7,057	7%
Stormwater	-	-	-	7,304	6,409	14%	7,304	6,409	14%
Golf	-	-	-	1,404	1,480	-5%	1,404	1,480	-5%
Economic development	-	-	-	1,240	1,369	-9%	1,240	1,369	-9%
Total Expenses	97,374	81,357	20%	53,808	50,119	7%	151,182	131,476	15%
Excess before transfers	19,120	24,615	-22%	5,984	3,207	87%	25,104	27,822	-10%
Net transfers in (out)	(1,490)	(4,330)	-66%	1,490	4,330	-66%	-	-	-
Increase in net position	<u>\$ 17,630</u>	<u>\$ 20,285</u>	<u>-13%</u>	<u>\$ 7,474</u>	<u>\$ 7,537</u>	<u>-1%</u>	<u>\$ 25,104</u>	<u>\$ 27,822</u>	<u>-10%</u>

The City's governmental activities increase in net position of \$17,629,909 represents a 13% decrease from the prior year's increase in net position. This decrease was the result of an increase in total revenues of approximately \$10.5 million, an increase in total expenses of approximately \$16.0 million and a decrease in net transfers out of approximately \$2.8 million. The business-type activities increase in net position of \$7,474,313 represents a 0.8% decrease from the prior year's increase in net position. The results indicate the City's net position as a whole decreased 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, 2020, the City's governmental activities were funded as follows:

Governmental Activities Sources	
Sales and Use Taxes	52.53%
Other Taxes	19.28%
Charges for Service	13.02%
Grants	12.48%
Other	2.70%

Governmental Activities Uses	
General government	14.60%
Public safety	59.44%
Public services	14.22%
Culture and recreation	6.38%
Interest on long-term debt	5.35%

For the year ended June 30, 2020, total expenses for governmental activities amounted to \$97,374,831. To fund these activities, taxpayers and other general revenues funded \$85,300,929 while those directly benefiting from the program funded \$14,541,653 from grants and other contributions and \$15,162,158 from charges for services.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2020	2019		2020	2019	
General government	\$ 14,220,538	\$ 13,806,046	3%	\$ (8,815,461)	\$ (9,172,650)	-4%
Public safety	57,884,088	46,390,326	25%	(42,991,096)	(33,278,718)	29%
Public services	13,846,383	11,289,892	23%	(5,028,675)	(5,916,231)	-15%
Culture and recreation	6,211,464	5,787,181	7%	(5,623,430)	(5,211,111)	8%
Interest on long-term debt	5,212,358	4,083,820	28%	(5,212,358)	(4,083,820)	28%
TOTAL	\$97,374,831	\$81,357,265	20%	\$ (67,671,020)	\$ (57,662,530)	17%

Business-type activities

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

- Total business-type activities reported net revenues of \$5,518,965 for the year ended June 30, 2020.
- Water, sewer, and stormwater activities reported net revenues of \$1,367,980, \$1,270,425, and \$4,911,544 respectively for the year ended June 30 2020, while sanitation, golf and economic development activities reported net expenses of \$813,251, \$147,389 and \$1,070,344, respectively.
- Net revenue (expense) of services for all functions changed significantly from prior year. Water increase of 242% was primarily due to an increase in charges for services of \$2,949,070, netted with a decrease in grants and contributions of \$544,306 and an increase in expense of \$1,436,748. Sewer increase of 59% was primarily due to an increase in charges for services of \$680,604, an increase in grants and contributions of \$878,238 and netted with an increase in expense of \$1,088,430. Sanitation increase in net expense of 100% was primarily due to an increase in expense of \$494,231, netted with an increase of charges for services of \$86,616. Stormwater increase in net revenue of 311% was primarily due to an increase in capital grants and contributions of \$3,903,296. Golf decrease in net expense of 59% was primarily due to an increase in charges for services of \$136,959. Economic

development increase in net expense of 237% was primarily due to a decrease in grants and contributions of \$2,052,332.

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2020	2019		2020	2019	
Water	\$ 21,549,658	\$ 20,112,910	7%	\$ 1,367,980	\$ 399,964	242%
Sewer	14,750,665	13,662,235	8%	1,270,425	800,013	59%
Sanitation	7,559,164	7,064,933	7%	(813,251)	(405,636)	-100%
Stormwater	7,304,307	6,429,963	14%	4,911,544	1,195,032	311%
Golf	1,404,386	1,479,585	-5%	(147,389)	(359,547)	59%
Economic Development	1,239,738	1,369,467	-9%	(1,070,344)	782,865	-237%
TOTAL	\$53,807,918	\$50,119,093	7%	\$5,518,965	\$2,412,691	129%

A financial analysis of the City's funds

As the City completed its 2020 fiscal year, the governmental funds reported a combined fund balance of \$133,820,293 or an 11.6% increase from 2019. The combined proprietary funds reported a combined total net position of \$124,274,047 or a 6.1% increase from 2019.

Other fund highlights include:

- For the year ended June 30, 2020, the General Fund's total fund balance increased by \$3,637,170 or 24.1%.
- The Public Safety Sales Tax-Police Fund's total fund balance increased by \$1,427,001 or 28.7%.
- The Sales Tax Capital Improvement Fund's total fund balance increased by \$822,372 or 7.5%.
- The 2014 General Obligation Bond Fund's total fund balance decreased by \$9,538,673 or 22.7% due to the expenditures for capital outlay during the year.
- The 2018 General Obligation Bond Fund's total fund balance increased by \$19,072,844 or 1569.0% due to the proceeds from the issuance of debt exceeding the related capital outlay during the year.

General fund budgetary highlights

Over the course of the year, the City Council revised the General Fund budget at various times. The revised budget included an increase in overall appropriations of 2.43% or \$1,917,886, due primarily to an increase in budget for "Transfers to other funds" in the amount of \$1,523,491.

Capital Asset and Debt Administration

Capital assets

At the end of June 30, 2020, the City had \$537,953,805 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 \$34,757,352 or 6.9% over last year.

**Primary Government Capital Assets
(Net of accumulated depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 36,745,213	\$ 36,321,966	\$ 4,320,406	\$ 5,132,431	\$ 41,065,619	\$ 41,454,397
Buildings	45,947,168	46,684,345	2,719,274	2,908,763	48,666,442	49,593,108
Improvements	27,995,297	29,430,468	122,757,815	126,883,902	150,753,112	156,314,370
Machinery and equipment	19,827,127	18,897,968	10,869,464	8,396,485	30,696,591	27,294,453
Infrastructure	155,756,741	151,792,748	67,309,133	22,811,397	223,065,874	174,604,145
Construction in progress	<u>36,967,886</u>	<u>22,195,739</u>	<u>6,738,281</u>	<u>31,740,241</u>	<u>43,706,167</u>	<u>53,935,980</u>
Totals	<u>\$ 323,239,432</u>	<u>\$ 305,323,234</u>	<u>\$ 214,714,373</u>	<u>\$ 197,873,219</u>	<u>\$ 537,953,805</u>	<u>\$ 503,196,453</u>

This year's more significant capital asset additions included:

- 37th Street Omaha-Albany project totaling \$3,316,567-Governmental
- Whiskey Ridge Street project totaling \$1,235,215-Governmental
- Berwick South Street project totaling \$847,816-Governmental
- Whiskey Ridge project totaling \$1,775,977-Proprietary
- SCADA System Update project totaling \$1,970,771-Proprietary
- Automatic Meter Reading project totaling \$2,007,394-Proprietary
- Secondary Clarifier Rehab project totaling \$2,047,252-Proprietary
- WTP Plate Settlers project totaling \$7,546,018-Proprietary
- Automatic Meter Reading Phase II project totaling \$2,044,795-Proprietary
- Aspen Creek Relief Sewer project totaling \$1,028,990-Proprietary
- 209th St Lift Station project totaling \$1,151,170-Proprietary
- LL WWTP Headworks project totaling \$21,136,249-Proprietary

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 \$315,905,339 in long-term debt outstanding which represents a \$7,420,765 or 2.4% 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
	Accrued compensated absences	\$ 3,541,088	\$ 3,136,830	\$ 733,583	\$ 666,937	\$ 4,274,671	
General obligation bond	147,015,000	133,740,000	-	-	147,015,000	133,740,000	10%
Notes payable	9,419,883	10,084,326	140,994,617	146,521,024	150,414,500	156,605,350	-4%
Unamortized premium	2,614,558	1,942,086	4,132,950	4,296,238	6,747,508	6,238,324	8%
Judgments payable	680,130	606,360	-	-	680,130	606,360	12%
Automotive and general liability	1,366,000	1,320,000	-	-	1,366,000	1,320,000	3%
Meter deposit liability	-	-	997,682	993,724	997,682	993,724	0%
Claims payable	4,409,848	5,177,049	-	-	4,409,848	5,177,049	-15%
Totals	\$ 169,046,507	\$ 156,006,651	\$ 146,858,832	\$ 152,477,923	\$ 315,905,339	\$ 308,484,574	2%

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

Economic Factors and Next Year's Budget and Rates

The City's revenue streams are largely influenced by overall economic conditions in the region as our main source of revenues is sales tax. We have been fortunate to see continual growth in the last few years but it is still a volatile source of revenue. With the nation and the state's economic slowdown due to the Coronavirus, the City of Broken Arrow has fared very well. The majority of our businesses were considered essential businesses and were able to remain open. For FY 21 we had budgeted a 6.5% decrease in Sales Tax to accommodate the anticipated downturn of the economy. As of January 2021, the City's sales tax is \$5.5 million over what was budgeted and \$3.0 million over last year collections. Use tax is trending even higher. Compared to the same time last year we have received \$1.6M in additional Use Tax revenue.

Building permits both residential and commercial remain strong and we continued our campaign "Back to BA" explaining to the citizens that they need to shop local and that their city sales tax pays for City services such as police and fire.

The City was a recipient of funds from the Cares Act through the State of Oklahoma to help to offset allowable expenses incurred because of the Coronavirus Pandemic.

During FY 20 the City created a new TIF District, Creek 51, for a tract of land off Highway 51 along the Creek Turnpike. The Developer has begun construction on a business park for manufacturing and related industry which added \$2.2 million to the property tax rolls. With this TIF the Developer takes all the risks and will only benefit if the development builds out.

In the fall of 2018, the voters approved propositions for a \$210 million G.O. bond package over the next ten years. This will provide for needed infrastructure improvements and quality of life projects that are needed in the future.

Proposition 1: Transportation \$142.625 million

Proposition 2: Public Safety \$20.35 million

Proposition 3: Parks and Recreation \$17.75 million
Proposition 4: Public Facilities \$16.8 million
Proposition 5: Stormwater \$7.5 million
Proposition 6: Drainage \$5.5 million

The City has sold three series
December 2018 \$12,500,000
December 2019 \$23,250,000
December 2020 \$20,000,000

The Municipal Authority continues to add utility customers, water, sewer, trash, and stormwater, as the City grows. In the fall of 2016, the City Council approved a 5-year rate model and the related increases for utility services. The rate model covers the reasonable estimated expenses for operations and pay as you go capital improvements. The year 4 increase was approved effective October 1, 2019 and year 5 was to be effective October 1, 2020 but due to the Coronavirus the City Council voted to place the year 5 rate increase on hold. The Authority is currently gathering information to update the current rate model to fund the Authority's future operational and capital needs.

The City will continue monitor the current economic situation due to the Coronavirus and will respond with appropriate action as time goes on.

Contacting the City's Financial Management

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

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2020

Statement of Net Position

Broken Arrow
Statement of Net Position
June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Broken Arrow Home Finance Authority	Broken Arrow Hospital Authority
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 57,425,593	\$ 41,635,867	\$ 99,061,460	\$ 2,786	\$ 10,998
Investments	58,301,543	66,667	58,368,210	-	-
Taxes receivable	1,363,080	-	1,363,080	-	-
Internal Balances	12,949,499	(12,949,499)	-	-	-
Due from other governments	12,286,810	718,994	13,005,804	-	-
Accrued interest receivable	354,817	4,200	359,017	-	-
Accounts receivable, net of allowance	2,100,759	8,824,016	10,924,775	-	-
Inventory	-	1,437,521	1,437,521	-	-
Prepaid assets	995	33,754	34,749	-	-
Investment in joint venture	-	32,750,496	32,750,496	-	-
Net pension asset	223,922	-	223,922	-	-
Capital Assets:					
Non-depreciable	73,713,099	11,058,687	84,771,786	-	-
Depreciable, net of depreciation	249,526,333	203,655,686	453,182,019	-	-
Total assets	468,246,450	287,236,389	755,482,839	2,786	10,998
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflow related to fair value of hedging derivative	1,232,078	-	1,232,078	-	-
Deferred outflow related to refunding of debt	211,358	41,952	253,310	-	-
Deferred outflows related to pension	17,940,968	-	17,940,968	-	-
Deferred outflows related to OPEB	-	48,117	48,117	-	-
Total deferred outflow of resources	19,384,404	90,069	19,474,473	-	-
LIABILITIES					
Accounts payable	3,785,459	10,455,571	14,241,030	-	-
Accrued payroll	2,501,951	498,971	3,000,922	-	-
Accrued interest payable	1,306,264	1,337,050	2,643,314	-	-
Due to other governments	10,575	10,007	20,582	-	-
Other payables	-	99,403	99,403	-	-
Amounts held in escrow	352,221	346,413	698,634	-	-
Long term liabilities:					
Due within one year	17,400,538	7,911,498	25,312,036	-	-
Due in more than one year	197,474,721	139,280,937	336,755,658	-	-
Total liabilities	222,831,729	159,939,850	382,771,579	-	-
DEFERRED INFLOWS					
Deferred inflows related to pensions	8,754,312	-	8,754,312	-	-
Deferred inflows related to OPEB	181,317	52,264	233,581	-	-
Total deferred inflow of resources	8,935,629	52,264	8,987,893	-	-
NET POSITION					
Net investment in capital assets	164,401,349	99,138,436	263,539,785	-	-
Restricted for:					
Capital projects	89,848,945	-	89,848,945	-	-
Debt service	10,007,113	4,615,975	14,623,088	-	-
Public Safety	9,363,290	-	9,363,290	-	-
Other purposes	2,893,414	-	2,893,414	-	-
Unrestricted (deficit)	(20,650,615)	23,579,933	2,929,318	2,786	10,998
Total net position	\$ 255,863,496	\$ 127,334,344	\$ 383,197,840	\$ 2,786	\$ 10,998

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2020

Statement of Activities

Broken Arrow
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Broken Arrow Home Finance Authority	Broken Arrow Hospital Authority
					Governmental Activities	Business-type Activities	Total		
Primary government									
Governmental Activities									
General government	\$ 14,220,538	\$ 5,229,644	\$ 175,433	\$ -	\$ (8,815,461)	\$ -	\$ (8,815,461)	\$ -	\$ -
Public safety	57,884,088	8,341,102	6,279,694	272,196	(42,991,096)	-	(42,991,096)	-	-
Public services	13,846,383	1,003,378	950,683	6,863,647	(5,028,675)	-	(5,028,675)	-	-
Cultural and recreation	6,211,464	588,034	-	-	(5,623,430)	-	(5,623,430)	-	-
Interest on long-term debt	5,212,358	-	-	-	(5,212,358)	-	(5,212,358)	-	-
Total governmental activities	<u>97,374,831</u>	<u>15,162,158</u>	<u>7,405,810</u>	<u>7,135,843</u>	<u>(67,671,020)</u>	<u>-</u>	<u>(67,671,020)</u>	<u>-</u>	<u>-</u>
Business-type activities									
Water	21,549,658	22,863,957	36,131	17,550	-	1,367,980	1,367,980	-	-
Sewer	14,750,665	14,388,168	24,087	1,608,835	-	1,270,425	1,270,425	-	-
Sanitation	7,559,164	6,745,913	-	-	-	(813,251)	(813,251)	-	-
Stormwater	7,304,307	7,064,713	-	5,151,138	-	4,911,544	4,911,544	-	-
Golf	1,404,386	1,256,997	-	-	-	(147,389)	(147,389)	-	-
Economic Development	1,239,738	69,394	100,000	-	-	(1,070,344)	(1,070,344)	-	-
Total business-type activities	<u>53,807,918</u>	<u>52,389,142</u>	<u>160,218</u>	<u>6,777,523</u>	<u>-</u>	<u>5,518,965</u>	<u>5,518,965</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 151,182,749</u>	<u>\$ 67,551,300</u>	<u>\$ 7,566,028</u>	<u>\$ 13,913,366</u>	<u>(67,671,020)</u>	<u>5,518,965</u>	<u>(62,152,055)</u>	<u>-</u>	<u>-</u>
Component Units									
Finance	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues:									
Taxes:									
Sales and use taxes					61,195,087	-	61,195,087	-	-
Property taxes					16,000,367	-	16,000,367	-	-
Franchise and miscellaneous taxes					4,226,276	-	4,226,276	-	-
Hotel/motel taxes					586,625	-	586,625	-	-
Tobacco taxes					503,379	-	503,379	-	-
E-911 taxes					1,139,140	-	1,139,140	-	-
Intergovernmental revenue not restricted to specific programs					297,875	-	297,875	-	-
Unrestricted investment earnings					1,324,056	465,453	1,789,509	-	-
Miscellaneous					1,518,019	-	1,518,019	-	-
Transfers					(1,489,895)	1,489,895	-	-	-
Total general revenues and transfers					<u>85,300,929</u>	<u>1,955,348</u>	<u>87,256,277</u>	<u>-</u>	<u>-</u>
Change in net position					<u>17,629,909</u>	<u>7,474,313</u>	<u>25,104,222</u>	<u>-</u>	<u>-</u>
Net position - beginning					<u>238,233,587</u>	<u>119,860,031</u>	<u>358,093,618</u>	<u>2,786</u>	<u>10,998</u>
Net position - ending					<u>\$ 255,863,496</u>	<u>\$ 127,334,344</u>	<u>\$ 383,197,840</u>	<u>\$ 2,786</u>	<u>\$ 10,998</u>

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2020

Governmental Funds – Balance Sheet

City of Broken Arrow, Oklahoma Balance Sheet Governmental Funds June 30, 2020									
	General Fund	Public Safety Sales Tax- Police	Public Safety Sales Tax-Fire	Sales Tax Capital Improvement Fund	2014 General Obligation Bond Fund	2018 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 5,611,612	\$ 7,013,022	\$ 543,092	\$ 2,187,871	\$ 6,966,509	\$ 6,441,874	\$ 7,126,621	\$ 19,554,356	\$ 55,444,957
Investments	-	-	-	-	27,089,445	25,150,293	1,863,463	4,198,342	58,301,543
Taxes receivable, net	354,116	-	-	-	-	-	1,008,964	-	1,363,080
Due from other funds	7,309,631	-	-	8,479,499	-	-	-	-	15,789,130
Receivable from other governments	8,593,058	443,774	462,741	1,470,396	400,208	-	1,731	914,902	12,266,810
Accrued interest receivable	-	-	-	-	117,844	193,040	6,334	37,599	354,817
Other receivables, net	1,948,465	-	4,451	6,793	-	-	-	141,050	2,100,759
Prepaid expenses	995	-	-	-	-	-	-	-	995
Total assets	\$ 23,817,877	\$ 7,456,796	\$ 1,010,284	\$ 12,144,559	\$ 34,574,006	\$ 31,785,207	\$ 10,007,113	\$ 24,846,249	\$ 145,642,091
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 237,546	\$ 164,287	\$ 178,502	\$ 408,689	\$ 1,539,392	\$ 362,907	\$ -	\$ 880,631	\$ 3,771,954
Accrued payroll	946,317	890,075	665,559	-	-	-	-	-	2,501,951
Due to other funds	2,838,290	-	-	-	-	-	-	1,341	2,839,631
Due to other governments	10,575	-	-	-	-	-	-	-	10,575
Amounts held in escrow	309,165	-	-	-	-	-	-	86	309,251
Total liabilities	4,341,893	1,054,362	844,061	408,689	1,539,392	362,907	-	882,058	9,433,362
DEFERRED INFLOWS OF RESOURCES									
Deferred revenue	732,982	-	-	-	518,052	193,040	876,378	67,984	2,388,436
Total deferred inflows of resources	732,982	-	-	-	518,052	193,040	876,378	67,984	2,388,436
Fund balances:									
Restricted	-	6,402,434	166,223	11,735,870	32,516,562	31,229,260	9,130,735	19,279,572	110,460,656
Committed	-	-	-	-	-	-	-	4,616,635	4,616,635
Assigned	8,791,966	-	-	-	-	-	-	-	8,791,966
Unassigned	9,951,036	-	-	-	-	-	-	-	9,951,036
Total fund balances	18,743,002	6,402,434	166,223	11,735,870	32,516,562	31,229,260	9,130,735	23,896,207	133,820,293
Total liabilities, deferred inflows and fund balances	\$ 23,817,877	\$ 7,456,796	\$ 1,010,284	\$ 12,144,559	\$ 34,574,006	\$ 31,785,207	\$ 10,007,113	\$ 24,846,249	\$ 145,642,091

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2020

Broken Arrow
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net
Position
June 30, 2020

Total fund balance, governmental funds \$ 133,820,293

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, but are reported in the governmental activities of the Statement of Net Position 323,239,432

Certain other long-term assets and deferred outflows are not available to pay current period expenditures and therefore are deferred or not reported in the funds:

Receivable from other governments	1,285,795
Court fines receivable	635,476
Cemetery receivable	17,769
Street light fee	3,348
Interest receivable	354,817
Miscellaneous receivables	91,231
Deferred outflow - derivative fair value	1,232,078
Deferred outflows related to pensions	17,940,968
Deferred outflow on refunding	211,358
Net pension asset	223,922
	<u>21,996,762</u>

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

Excess Capacity Sewer Fund	(1,461,983)
Stormwater Capital Fund	(1,598,314)
	<u>(3,060,297)</u>

The assets and liabilities of certain internal services funds are not included in this fund financial statement, but are included in the governmental activities of the Statement of Net Position 574,610

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

Unamortized premium	(2,614,558)
General obligation bonds payable	(147,015,000)
Notes payable	(9,419,883)
Accrued compensated absences	(3,541,088)
Accrued interest payable	(1,306,264)
Derivative investment liability-interest rate swap	(1,232,078)
Automotive and general liability	(1,366,000)
Judgments payable	(680,130)
Deferred inflows related to OPEB	(181,317)
Total OPEB liability	(850,221)
Net pension liability	(43,746,453)
Deferred inflows related to pensions	(8,754,312)
	<u>(220,707,304)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ 255,863,496

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2020

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

City of Broken Arrow, Oklahoma Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2020									
	General Fund	Public Safety Sales Tax- Police	Public Safety Sales Tax-Fire	Sales Tax Capital Improvement Fund	2014 General Obligation Bond Fund	2018 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES									
Sales and use taxes	\$ 45,153,377	\$ 2,291,673	\$ 2,291,673	\$ 7,638,909	\$ -	\$ -	\$ -	\$ 3,819,455	\$ 61,195,087
Property tax	-	-	-	-	-	-	15,877,901	-	15,877,901
Franchise and miscellaneous taxes	4,729,655	-	-	-	-	-	-	586,625	5,316,280
Intergovernmental	832,437	1,590,772	4,386,447	50,000	664,521	-	-	1,932,131	9,456,308
Charges for services	11,190,993	-	-	-	-	-	-	2,463,254	13,654,247
Fines and forfeitures	1,344,292	-	-	-	-	-	-	7,423	1,351,715
Licenses and permits	1,420,304	-	-	-	-	-	-	-	1,420,304
Rental income	1,178,154	-	-	-	-	-	-	-	1,178,154
Investment income	46,548	7,184	3,264	10,879	939,765	223,712	67,940	114,519	1,413,521
Miscellaneous	207,212	7,977	17,059	34,279	621,174	-	-	194,072	1,081,773
Total revenues	<u>66,102,972</u>	<u>3,897,606</u>	<u>6,698,443</u>	<u>7,734,067</u>	<u>2,225,460</u>	<u>223,712</u>	<u>15,945,841</u>	<u>9,117,479</u>	<u>111,945,580</u>
EXPENDITURES									
Current:									
General government	11,726,276	-	-	-	-	-	-	751,957	12,478,233
Public safety	1,175,231	26,061,390	26,867,726	-	-	-	-	101,709	54,206,056
Public services	3,090,784	-	-	-	-	-	-	-	3,090,784
Parks and recreation	4,249,822	-	-	-	-	-	-	-	4,249,822
Debt Service:									
Principal	-	-	-	1,429,443	-	-	10,367,771	-	11,797,214
Interest and other charges	-	-	-	617,249	-	-	4,592,221	-	5,209,470
Bond issuance costs	-	-	-	-	-	108,528	397,234	-	505,762
Capital Outlay	-	653,982	272,348	5,630,003	11,764,133	4,292,340	-	7,558,715	30,171,521
Total expenditures	<u>20,242,113</u>	<u>26,715,372</u>	<u>27,140,074</u>	<u>7,676,695</u>	<u>11,764,133</u>	<u>4,400,868</u>	<u>15,357,226</u>	<u>8,412,381</u>	<u>121,708,862</u>
Excess (deficiency) of revenues over expenditures	<u>45,860,859</u>	<u>(22,817,766)</u>	<u>(20,441,631)</u>	<u>57,372</u>	<u>(9,538,673)</u>	<u>(4,177,156)</u>	<u>588,615</u>	<u>705,098</u>	<u>(9,763,282)</u>
OTHER FINANCING SOURCES (USES)									
Proceeds from long-term debt	-	-	-	765,000	-	23,250,000	9,675,000	-	33,690,000
Payment to escrow agent	-	-	-	-	-	-	(9,764,233)	-	(9,764,233)
Accrued interest on debt issue	-	-	-	-	-	-	39,842	-	39,842
Bond premium	-	-	-	-	-	-	972,122	-	972,122
Transfers in	16,573,533	24,244,767	19,678,756	-	-	-	-	-	60,497,056
Transfers out	(58,797,222)	-	-	-	-	-	(990,019)	(1,945,000)	(61,732,241)
Total other financing sources and uses	<u>(42,223,689)</u>	<u>24,244,767</u>	<u>19,678,756</u>	<u>765,000</u>	<u>-</u>	<u>23,250,000</u>	<u>(67,288)</u>	<u>(1,945,000)</u>	<u>23,702,546</u>
Net change in fund balances	<u>3,637,170</u>	<u>1,427,001</u>	<u>(762,875)</u>	<u>822,372</u>	<u>(9,538,673)</u>	<u>19,072,844</u>	<u>521,327</u>	<u>(1,239,902)</u>	<u>13,939,264</u>
Fund balances - beginning	15,105,832	4,975,433	929,098	10,913,498	42,055,235	12,156,416	8,609,408	25,136,109	119,881,029
Fund balances - ending	<u>\$ 18,743,002</u>	<u>\$ 6,402,434</u>	<u>\$ 166,223</u>	<u>\$ 11,735,870</u>	<u>\$ 32,516,562</u>	<u>\$ 31,229,260</u>	<u>\$ 9,130,735</u>	<u>\$ 23,896,207</u>	<u>\$ 133,820,293</u>

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2020

Broken Arrow
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds:	\$	13,939,264
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		24,174,264
Book value on capital assets disposed		(41,860)
Capital assets contributed		5,230,048
Depreciation expense		(11,446,254)
		17,916,198
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Revenue bond principal payment		10,055,000
Bond proceeds		(32,925,000)
Payment to escrow agent		9,764,233
Premium on bonds		(972,122)
Amortization of premium on bonds		276,898
Issuance of judgments		(386,541)
Principal paid on judgments		312,771
Notes payable proceeds		(765,000)
Notes payable principal payment		1,429,443
		(13,210,318)
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:		
Change in net pension asset		(1,426,434)
Changes in deferred outflow - fair value derivative		27,300
Changes in deferred outflows related to pensions		(3,091,780)
		(4,490,914)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned:		
Change in deferred revenue		(104,448)
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		(283,023)
Accrued compensated absences change		(404,258)
Change in derivative investment liability- interest rate swap		(27,300)
Changes in deferred inflows related to OPEB		(126,386)
Total OPEB liability change		78,799
Change in net pension liability		6,344,210
Change in deferred inflows related to pensions		(3,014,817)
Amortization of deferred outflow on refunding		(36,605)
Change in claims liability		(46,000)
		2,484,620
Certain special revenue funds are used by management to perform business-type activities. The net change in fund balances of these special revenue funds are included in the business-type activities on the Statement of Activities:		
Change in Excess Capacity Sewer Fund		(152,934)
Change in Stormwater Capital Fund		(226,195)
		(379,129)
Internal service fund activity is reported as a proprietary fund in the fund financial statements, but certain net revenues are reported in governmental activities on the statement of Activities:		
Total change in net position for internal service funds		1,474,636
Change in net position of governmental activities	\$	17,629,909
See accompanying notes to the basic financial statements.		

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2020

Proprietary Funds – Statement of Net Position

Broken Arrow
Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Funds			Total	Internal Service Funds
	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,320,219	\$ 5,299,123	\$ 208,886	\$ 7,828,228	\$ 5,040,933
Restricted cash and cash equivalents	25,915,303	248,510	-	26,163,813	-
Investments	66,667	-	-	66,667	-
Accounts receivable, net	8,824,016	-	-	8,824,016	-
Due from other funds	3,303,314	-	-	3,303,314	-
Due from other governments	618,994	100,000	-	718,994	-
Interest receivable	-	4,200	-	4,200	-
Inventories	1,382,109	-	55,412	1,437,521	-
Prepaid assets	20,500	-	13,254	33,754	-
Total current assets	<u>42,451,122</u>	<u>5,651,833</u>	<u>277,552</u>	<u>48,380,507</u>	<u>5,040,933</u>
Noncurrent assets:					
Restricted cash and cash equivalents	4,083,529	500,000	-	4,583,529	-
Investment in joint venture	32,750,496	-	-	32,750,496	-
Capital assets:					
Land and other nondepreciable assets	9,294,876	1,534,134	229,677	11,058,687	-
Other capital assets, net of accumulated depreciation	199,111,767	144,245	4,399,674	203,655,686	-
Total noncurrent assets	<u>245,240,668</u>	<u>2,178,379</u>	<u>4,629,351</u>	<u>252,048,398</u>	<u>-</u>
Total assets	<u>287,691,790</u>	<u>7,830,212</u>	<u>4,906,903</u>	<u>300,428,905</u>	<u>5,040,933</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	41,952	-	-	41,952	-
Deferred amounts related to OPEB	48,117	-	-	48,117	-
Total deferred outflows of resources	<u>90,069</u>	<u>-</u>	<u>-</u>	<u>90,069</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	9,783,066	78,542	593,963	10,455,571	13,505
Accrued payroll payable	498,971	-	-	498,971	-
Accrued interest payable	1,283,545	53,505	-	1,337,050	-
Due to other funds	12,070,213	3,360,000	822,600	16,252,813	-
Other accrued expenses	-	-	99,403	99,403	-
Amounts held in escrow	346,413	-	-	346,413	42,970
Due to other governments	-	-	10,007	10,007	-
Compensated absences	489,055	-	-	489,055	-
Claims liability	-	-	-	-	976,000
Meter deposit liability	199,536	-	-	199,536	-
Bonds, notes and loans payable, net	6,487,907	735,000	-	7,222,907	-
Total current liabilities	<u>31,158,706</u>	<u>4,227,047</u>	<u>1,525,973</u>	<u>36,911,726</u>	<u>1,032,475</u>
Non-current liabilities:					
Compensated absences	244,528	-	-	244,528	-
Claims liability	-	-	-	-	3,433,848
Meter deposit liability	798,146	-	-	798,146	-
Bonds, notes and loans payable	132,189,660	5,715,000	-	137,904,660	-
Total OPEB liability	333,603	-	-	333,603	-
Total non-current liabilities	<u>133,565,937</u>	<u>5,715,000</u>	<u>-</u>	<u>139,280,937</u>	<u>3,433,848</u>
Total liabilities	<u>164,724,643</u>	<u>9,942,047</u>	<u>1,525,973</u>	<u>176,192,663</u>	<u>4,466,323</u>
DEFERRED INFLOW OF RESOURCES					
Deferred amounts related to pensions	52,264	-	-	52,264	-
Total deferred inflow of resources	<u>52,264</u>	<u>-</u>	<u>-</u>	<u>52,264</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	92,830,706	1,678,379	4,629,351	99,138,436	-
Restricted for debt service	4,615,975	-	-	4,615,975	-
Unrestricted (deficit)	25,558,271	(3,790,214)	(1,248,421)	20,519,636	574,610
Total net position	<u>\$ 123,004,952</u>	<u>\$ (2,111,835)</u>	<u>\$ 3,380,930</u>	<u>\$ 124,274,047</u>	<u>\$ 574,610</u>

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

3,060,297

Total net position per Government-Wide financial statements

\$ 127,334,344

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2020

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

Broken Arrow
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds			Total	Internal Service Funds
	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course		
OPERATING REVENUES					
Water charges	\$ 22,418,462	\$ -	\$ -	\$ 22,418,462	\$ -
Sewer charges	13,959,014	-	-	13,959,014	-
Sanitation charges	6,614,456	-	-	6,614,456	-
Stormwater fees	6,683,353	-	-	6,683,353	-
Fees and fines	733,244	-	-	733,244	-
Golf	-	-	1,256,997	1,256,997	-
Miscellaneous	253,674	-	-	253,674	-
Self insurance charges	-	-	-	-	10,279,201
Total operating revenues	<u>50,662,203</u>	<u>-</u>	<u>1,256,997</u>	<u>51,919,200</u>	<u>10,279,201</u>
OPERATING EXPENSES					
General government	1,249,531	932,555	-	2,182,086	-
Finance and administration	1,749,909	-	-	1,749,909	-
Engineering and construction	3,085,734	-	-	3,085,734	-
Water distribution	10,000,077	-	-	10,000,077	-
Sanitary sewer system	6,769,132	-	-	6,769,132	-
Sanitation services	5,954,622	-	-	5,954,622	-
Support services	3,327,317	-	-	3,327,317	-
Stormwater	3,972,822	-	-	3,972,822	-
Claims expense	-	-	-	-	8,846,660
Golf	-	-	1,238,444	1,238,444	-
Depreciation	10,388,963	10,105	165,942	10,565,010	-
Total operating expenses	<u>46,498,107</u>	<u>942,660</u>	<u>1,404,386</u>	<u>48,845,153</u>	<u>8,846,660</u>
Operating income (loss)	<u>4,164,096</u>	<u>(942,660)</u>	<u>(147,389)</u>	<u>3,074,047</u>	<u>1,432,541</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	447,739	8,733	6,671	463,143	3,871
Miscellaneous revenue	-	69,394	-	69,394	38,224
Gain (loss) on disposal of capital assets	110,010	(67,163)	-	42,847	-
Operating grant	60,218	100,000	-	160,218	-
Bond issuance costs	(66,750)	-	-	(66,750)	-
Interest expense and fiscal charges	(4,652,516)	(229,915)	-	(4,882,431)	-
Total non-operating revenue (expenses)	<u>(4,101,299)</u>	<u>(118,951)</u>	<u>6,671</u>	<u>(4,213,579)</u>	<u>42,095</u>
Income (loss) before contributions and transfers	62,797	(1,061,611)	(140,718)	(1,139,532)	1,474,636
Capital contributions	6,999,531	-	-	6,999,531	-
Transfers in	15,293,699	1,835,185	-	17,128,884	-
Transfers out	(15,893,699)	-	-	(15,893,699)	-
Change in net position	<u>6,462,328</u>	<u>773,574</u>	<u>(140,718)</u>	<u>7,095,184</u>	<u>1,474,636</u>
Total net position (deficit) - beginning	116,542,624	(2,885,409)	3,521,648	117,178,863	(900,026)
Total net position (deficit) - ending	<u>\$ 123,004,952</u>	<u>\$ (2,111,835)</u>	<u>\$ 3,380,930</u>	<u>\$ 124,274,047</u>	<u>\$ 574,610</u>

Change in net position, per above

7,095,184

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

379,129

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

\$ 7,474,313

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2020

Proprietary Funds – Statement of Cash Flows

Broken Arrow
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds				Internal Service Funds
	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Battle Creek Golf Course	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 49,220,550	\$ -	\$ 1,256,997	\$ 50,477,547	\$ 10,328,381
Payments to suppliers	(15,209,839)	(1,051,168)	(1,174,061)	(17,435,068)	-
Payments to employees	(17,633,532)	-	-	(17,633,532)	-
Receipts of customer meter deposits	273,512	-	-	273,512	-
Payment of customer meter deposits	(269,554)	-	-	(269,554)	-
Claims paid	-	-	-	-	(9,640,998)
Interfund receipts	4,712,142	-	50,000	4,762,142	-
Net cash provided by (used in) operating activities	21,093,279	(1,051,168)	132,936	20,175,047	687,383
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	15,293,699	1,835,185	-	17,128,884	-
Transfer to other funds	(15,893,699)	-	-	(15,893,699)	-
Net cash provided by (used in) noncapital financing activities	(600,000)	1,835,185	-	1,235,185	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(21,218,658)	-	-	(21,218,658)	-
Proceeds from issuance of debt	6,438,428	-	-	6,438,428	-
Note issuance costs	(66,750)	-	-	(66,750)	-
Proceeds from sale of capital assets	110,010	744,862	-	854,872	-
Payment to escrow for refunding	(5,693,792)	-	-	(5,693,792)	-
Principal paid on capital debt	(5,580,146)	(735,000)	-	(6,315,146)	-
Interest paid on capital debt	(4,875,838)	(236,584)	-	(5,112,422)	-
Net cash provided by (used in) capital and related financing activities	(30,886,746)	(226,722)	-	(31,113,468)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investments	88,000	-	-	88,000	-
(Increase) decrease in investment in joint venture	(5,179,649)	-	-	(5,179,649)	-
Interest and dividends	447,739	8,733	6,671	463,143	3,871
Net cash provided by investing activities	(4,643,910)	8,733	6,671	(4,628,506)	3,871
Net Increase (decrease) in cash and cash equivalents	(15,037,377)	566,028	139,607	(14,331,742)	691,254
Balances-beginning of year	47,356,428	5,481,605	69,279	52,907,312	4,348,679
Balances-end of year	\$ 32,319,051	\$ 6,047,633	\$ 208,886	\$ 38,575,570	\$ 5,040,933
Reconciliation to Combining Statement of Net Position:					
Cash and cash equivalents	\$ 2,320,219	\$ 5,299,123	\$ 208,886	\$ 7,828,228	\$ 5,040,933
Restricted cash and cash equivalents-current	25,915,303	248,510	-	26,163,813	-
Restricted cash and cash equivalents-noncurrent	4,083,529	500,000	-	4,583,529	-
Total cash and cash equivalents, end of year	\$ 32,319,051	\$ 6,047,633	\$ 208,886	\$ 38,575,570	\$ 5,040,933
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 4,164,096	\$ (942,660)	\$ (147,389)	\$ 3,074,047	\$ 1,432,541
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	10,388,963	10,105	165,942	10,565,010	-
Miscellaneous non-operating revenue (expense)	-	69,394	-	69,394	38,224
Change in assets and liabilities:					
Receivables, net	(1,431,148)	-	-	(1,431,148)	-
Due from other funds	(11,654)	-	-	(11,654)	-
Other receivable	-	-	-	-	13,088
Inventories	(131,216)	-	3,521	(127,695)	-
Prepaid assets	-	-	(8,916)	(8,916)	-
Deferred amounts related to OPEB	59,078	-	-	59,078	-
Accounts payables	3,159,630	(188,007)	46,045	3,017,668	(27,137)
Accrued payroll	139,781	-	-	139,781	-
Due to other funds	4,723,796	-	50,000	4,773,796	-
Other payables	-	-	20,269	20,269	-
Amounts held in escrow	36,231	-	-	36,231	(2,132)
Due to other governments	-	-	3,464	3,464	-
Accrued compensated absences	66,646	-	-	66,646	-
Customer meter deposits payable	3,958	-	-	3,958	-
Claims and judgments	-	-	-	-	(767,201)
Total OPEB liability	(28,146)	-	-	(28,146)	-
Net cash provided by (used in) operating activities	\$ 21,093,279	\$ (1,051,168)	\$ 132,936	\$ 20,175,047	\$ 687,383
Non-cash Activities:					
Capital assets contributed	\$ 6,999,531	\$ -	\$ -	\$ 6,999,531	\$ -
Total Non-cash Activities	\$ 6,999,531	\$ -	\$ -	\$ 6,999,531	\$ -

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA
ANNUAL FINANCIAL REPORT
Year Ending June 30, 2020

Statement of Fiduciary Net Position

Broken Arrow
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 936,567
Accounts receivable	46,546
Total assets	<u>\$ 983,113</u>
LIABILITIES	
Amounts held in escrow	983,113
Total liabilities	<u>\$ 983,113</u>

See accompanying notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Note 1 – Summary of Significant Accounting Policies

Organization and operations

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

Financial reporting entity

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

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

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

Blended component units

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

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

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

Discretely presented component units

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

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

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

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

Related organizations

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

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

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

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

Joint venture

The City is currently a participant (with equity interest) in the general operating portion of the Regional Metropolitan Utility Authority (RMUA). The RMUA is a Title 60 Public Trust created to provide, operate, and maintain water supply, wastewater and pollution control facilities for the benefit of various governmental entities. Currently, the RMUA is providing wastewater facilities at the Haikey Creek sewage treatment plants. On dissolution of the RMUA, the net position will be distributed to the beneficiaries based upon their pro-rata interest. Separate audited financial statements of RMUA for the year ended June 30, 2020, are available from the Office of Finance, City of Tulsa, Oklahoma.

Basis of presentation

Government-wide financial statements

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

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

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

Fund financial statements

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

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

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

Governmental funds:

General fund

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

Special revenue funds

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

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Special revenue funds – (continued)

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

Debt service fund

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

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Capital project funds

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

Fund	Brief Description
Sales Tax Capital Improvement	Accounts for the revenues generated by a 0.5% sales tax to be used strictly for capital improvements. This fund is the primary funding source for capital outlay expenditures of General Fund departments.
2014 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation, stormwater improvements and the purchase and construction of public buildings
2018 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements and the purchase and construction of public buildings.
Parks and Recreation	Accounts for fees collected on the construction of new residences which are restricted in use for park and recreation improvements.
Cemetery Care	Accounts for 12.5% of cemetery revenue restricted by state law and an additional 12.5% contributed by the City for cemetery capital improvement.
Street Sales Tax	Accounts for revenues generated by a 0.25% sales tax to be used strictly for street improvements.
1994 General Obligation Bond Fund	Accounts for bond proceeds to be used for industrial development purposes within the City.
2008 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements.
2011 General Obligation Bond Fund	Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements.

Proprietary funds

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

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Non-operating 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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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Measurement focus:

Government-wide, proprietary and fiduciary fund financial statements

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

Governmental fund financial statements

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

Basis of accounting:

Government-wide, proprietary and fiduciary fund financial statements

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

Governmental fund financial statements

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

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

Cash and cash equivalents

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

CITY OF BROKEN ARROW, OKLAHOMA
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Investments

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

Receivables

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

Proprietary type funds, business-type activities and similar component unit's material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables.

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:

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

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

Restricted assets

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

Long-term debt

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

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

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

Compensated absences

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

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

Equity classifications:

Government-wide and proprietary fund financial statements

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

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

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

Governmental fund financial statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

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

Internal and interfund balances and activities

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

Government-wide financial statements:

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

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between governmental and business-type activities, which are reported as transfers – internal activities. The effects of interfund services between funds are not eliminated in the statement of activities.

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

Fund financial statements

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

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

Revenues, expenditures and expenses

Sales tax

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

Property tax

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

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

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2020, the City's net assessed valuation of taxable property was \$965,356,952. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2020, was \$15.66.

Program revenues

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

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

Land and Building Lease

The City leases land and a building to Bass Pro Shops under a lease which commenced May 2004. The initial term of the lease is 20 years and includes nine one-year renewal options and three five-year renewal options. Rental income is calculated as a percentage of gross sales. Bass Pro Shops has the option to purchase the premises for 90% of fair value after the initial term. Total rental income received during 2020 was \$717,685.

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Expenditures and expenses

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

Use of estimates

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

Note 2 – Stewardship, Compliance and Accountability

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

Deposits and investments laws and regulations

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

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

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

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

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

Debt restrictions and covenants

Other long-term debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. During Fiscal Year 2020, the City issued General Obligation Bonds Series 2019A, 2019B and 2019C in the amount of \$23,250,000, \$3,280,000 and \$6,395,000, respectively, which were approved by the citizens of the City.

Revenue bond and promissory note debt

The various bond and note indentures relating to the revenue bond and promissory note issuances of the Broken Arrow Municipal Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, a debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2020.

Requirement	Level of Compliance
a. Flow of Funds:	
OWRB Loans:	
<ul style="list-style-type: none"> • Utility Revenue Fund • Sales Tax Fund • Operation and Maintenance Fund • Bond Fund (interest, principal and reserve accounts) 	All funds, except for a separate Utility Revenue Fund have been established. Utility revenue is deposited directly into O & M Fund. Method of actual transfers of funds is not made specifically in accordance with bond covenants; however, the end result of the flow of funds is being accomplished.
b. Reserve Account Requirement:	
OWRB Loans:	
<ul style="list-style-type: none"> • Account balance on the 2012 OWRB note payable should equal \$2,435,677. 	Account balance at June 30, 2020 for the 2012 OWRB note payable is \$2,435,677.
<ul style="list-style-type: none"> • Account balance on the 2015 OWRB note payable should equal \$849,706. 	Account balance at June 30, 2020 for the 2015 OWRB note payable is \$849,706.
<ul style="list-style-type: none"> • Account balance on the 2019 BAEDA note payable should equal \$500,000. 	Account balance at June 30, 2020 for the 2019 BAEDA note payable is \$500,000.

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c. Revenue Bond Coverage:

OWRB Loans and Sales Tax Revenue Note:

- Net revenues of the Authority plus 125% of maximum annual debt service of all obligations on a parity with the OWRB 2001, 2004, 2007, 2012, 2015, 2016 A&B, 2017 A&B, 2018, 2019 A&B notes and 2019 Sales Tax Revenue Note. Maximum annual debt service on all parity debt is \$12,246,341. Coverage is 247%.

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, 2020.

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, 2020, the City complied in all material respects with the applicable budget laws relating to expenditures and appropriations at the legal level of control.

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Workers Compensation internal service fund has a net position deficit of \$1,470,037 primarily due to actuarially determined unfunded liabilities. It is the City's intent to fund the liabilities as soon as economically feasible.

Note 3 – Detail Notes on Transaction Classes/Accounts

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

Deposits

As of June 30, 2020, the City held the following deposits and investments:

<u>Primary Government:</u>			<u>Carrying Value</u>	<u>Maturities in Years</u>		
				<u>On Demand</u>	<u>Less than One</u>	<u>1-5</u>
Deposits:						
Cash on hand			\$ 4,163	\$ 4,163	\$ -	\$ -
Demand deposits			69,711,460	69,711,460	-	-
Time deposits - certificate of deposits			50,406,410	-	17,620,790	32,785,620
	<u>Credit Rating</u>	<u>Fair Value Categories</u>				
Investments:						
United States Treasury Notes/Bills	AAA	Level I	7,281,670	-	4,207,242	3,074,428
Judgments	N/A	N/A	680,130	-	340,557	339,573
Bond Trustee Accounts:						
Cavalan Hill US Treasury-Admin #0002	AAA	Level I	30,282,404	30,282,404	-	-
Total deposits and investments			<u>\$ 158,366,237</u>	<u>\$ 99,998,027</u>	<u>\$ 22,168,589</u>	<u>\$ 36,199,621</u>
Reconciliation to Statement of Net Position:						
Cash and cash equivalents			\$ 99,061,460			
Investments			58,368,210			
Add: Fiduciary cash and cash equivalents			936,567			
			<u>\$ 158,366,237</u>			
Component Units:						
Broken Arrow Home Finance Authority			\$ 2,786			
Broken Arrow Hospital Authority			10,998			
			<u>\$ 13,784</u>			

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

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

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

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

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

Interest rate swap agreement

In May 2004, the City entered into a twenty year interest rate swap agreement as a cash flow hedge for \$15,035,000 of its variable rate portion of a Construction and Term loan. The City owes interest on this portion of the loan at a variable rate of LIBOR plus 100 basis points not to exceed 6.2975%. The counterparty to the swap agreement owes the City interest if the LIBOR rate exceeds 6.2975%. The counterparty has not made any payments to the City since the LIBOR rate has not yet exceeded 6.2975%. The objective of the hedge is to cap the interest rate paid at 6.2975% plus 100 basis points (7.2975%). The City has achieved that objective and is reporting the derivative under hedge accounting standards. The interest rate swap liability is measured at fair value and is considered a level 2 valuation. The notional amount of the hedging derivative at June 30, 2020 is \$6,655,000.

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

<u>Year Ending June 30,</u>	<u>Assumed Interest Rate</u>	<u>Hedging Derivative Cash Flow</u>
2021	< 6.2975%	\$ (365,395)
2022	< 6.2975%	(321,940)
2023	< 6.2975%	(251,704)
2024	< 6.2975%	(176,009)
2025	< 6.2975%	(97,580)
2026	< 6.2975%	(19,450)
Total		<u>\$ (1,232,078)</u>

Accounts receivable

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable	\$ -	\$ 12,061,682
Accounts receivable-ambulance	2,555,223	-
Accounts receivable-court	2,133,534	-
Accounts receivable-other	687,956	-
Less: allowance for uncollectible accounts	<u>(3,275,954)</u>	<u>(3,237,666)</u>
Other receivables, net of allowance	<u>\$ 2,100,759</u>	<u>\$ 8,824,016</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

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, 2020, were as follows:

Type of Restricted Assets	Current Cash and Cash Equivalents	Noncurrent Cash and Cash Equivalents	Total
BAMA			
Revenue bond and note trustee accounts	\$ 25,715,767	\$ 3,285,383	\$ 29,001,150
Meter deposits	199,536	798,146	997,682
Total BAMA	<u>\$ 25,915,303</u>	<u>\$ 4,083,529</u>	<u>\$ 29,998,832</u>
BAEDA			
Revenue bond and note trustee accounts	\$ 248,510	\$ 500,000	\$ 748,510
Total BAEDA	<u>\$ 248,510</u>	<u>\$ 500,000</u>	<u>\$ 748,510</u>

Capital assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance at June 30, 2019	Additions	Deductions	Balance at June 30, 2020
Governmental activities:				
Nondepreciable:				
Land	\$ 36,321,966	\$ 423,247	\$ -	\$ 36,745,213
Construction-in-progress	22,195,739	16,930,468	(2,158,321)	36,967,886
Total nondepreciable assets at historical cost	<u>\$ 58,517,705</u>	<u>\$ 17,353,715</u>	<u>\$ (2,158,321)</u>	<u>\$ 73,713,099</u>
Depreciable:				
Buildings	63,793,063	616,324	-	64,409,387
Improvements	44,690,862	372,169	-	45,063,031
Machinery and equipment	45,023,956	4,169,241	(635,659)	48,557,538
Infrastructure	249,020,351	9,051,184	-	258,071,535
Total depreciable assets at historical cost	<u>402,528,232</u>	<u>14,208,918</u>	<u>(635,659)</u>	<u>416,101,491</u>
Less accumulated depreciation:				
Buildings	(17,108,718)	(1,353,501)	-	(18,462,219)
Improvements	(15,260,394)	(1,807,340)	-	(17,067,734)
Machinery and equipment	(26,125,988)	(3,198,222)	593,799	(28,730,411)
Infrastructure	(97,227,603)	(5,087,191)	-	(102,314,794)
Total accumulated depreciation	<u>(155,722,703)</u>	<u>(11,446,254)</u>	<u>593,799</u>	<u>(166,575,158)</u>
Net depreciable assets	<u>246,805,529</u>	<u>2,762,664</u>	<u>(41,860)</u>	<u>249,526,333</u>
Governmental activities capital assets, net	<u>\$ 305,323,234</u>	<u>\$ 20,116,379</u>	<u>\$ (2,200,181)</u>	<u>\$ 323,239,432</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Capital assets – (continued)

	Balance at June 30, 2019	Additions	Deductions	Balance at June 30, 2020
Business-type activities:				
Nondepreciable:				
Land	\$ 5,132,431	\$ -	\$ (812,025)	\$ 4,320,406
Construction-in-progress	31,740,241	18,810,843	(43,812,803)	6,738,281
Total nondepreciable assets at historical cost	<u>36,872,672</u>	<u>18,810,843</u>	<u>(44,624,828)</u>	<u>11,058,687</u>
Depreciable:				
Buildings	7,472,999	-	-	7,472,999
Improvements	269,830,124	2,077,394	-	271,907,518
Machinery and equipment	19,808,671	4,257,465	(799,853)	23,266,283
Infrastructure – drainage	42,765,160	46,885,290	-	89,650,450
Total depreciable assets at historical cost	<u>339,876,954</u>	<u>53,220,149</u>	<u>(799,853)</u>	<u>392,297,250</u>
Less accumulated depreciation:				
Buildings	(4,564,236)	(189,489)	-	(4,753,725)
Improvements	(142,946,222)	(6,203,481)	-	(149,149,703)
Machinery and equipment	(11,412,186)	(1,784,486)	799,853	(12,396,819)
Infrastructure – drainage	(19,953,763)	(2,387,554)	-	(22,341,317)
Total accumulated depreciation	<u>(178,876,407)</u>	<u>(10,565,010)</u>	<u>799,853</u>	<u>(188,641,564)</u>
Net depreciable assets	<u>161,000,547</u>	<u>42,655,139</u>	<u>-</u>	<u>203,655,686</u>
Business-type capital assets, net	<u>\$ 197,873,219</u>	<u>\$ 61,465,982</u>	<u>\$ (44,624,828)</u>	<u>\$ 214,714,373</u>

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

Depreciation expense charged to governmental activities:	
General government	\$ 1,551,634
Public safety	2,121,239
Public services	6,038,352
Culture and recreation	<u>1,735,029</u>
Total government activities depreciation expense	<u>\$ 11,446,254</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Depreciation expense charged to business-type activities:	
Water	\$ 4,492,438
Sewer	3,479,281
Sanitation	350,798
Stormwater management	2,066,446
Economic development	10,105
Golf	165,942
	<hr/>
Total business-type activities depreciation expense	<u>\$ 10,565,010</u>

Investment in joint venture

As discussed in Note 1, the City participates (with equity interest) in the general operations portion of the Regional Metropolitan Utility Authority (RMUA). The City of Broken Arrow and the City of Tulsa each maintain approximately 50% equity interest in the Haikey Creek portion of the RMUA. The City of Broken Arrow makes annual capital contributions to the joint venture in addition to making payments to RMUA for wastewater treatment services. For the year ended June 30, 2020, the "investment in joint venture" balance changed as follows:

Beginning investment in joint venture	\$ 27,570,847
Current year contributions	5,179,649
	<hr/>
Ending investment in joint venture	<u>\$ 32,750,496</u>

Long-term debt

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

Governmental activities long-term debt

As of June 30, 2020, the governmental activities long-term debt consisted of the following:

\$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%	\$220,000
\$5,000,000 General Obligation Bonds Series 2011A, due in annual installments of \$260,000, final installment of \$320,000 due August 1, 2031, with interest rates at 2.00% to 4.125%	3,180,000
\$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%	7,250,000
\$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%	8,220,000

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

\$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%	1,650,000
\$6,200,000 General Obligation Bonds Series 2013B, due in annual installments of \$325,000, final installment of \$350,000 due December 1, 2033, with interest rates at 1.00% to 4.00%	4,575,000
\$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%	9,245,000
\$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%	1,775,000
\$11,575,000 General Obligation Bonds Series 2016A, due in annual installments of \$605,000, final installment of \$685,000 due January 1, 2036, with interest rates at 2.00% to 4.00%	9,760,000
\$6,625,000 General Obligation Bonds Series 2016B, due in annual installments of \$345,000, final installment of \$341,000 due January 1, 2036, with interest rates at 2.50% to 3.250%	5,590,000
\$7,015,000 General Obligation Refunding Bonds Series 2016C, due in annual installments of \$1,895,000, \$1,890,000, \$1,830,000 and \$1,045,000 commencing June 1, 2017, final installment due June 1, 2021 with interest rates at 0.65% to 3.00%	355,000
\$18,720,000 General Obligation Refunding Bonds Series 2016D, due in annual installments ranging from \$20,000 to \$1,265,000 commencing October 1, 2020, final installment due October 1, 2044 with interest rates at 2.00% to 5.00%	16,750,000
\$18,755,000 General Obligation Bonds Series 2018A, due in annual installments of \$985,000, final installment of \$1,025,000 due May 1, 2038, final installment due October 1, 2044 with interest rates at 2.00% to 4.00%	17,770,000
\$10,860,000 General Obligation Bonds Series 2018B, due in annual installments of \$570,000, final installment of \$600,000 due December 1, 2038 with interest rates at 3.00% to 4.00%	10,860,000
\$11,500,000 General Obligation Bonds Series 2018C, due in annual installments of \$605,000, final installment of \$610,000 due December 1, 2038 with interest rates at 3.00% to 4.00%	11,500,000
\$1,000,000 General Obligation Bonds Series 2018D, due in annual installments of \$250,000, final installment of \$250,000 due December 1, 2023 with interest rates at 3.00% to 3.50%	1,000,000
\$7,490,000 General Obligation Bonds Series 2018E, due in annual installments varying from \$1,445,000 to \$1,465,000, final installment of \$1,460,000 due April 1, 2023 with interest rates at 3.00% to 5.00%	4,390,000
\$23,250,000 General Obligation Bonds Series 2019A, due in annual installments of \$1,220,000, final installment of \$1,290,000 due December 1, 2039 with interest rates at 2.00% to 3.00%	23,250,000

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

\$3,280,000 General Obligation Bonds Series 2019B, due in annual installments varying from \$645,000 to \$675,000, final installment of \$645,000 due December 1, 2024 with interest rates at 4.00% (Issued to refund the 2009C and 2009D GO Bonds)	3,280,000
\$6,395,000 General Obligation Bonds Series 2019C, due in annual installments varying from \$540,000 to \$615,000, final installment of \$540,000 due August 1, 2030 with interest rates at 1.65% to 2.75% (Issued to refund the 2010B GO Bonds)	<u>6,395,000</u>
Total general obligation bonds	147,015,000
Unamortized premium on bonds	<u>2,614,558</u>
Total general obligations bonds	<u>\$ 149,629,558</u>
Current portion	\$ 11,167,340
Noncurrent portion	<u>138,462,218</u>
Total general obligations bonds	<u>\$ 149,629,558</u>

Notes payable-direct borrowings

\$730,000 Note with BOK Financial Equipment Finance dated 12-1-17, secured by equipment, due in annual payments of \$197,801, with interest at 3.30%, final installment due December 1, 2021. In the event of default, the lender may: 1) declare agreement in default; 2) require City to deliver equipment to point of origin; 3) repossess and sell or lease collateral; 4) file suit to enforce or enjoin action or inaction of parties under provisions of the note.	\$376,846
\$765,000 Note with BOK Financial Equipment Finance dated 1-15-20, secured by equipment, due in annual payments of \$205,265, with interest at 2.89%, final installment due April 1, 2024. In the event of default, the lender may: 1) declare agreement in default; 2) require City to deliver equipment to point of origin; 3) repossess and sell or lease collateral; 4) file suit to enforce or enjoin action or inaction of parties under provisions of the note.	765,000
\$20,300,000 Construction and Term Loan with Bank of America 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% (0.081% at June 30, 2020), 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. In the event of default, the lender may: 1) accelerate indebtedness, termination; 2) enforce or assign rents; 3) foreclose, including judicial foreclosure and power of sale; 4) declare rights of enforcement with respect to collateral or any part thereof under the UCC; 5) pursue lawsuits; 6) enter property, or any part thereof, and take possession of property; 7) terminate commitment to lend; 8). pursue any and all other rights and remedies available under loan documents, at law or in equity.	<u>8,278,037</u>
Total Notes payable	<u>\$ 9,419,883</u>
Current portion	\$ 1,703,521
Noncurrent portion	<u>7,716,362</u>
Total notes payable	<u>\$ 9,419,883</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Accrued compensated absences

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

Current portion	\$ 2,360,725
Noncurrent portion	1,180,363
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Total accrued compensated absences	<u>\$ 3,541,088</u>

Judgments payable

\$85,000 judgment in favor of John Franklin Loerch, held by sinking fund, final maturity October 2021, with interest at 7.5%	\$56,667
\$25,000 judgment in favor of Saleem Boon, held by BAMA, final maturity July 2021, with interest at 7.5%	16,667
\$135,633 judgment in favor of B-Z Propertie, et al, held by sinking fund, final maturity October 2021, with interest at 7.5%	90,422
\$25,211 judgment in favor of Angela & Hugh Abercrombie, held by sinking fund, final maturity August 2022, with interest at 6.75%	25,211
\$75,000 judgment in favor of Lamont Tharps, held by sinking fund, final maturity August 2022, with interest at 6.75%	75,000
\$30,000 judgment in favor of Francis Patrick Charon, held by sinking fund, final maturity November 2022, with interest at 6.75%	30,000
\$44,280 judgment in favor of William R. Quick, held by sinking fund, final maturity March 2023 with interest at 6.75%	44,280
\$178,000 judgment in favor of CWP, Inc., held by sinking fund, final maturity August 2022 with interest at 6.75%	178,000
\$34,050 judgment in favor of Elias Nauman, held by sinking fund, final maturity March 2023 with interest at 6.75%	34,050
\$155,000 judgment in favor of REIP, LLC, held by sinking fund, final maturity January 2021 with interest at 6.50%	51,666
\$25,000 judgment in favor of Daniel & Kimberly O'Barr, held by BAMA, final maturity January 2021 with interest at 6.50%	8,333
\$40,000 judgment in favor of Amy & Tracy Hefley, held by sinking fund, final maturity March 2021 with interest at 6.50%	13,334
\$25,000 judgment in favor of Kelsie Bruner, held by sinking fund, final maturity April 2021 with interest at 6.50%	8,333
\$125,000 judgment in favor of Juan Rodriquez, held by BAMA, final maturity June 2021 with interest at 6.50%	41,667

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

\$19,500 judgment in favor of Naomi Chasteen & Rebecca Howeth, held by sinking fund,
final maturity July 2020 with interest at 6.50%

6,500

Total judgments payable \$ 680,130

Current portion \$ 340,557

Noncurrent portion 339,573

Total judgments payable \$ 680,130

Other claims payable

Actuarial determined automotive and general liability payable, funded by General Fund
resources, reported in the governmental activities at June 30, 2020

Current portion \$ 487,000

Noncurrent portion 879,000

Total automotive and general insurance liabilities \$ 1,366,000

Claims payable

Actuarial determined workers compensation and health claims, funded by General Fund
resources, reported in the governmental activities at June 30, 2020

Current portion \$ 976,000

Noncurrent portion 3,433,848

Total claims payable \$ 4,409,848

Total OPEB liability

Current portion \$ -

Noncurrent portion 850,221

Total other post-employment benefit obligation \$ 850,221

Advance refunding

On December 1, 2019 the City of Broken Arrow issued \$3,280,000 2019B GO Refunding Bonds Payable, with annual interest rate of 4.00% to refund \$1,155,000 of the 2009C GO Bonds and \$2,305,000 of the 2009D GO Bonds. A portion of the net proceeds along with available debt service funds were used to refund the outstanding bonds at the next principal due date. As a result, the 2009C and 2009D GO Bonds are considered to be paid in full and the liability for those notes has been removed from the Statement of Net Position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of a negative \$11,591. The Authority completed the advance refunding that resulted in a net present value savings of \$169,840.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Advance refunding, (continued)

Also on December 1, 2019 the City of Broken Arrow issued \$6,395,000 2019C GO Refunding Bonds Payable, with annual interest rates ranging from 1.65% to 2.75%, to refund \$6,135,000 of the 2010B GO Bonds. A portion of the net proceeds along with available debt service funds were used to refund the outstanding bonds at the next principal due date, which is August 1, 2020. As a result, the 2010B GO Bonds are considered to be outstanding refunded debt at June 30, 2020, in the amount of \$6,135,000. The liability for those notes has been removed from the Statement of Net Position due to the refunding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$158,072. The Authority completed the advance refunding that resulted in a net present value savings of \$269,549.

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. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants; 2) accelerate indebtedness; 3) appoint temporary trustees to take over, operate, maintain the System on a profitable basis; 4) pursue any available remedy by suit at law or equity. The notes are subject to maximum annual debt service requirement coverage of at least 125%. Coverage at June 30, 2020, was 247%.

As of June 30, 2020, the long-term debt payable from enterprise fund resources consisted of the following:

Notes payable-direct borrowings

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	\$19,074
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	2,894,102
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	4,914,321
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	24,732,473
2012 Drinking Water Promissory Note payable to Oklahoma Water Resources Board, original amount \$29,755,000 dated January 19, 2012, by Broken Arrow Municipal Authority, providing for engineering, design and construction of the Water Treatment Plant, secured by pledged sales tax, with interest rates at 2.40% to 4.40%, final maturity September 2040	27,690,000

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

2012 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$6,540,000 dated December 4, 2012, by Broken Arrow Municipal Authority, providing for construction, inspection and design of improvements to the Haikey Creek wastewater treatment plant, secured by pledged sales tax, interest rate at 2.01%, final maturity September 2034	5,712,531
2015 Note Payable to Oklahoma Water Resources Board, original amount \$11,900,000 dated July 30, 2015, by Broken Arrow Municipal Authority, providing for engineering, design and construction of various water and sewer projects, secured by pledged sales tax with interest rates at 2.20% to 4.04%, final maturity September 2035	10,115,000
2015 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$2,045,000 dated September 1, 2015, by Broken Arrow Municipal Authority, providing for construction of an automated meter reading system, secured by pledged sales tax, interest rate at 1.57%, final maturity March 2021	418,428
2016 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$6,700,000 dated August 12, 2016, by Broken Arrow Municipal Authority, providing for construction and installation of various capital improvements at the Haikey Creek wastewater treatment plant, secured by pledged sales tax, interest rate at 1.96%, final maturity September 2038	5,022,803
2017A Note payable to Oklahoma Water Resources Board, original amount \$6,505,000 dated February 1, 2017, by Broken Arrow Municipal Authority, providing for construction of Haikey Creek capital improvements, secured by pledged sales tax, interest rates at 2.20% to 5.20%, final maturity September 2046	6,380,000
2017B Note payable to Oklahoma Water Resources Board, original amount \$18,565,000 dated February 1, 2017, by Broken Arrow Municipal Authority, providing for construction of improvement to the sanitary sewer system, secured by pledged sales tax, interest rates at 2.20% to 5.20%, final maturity September 2044	18,565,000
2018 Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$2,100,000 dated January 11, 2018, by Broken Arrow Municipal Authority, providing for Phase II of automated water meter project, secured by pledged sales tax, interest rate at 1.80%, final maturity March 2025	2,100,000
2018D Note payable to Oklahoma Water Resources Board, original amount \$19,770,000 dated October 25, 2018, by Broken Arrow Municipal Authority, providing for engineering, design and construction of various water and sewer projects, secured by pledged sales tax, interest rates at 4.20% to 5.20%, final maturity September 2048	19,770,000
2019A Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$4,255,000 dated January 24, 2019, by Broken Arrow Municipal Authority, providing for construction of improvements to the sanitary sewer system, secured by pledged sales tax, interest rate at 2.57%, final maturity September 2046	549,310
2019B Clean Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$11,415,000 dated June 10, 2019, by Broken Arrow Municipal Authority, providing for construction of improvements to the sanitary sewer system, secured by pledged sales tax, interest rate at 2.09%, final maturity March 2041	111,575

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

2019 Utility System & Sales Tax Revenue Note payable to BOK Financial, original amount \$5,675,000 dated November 22, 2019, by Broken Arrow Municipal Authority, providing for the refunding of the 2009 and 2011 OWRB loans, secured by utilities and pledged sales tax, interest rate at 2.54%, final maturity April 2032	5,550,000
	<hr/>
Total Notes Payable	\$ 134,544,617
Unamortized premium on notes payable	4,132,950
	<hr/>
Total Notes Payable	<u>\$ 138,677,567</u>
Current portion	\$ 6,487,907
Noncurrent portion	132,189,660
	<hr/>
Total Notes Payable	<u>\$ 138,677,567</u>
 <u>Total OPEB liability</u>	
Current portion	\$ -
Noncurrent portion	333,603
	<hr/>
Total other post-employment benefit obligation	<u>\$ 333,603</u>

Accrued compensated absences

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

Current portion	\$ 489,055
Noncurrent portion	244,528
	<hr/>
Total accrued compensated absences	<u>\$ 733,583</u>

Customer meter deposit reserves

Current portion	\$ 199,536
Noncurrent portion	798,146
	<hr/>
Total customer meter deposit reserves	<u>\$ 997,682</u>

Advance refunding

On November 22, 2019 the Broken Arrow Municipal Authority issued \$5,675,000 2019 Utility System & Sales Tax Revenue Notes Payable, with annual interest rate of 2.54% to refund \$3,298,344 of the 2011 OWRB Note and \$2,351,345 of the 2009 OWRB Note. A portion of the net proceeds along with available debt service funds were used to refund the outstanding bonds at the next principal due date. As a result, the 2011 and 2009 Series OWRB notes are considered to be paid in full and the liability for those notes has been removed from the Statement of Net Position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$44,103. The Authority completed the advance refunding that resulted in a net present value savings of \$74,929.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Broken Arrow Economic Development Authority (BAEDA)-Direct Borrowing

The Authority issued a Taxable Series 2019 Tax Increment Revenue Note dated March 29, 2019 for the purpose of refunding the 2010 Promissory Note to BOK dated November 15, 2010, funding the reserve requirement of the note, and paying certain costs of issuance. The Agreement allowed for total borrowing up to \$7,565,000 and is secured by the tax increment financing revenue and to the funds in the BAEDA 2019 Reserve Account. The balance at June 30, 2020 is \$6,450,000 of which \$735,000 is considered current. The note calls for semi-annual principal payments ranging from \$365,000 to \$485,000 commencing April 1, 2019 together with interest at 3.35%. Currently, TIF revenues generated from the Broken Arrow FlightSafety and Downtown Economic Development District No. One is the source of repayment for this debt.

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020	Amount due in one year
Governmental Activities:					
General obligation bonds	\$ 133,740,000	\$ 32,925,000	\$ 19,650,000	\$ 147,015,000	\$ 10,860,000
Notes payable-direct borrowings	10,084,326	765,000	1,429,443	9,419,883	1,703,521
Accrued Compensated Absences	3,136,830	404,258	-	3,541,088	2,360,725
Judgments payable	606,360	386,541	312,771	680,130	340,557
Automotive and general liability	1,320,000	46,000	-	1,366,000	487,000
Claims payable	5,177,049	8,846,660	9,613,861	4,409,848	976,000
	<u>\$ 154,064,565</u>	<u>\$ 43,373,459</u>	<u>\$ 31,006,075</u>	<u>\$ 166,431,949</u>	<u>\$ 16,727,803</u>
Add:					
Unamortized premium				2,614,558	307,340
Net pension liability				43,746,453	-
Total OPEB liability				850,221	-
Total Derivative Investment Liability-Interest Rate Swap				1,232,078	365,395
				<u>\$ 214,875,259</u>	<u>\$ 17,400,538</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020	Amount due in one year
Business-type Activities :					
Bonds, Notes and Loans Payable-direct borrowings	\$ 139,336,024	\$ 6,438,428	\$ 11,229,835	\$ 134,544,617	\$ 6,324,619
BAEDA-Notes Payable-direct borrowings	7,185,000	-	735,000	6,450,000	735,000
Accrued Compensated Absences	666,937	66,646	-	733,583	489,055
	<u>\$ 147,187,961</u>	<u>\$ 6,505,074</u>	<u>\$ 11,964,835</u>	<u>\$ 141,728,200</u>	<u>\$ 7,548,674</u>
Add:					
Unamortized premium				4,132,950	163,288
Total OPEB liability				333,603	-
Customer Meter Deposit Reserves	993,724	273,512	269,554	997,682	199,536
				<u>\$ 147,192,435</u>	<u>\$ 7,911,498</u>

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, 2020, are as follows:

Year Ending June 30,	Governmental Activities					
	General Obligation Bonds		Notes Payable-Direct Borrowings		Judgments Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 10,860,000	\$ 4,826,410	1,703,521	614,735	340,557	48,112
2022	11,485,000	4,141,631	1,804,930	504,261	210,726	23,535
2023	11,480,000	3,781,988	1,718,896	386,682	128,847	8,697
2024	10,015,000	3,405,749	1,834,499	267,785	-	-
2025	9,355,000	3,112,176	1,638,037	140,698	-	-
2026-2030	41,560,000	11,720,968	720,000	26,272	-	-
2031-2035	35,285,000	5,565,384	-	-	-	-
2036-2040	16,975,000	1,124,510	-	-	-	-
Total	<u>\$ 147,015,000</u>	<u>\$ 37,678,816</u>	<u>\$ 9,419,883</u>	<u>\$ 1,940,433</u>	<u>\$ 680,130</u>	<u>\$ 80,344</u>

CITY OF BROKEN ARROW, OKLAHOMA
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Year Ending June 30,	Business-Type Activities	
	Bonds, Notes & Loans Payable-Direct Borrowings	
	Principal	Interest
2021	\$ 7,089,619	\$ 4,860,819
2022	7,295,162	5,854,218
2023	7,491,209	4,936,397
2024	7,632,112	4,792,368
2025	6,709,472	4,632,715
2026-2030	32,657,618	20,133,318
2031-2035	32,278,540	14,830,835
2036-2040	31,015,000	8,773,916
2041-2045	17,835,000	3,098,210
2046-2049	6,000,000	493,593
Total	\$ 156,003,732	\$ 72,406,389
Less: Amount not drawn	(15,009,115)	
	\$ 140,994,617	

Sources of debt repayments

General obligation bonds are issued for governmental activity purposes and are paid through the collection of property taxes by the Debt Service Fund. Sales tax revenue notes and the term loan included in governmental activities are paid by the Sales Tax Capital Improvement Fund and the General Fund, respectively. Compensated absences incurred by governmental activities are paid by the General Fund. Judgments are paid through the collection of property taxes by the Debt Service Fund. Automotive and general insurance liabilities are paid by the General Fund. The other postemployment benefit obligation will be paid by the General Fund. The workers' compensation unfunded liability will be paid by the General Fund and BAMA according to their respective portion of the liability. Revenue bonds and promissory notes issued for business-type activities are paid by those activities. Compensated absences incurred by business-type activities are paid by those activities. Customer meter deposits will be paid by BAMA. The revenue note issued by BAEDA will be paid by BAEDA through the collection of the incremental increase in sales and ad valorem tax revenue generated by the development within Increment District No 1.

Pledge of future revenues

Sales Tax and Utility Net Revenues Pledge – The City has pledged a one cent (\$0.01) sales tax and utility revenues to repay the \$371,954 2001 Clean Water SRF note payable, \$11,500,000 2004 Drinking Water SRF note payable, \$15,000,000 2007 SRF note payable, \$35,000,000 2012 Drinking Water SRF note payable, \$6,540,000 2012 Clean Water SRF note payable, \$29,755,000 2012 Drinking Water SRF note payable, \$11,900,000 2015 Drinking Water SRF note payable, \$2,045,000 2015 Clean Water SRF note payable, \$6,700,000 2016 Clean Water SRF note payable, \$6,505,000 2017A Drinking Water SRF note payable, \$18,565,000 2017B Drinking Water SRF note payable, \$2,100,000 2018 Clean Water SRF note payable, \$19,770,000 2018D Drinking Water SRF note payable, \$4,255,000 2019A Clean Water SRF note

CITY OF BROKEN ARROW, OKLAHOMA
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payable, \$11,415,000 2019B Clean Water SRF note payable to the Oklahoma Water Resources Board (OWRB) and \$5,675,000 2019 Utility System & Sales Tax Revenue Note payable to BOK Financial. These notes are payable through 2048. The total remaining principal and interest payable for the life of these notes is \$221,369,338. Pledged sales taxes received in the current year were \$15,293,699 and net utility revenues were \$15,000,798 for total pledged net revenues of \$30,294,497. Debt service payments of \$10,455,984 for the current year were 34.5% of net pledged revenues for these notes.

Interfund balances and activities

Interfund receivables and payables at June 30, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	Police Enhancement	\$ 1,341	Operational advances
General Fund	BAMA	2,838,290	Operational subsidy
General Fund	BAMA	4,420,000	Eliminated negative cash
General Fund	Battle Creek Golf Course	50,000	Operational subsidy
Sales Tax Capital Improvement	BAMA	4,811,923	Eliminated negative cash
Sales Tax Capital Improvement	BAEDA	3,360,000	Eliminated negative cash
Sales Tax Capital Improvement	Battle Creek Golf Course	307,576	Operational advances
BAMA	General	2,838,290	Sales tax collections
BAMA	Battle Creek Golf Course	465,024	Operational advances
		<u>\$ 19,092,444</u>	

Due From/Due To:

Reconciliation to Fund Financial Statements:

	<u>Due from</u>	<u>Due to</u>	<u>Net Interfund Balances</u>
Governmental Funds	\$ 15,789,130	\$ (2,839,631)	\$ 12,949,499
Proprietary Funds	3,303,314	(16,252,813)	(12,949,499)
	<u>\$ 19,092,444</u>	<u>\$ (19,092,444)</u>	<u>\$ -</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Interfund transfers for the year ended June 30, 2020, were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	BAMA	\$ 15,293,699	Sales Tax Collections
General Fund	Public Safety Sales Tax-Police	23,524,767	Sales Tax Collections
General Fund	Public Safety Sales Tax-Fire	19,678,756	Sales Tax Collections
General Fund	BAEDA	300,000	Economic Development
Debt Service Fund	General Fund	54,834	Operational/Interest
Debt Service Fund	BAEDA	935,185	TIF Revenue
Convention and Visitor's Bureau	General Fund	225,000	Operational/General Governm
Street and Alley	General Fund	1,000,000	Operational/Streets
E911	Public Safety Sales Tax-Police	720,000	Operational/Public Safety
BAMA	General Fund	15,293,699	Operating subsidy
BAMA	BAEDA	600,000	Economic Development
		<u>\$ 77,625,940</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 60,497,056	\$ (61,732,241)	\$ (1,235,185)
Proprietary Funds	17,128,884	(15,893,699)	1,235,185
Total Transfers	<u>\$ 77,625,940</u>	<u>\$ (77,625,940)</u>	<u>\$ -</u>

Reconciliation to Statement of Net Position:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Balances</u>
Net transfers	\$ (1,235,185)	\$ 1,235,185	\$ -
Business type expenses in special revenue funds	(254,710)	254,710	-
Net transfers	<u>\$ (1,489,895)</u>	<u>\$ 1,489,895</u>	<u>\$ -</u>

CITY OF BROKEN ARROW, OKLAHOMA
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Fund Balance:

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

	General Fund	Public Safety Sales Tax - Police	Public Safety Sales Tax - Fire	Sales tax Capital Improvement Fund	2014 General Obligation Bond Fund	2018 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total
Fund Balance									
Restricted For:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,130,735	\$ -	\$ 9,130,735
Capital improvements	-	-	-	11,735,870	32,516,562	31,229,260	-	13,618,562	89,100,254
Convention and Visitor's Bureau	-	-	-	-	-	-	-	827,380	827,380
Public safety	-	6,402,434	166,223	-	-	-	-	433,027	7,001,684
Cemetery care	-	-	-	-	-	-	-	134,653	134,653
Street and alley operations	-	-	-	-	-	-	-	1,637,955	1,637,955
Housing and Urban Development	-	-	-	-	-	-	-	267,671	267,671
E911	-	-	-	-	-	-	-	2,070,004	2,070,004
Crime Prevention	-	-	-	-	-	-	-	202,665	202,665
Alcohol enforcement	-	-	-	-	-	-	-	87,655	87,655
Sub-total restricted	-	6,402,434	166,223	11,735,870	32,516,562	31,229,260	9,130,735	19,279,572	110,460,656
Committed for:									
Excess capacity sewer crow	-	-	-	-	-	-	-	1,461,983	1,461,983
Stormwater capital improvements	-	-	-	-	-	-	-	1,598,314	1,598,314
Parks and recreation	-	-	-	-	-	-	-	677,578	677,578
Cemetery care	-	-	-	-	-	-	-	189,727	189,727
Street lights	-	-	-	-	-	-	-	490,690	490,690
Economic development	-	-	-	-	-	-	-	198,343	198,343
Sub-total committed	-	-	-	-	-	-	-	4,616,635	4,616,635
Assigned for:									
Subsequent year budget/activities	8,791,966	-	-	-	-	-	-	-	8,791,966
Sub-total assigned	8,791,966	-	-	-	-	-	-	-	8,791,966
Unassigned:	9,951,036	-	-	-	-	-	-	-	9,951,036
TOTAL FUND BALANCE	\$ 18,743,002	\$ 6,402,434	\$ 166,223	\$ 11,735,870	\$ 32,516,562	\$ 31,229,260	\$ 9,130,735	\$ 23,896,207	\$ 133,820,293

Note 4 – Employee Pension and Other Benefit Plans

The City participates in three employee pension systems as follows:

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

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Oklahoma Police Pension and Retirement System

Summary of Significant Accounting Policies

Plan description - The City of Broken Arrow, as the employer, participates in the Oklahoma Police Pension and Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS

Benefits provided - OPPRS provides retirement, disability, and death benefits to members of the plan. 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.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Members of the OPPRS are required to pay 8% of their base pay to the pension plan. The City is contractually required to pay 13% of base salary. For the year ended June 30, 2020 the total contribution to the system amounted to \$2,562,670 of which \$1,597,656 was made by the City and \$965,014 was made by the employees. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$1,478,514 during the calendar year and this is reported as both an expenditure and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$1,387,554. These on-behalf payments did not meet the criteria of a special funding situation.

CITY OF BROKEN ARROW, OKLAHOMA
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Pension liabilities (assets), pension expense, deferred outflows, and deferred inflows of resources related to pensions – At June 30, 2020, the City reported an asset of \$223,922 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2019. The City’s proportion of the net pension asset was based on the City’s contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the City’s proportion was 3.5076%.

For the year ended June 30, 2020, the City recognized pension expense of \$2,680,226. At June 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow: of Resources
Difference between expected and actual experience	\$ 134,382	\$ 1,057,239
Changes of assumptions	571,765	-
Net difference between projected and actual earnings on pension plan investments	2,046,220	-
Changes in proportion	28,288	28,799
City contributions during measurement date	27,912	10,360
City contributions subsequent to the measurement date	1,597,656	-
Total	<u>\$ 4,406,223</u>	<u>\$ 1,096,398</u>

In the year ending June 30, 2021, \$1,597,656 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of or an addition to the net pension liability (asset). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2021	\$	986,265
2022		(294,104)
2023		330,552
2024		669,121
2025		20,335
	<u>\$</u>	<u>1,712,169</u>

Actuarial assumptions – The total pension liability in the July 1, 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.5% to 12% average, including inflation
Investment rate of return	7.5% net of pension plan investment expense

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Cost of living adjustments	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5% (wage inflation)
Mortality rates	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA. Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using Scale AA. Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA..

The actuarial assumptions used in the July 1, 2019, valuation was based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2017.

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	4.79%
Domestic equity	5.74%
International equity	9.19%
Real estate	7.99%
Private equity	10.20%
Commodities	3.50%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

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Discount Rate-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. 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 plan members. 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 Net Pension Liability (Asset) to Changes in the Discount Rate-The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease</u> <u>(6.5%)</u>	<u>Current Discount</u> <u>Rate (7.5%)</u>	<u>1% Increase</u> <u>(8.5%)</u>
Police Pension net pension liability (asset)	\$ 9,539,008	\$ (223,922)	\$ (8,478,604)

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

Oklahoma Fire Pension and Retirement System

Summary of Significant Accounting Policies

Plan description - The City of Broken Arrow, as the employer, participates in the Firefighters Pension & retirement—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs

Benefits provided - FPRS 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 Oklahoma statute. Retirement provisions are as follows:

Normal Retirement:

- Hired Prior to November 1, 2013
 Normal retirement is attained upon completing 20 years of service. The normal retirement 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. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.

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- Hired After November 1, 2013
Normal retirement is attained upon completing 22 years of service. The normal retirement 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. Also participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

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 is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, 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. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. For the year ended June 30, 2020, the total contribution to the system amounted to \$3,380,982 of which \$2,057,989 was made by the City and \$1,322,993 was made by the employees. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$4,349,821 during the calendar year and this is reported as both an expenditure and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$4,210,428. These on-behalf payments did not meet the criteria of a special funding situation.

Pension liabilities, pension expense, and deferred outflows/inflows of resources related to pensions – At June 30, 2020, the City reported a liability of \$43,746,453 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2019. Based upon this information, the City's proportion was 4.1400%.

For the year ended June 30, 2020, the City recognized pension expense of \$7,762,225. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF BROKEN ARROW, OKLAHOMA
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,325,328	\$ 889,820
Changes of assumptions	-	1,123,821
Net difference between projected and actual earnings on pension plan investments	-	3,166,736
Changes in proportion	4,010,326	2,477,456.00
City contributions during measurement date	141,102	81
City contributions subsequent to the measurement date	2,057,989	-
Total	<u>\$ 13,534,745</u>	<u>\$ 7,657,914</u>

In the year ending June 30, 2021, \$2,057,989 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 2,115,969
2022	590,953
2023	1,336,183
2024	108,931
2025	(333,194)
	<u>\$ 3,818,842</u>

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	2.75% to 10.5% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, to June 30, 2018.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	4.90%
Domestic equity	47%	7.07%
International equity	15%	9.19%
Real estate	10%	7.99%
Other assets	8%	5.57%
	<u>100%</u>	

Discount Rate- The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. 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 plan members. 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 Net Pension Liability to Changes in the Discount Rate-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Fire Pension net pension liability	\$ 56,488,984	\$ 43,746,453	\$ 29,753,923

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

Related-party investments

As of June 30, 2020, the Systems held no related-party investments of the City or of its related entities.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

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, 2020, 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, 2020, the following amounts related to actual contributions to the defined contribution plan:

Employee contributions made	\$ 163,676
Employer (City) contributions made	\$ 2,507,940

Post-employment benefits other than pensions

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

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

Employees covered by benefit terms. At June 30, 2020 the following employees were covered by the benefit terms:

Active Employees	566
Inactives or beneficiaries currently receiving benefit payments	<u>7</u>
Total	<u>573</u>

Total OPEB Liability. The City's total OPEB liability of \$1,183,824 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions- The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2020 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 2.21%, based on June 30, 2019 published Bond Pay Go-20 bond index

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

- Termination – Civilian employees are based on actual experience of the Oklahoma Municipal Retirement Fund. Rates for police and firefighters are based on rates for these groups in Oklahoma.

Retirement Age:

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

Retirement Rate

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

- Participation – 100% of all retirees who currently have healthcare coverage will continue with the same coverage. 20% of all actives who currently have individual coverage will continue with individual coverage upon retirement. 20% of all actives who currently have dependent coverage will continue coverage upon retirement with 70% continuing as individual coverage and 30% as individual with spouse coverage.
- Healthcare cost trend rates - Level 4.5%
- Mortality Rates - RPH-2014 Mortality Table with cohort mortality projection

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

	Total OPEB Liability
Balances at Beginning of Year	\$ 1,290,769
Changes for the Year:	
Service Cost	84,431
Interest expense	52,705
Change of assumptions	(210,425)
Expected net benefit payments	(33,656)
Net Changes	(106,945)
Balances at End of Year	\$ 1,183,824
Governmental Activities	\$ 850,221
Business-Type Activities	333,603
	\$ 1,183,824

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate-The following presents the total OPEB liability of the employer calculated using the discount rate of 2.21%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
OPEB liability	\$ 1,305,175	\$ 1,183,824	\$ 1,074,991

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate-The following presents the total OPEB liability of the employer calculated using the healthcare cost trend rate of 4.50%, as well as what the Plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (3.50%) or 1-percentage-point higher (5.50%) than the current rate:

	1% Decrease 3.50%	Healthcare Cost Trend Rates 4.50%	1% Increase 5.50%
OPEB liability	\$ 1,037,944	\$ 1,183,824	\$ 1,358,020

OPEB Expense and Deferred Outflows of Resources and Deferred Outflows/Inflows of Resources Related to OPEB For the year ended June 30, 2020, the City recognized OPEB expense of \$112,175. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Business-Type Activities		Total Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 133,200	\$ -	\$ 52,264	\$ -	\$ 185,464
Changes in proportion	-	48,117	48,117	-	48,117	48,117
Total	<u>\$ -</u>	<u>\$ 181,317</u>	<u>\$ 48,117</u>	<u>\$ 52,264</u>	<u>\$ 48,117</u>	<u>\$ 233,581</u>

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

	Governmental Activities	Business-Type Activities	Total Activities
Year ended June 30:			
2021	\$ (26,732)	\$ 1,771	\$ (24,961)
2022	(26,732)	1,771	(24,961)
2023	(26,732)	1,771	(24,961)
2024	(26,732)	1,771	(24,961)
2025	(26,732)	1,771	(24,961)
Thereafter	(47,657)	(13,002)	(60,659)
	<u>\$ (181,317)</u>	<u>\$ (4,147)</u>	<u>\$ (185,464)</u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Note 5 – Tax Abatements

The City enters into sales tax rebate agreements with local businesses as allowed in the Oklahoma State Constitution, Article 10, Section 14. Under this law, the City may establish economic development programs and provide sales tax increments for development as part of its economic development plan.

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

Due to the confidentiality laws in Oklahoma Statutes, Title 68, Section 1354.11, the amounts of sales taxes rebated will not be disclosed. The following businesses had rebate agreements with the City as of June 30, 2020:

- A sporting goods store received rebated sales taxes during 2020. The sales tax rebated cannot exceed the lesser of (i) 1.5% of the gross sales tax generated over a 10 year period, or (ii) \$900,000. This sales tax rebate period is for ten years from the sales tax commencement date (the date the City first receives sales tax). The agreement must be renewed for the City Council annually to ensure a continuing public benefit. This agreement was entered into July 2011 and will terminate no later than June 2022.
- A developer received rebated sales taxes during 2020. The sales tax rebated cannot exceed the lesser of (i) 1.375% of the gross sales tax generated over a 15 year period, or (ii) \$3,250,000. This sales tax rebate period is for fifteen years from the sales tax commencement date (the date the City first receives sales tax). The agreement must be renewed for the City Council annually to ensure a continuing public benefit. This agreement was entered into October 2012 and will terminate no later than April 2030.

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

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

The City had \$91,243 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2020.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S., Section 193 that is used to reimburse the City for the loss of revenue. Contributions to this Fund come from a dedicated tax stream comprised of one percent of net state personal and corporate income tax revenues. The City received \$0 during the fiscal year 2020 and has an outstanding, unpaid claim of \$91,243 of reimbursement from the State as of June 30, 2020.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Note 6 – Risk Management

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

Type of Loss	Method Managed	Risk of Loss Retained
a. General Liability: - Torts - Errors and omissions	Self-insured with limits of the Oklahoma Tort Liability Act as follows: - \$25,000 property loss - \$100,000 per individual - \$1,000,000 per incident	Entire risk of loss retained.
b. Physical Property: - Theft - Damage to assets - Natural disasters	All physical property except vehicles is insured through commercial insurance with deductibles ranging from \$10,000 to \$50,000. Vehicle damage is covered through self-insurance.	All physical property except vehicles subject to \$10,000 to \$50,000 risk of loss. Vehicles – entire risk of loss retained through fund incurring the loss.
c. Workers Compensation: - Employee injuries	Self-insured with third-party administration of the claims process. Workers Compensation Internal Service Fund used to account for activities with participating funds charged through an estimated annual claim cost for each fund.	Entire risk of loss retained. Claim liability determined through estimate of loss by the City's Risk Management staff and third-party.
d. Health and Life: - Medical - Dental - Vision	Self-insured with third-party administration of the claims provided by CoreSource, Inc. Participation in Vision Service Plan. City purchases annual eye examination benefits for insured at a monthly cost of \$.63 per month for single coverage, \$.93 per month for employee and children, \$1.00 per month for employee and spouse and \$1.59 per month for family coverage. Group Health & Life Internal Service Fund used to account for self-insurance activities with participating funds making payments to the internal service fund based upon factors determined by the City's benefit consultant.	Claims up to \$100,000 per individual are self-funded. Specific stop loss reinsurance covers claims in excess of \$100,000 per insured once a \$100,000 deductible has been met. Aggregate stop loss coverage is adjusted monthly based on number of participants and was \$9,503,438 at June 30, 2020 ⁽¹⁾ .

⁽¹⁾ H.M. Insurance Group

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Life and health benefit plan

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

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

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

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

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

Claims liability analysis

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

For the two internal service self-insurance funds, changes in the claims liability for the City from June 30, 2017 to June 30, 2020, are as follows:

	Workers' Compensation	Health Care	Total
Claim liability, June 30, 2017	\$ 2,518,000	\$ 861,290	\$ 3,379,290
Claims and changes in estimates	3,657,610	8,832,367	12,489,977
Claims payments	(1,135,610)	(8,595,154)	(9,730,764)
Claim liability, June 30, 2018	\$ 5,040,000	\$ 1,098,503	\$ 6,138,503
Claims and changes in estimates	337,808	8,527,620	8,865,428
Claims payments	(1,287,808)	(8,539,074)	(9,826,882)
Claim liability, June 30, 2019	\$ 4,090,000	\$ 1,087,049	\$ 5,177,049
Claims and changes in estimates	534,559	8,312,101	8,846,660
Claims payments	(934,559)	(8,679,302)	(9,613,861)
Claim liability, June 30, 2020	\$ 3,690,000	\$ 719,848	\$ 4,409,848
Assets available to pay claims at June 30, 2020	\$ 2,269,218	\$ 2,771,715	\$ 5,040,933
Reconciliation to Statement of Net Position:			
Current portion			\$ 976,000
Noncurrent portion			3,433,848
Total			\$ 4,409,848

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Note 7 – Commitments and Contingencies

Construction commitments

At June 30, 2020 the following construction commitments were outstanding:

	Original Contract	Balance Remaining
Economic Development - Memphis Street	\$ 1,562,414	\$ 78,131
Rebuild 9th & Hwy 51 Signals	179,448	9,599
Washington St/Garnett-Olive	6,631,414	3,585,247
Elm/Hwy 51 Signal Rehab	250,000	230,574
Florence St Bridge Repair	98,770	60,922
Events Park Adult Softball Complex	6,903,660	1,836,808
County Line Trunk Sewer	16,048,116	3,548,166
Stone Ridge Towne Center Drainage	390,000	185,902
Secondary Clarifier Rehabilitation	3,215,515	2,120,266
Tiger Hill Retaining Wall	1,215,133	306,470
Detroit Street Rehab	772,673	263,294
Fire Station 3	3,343,075	2,334,620
Florence St - Olive to Aspen	3,877,000	3,132,902
Vandever Park - New Playground	158,997	116,199
Washington/Aspen Intersection	1,758,476	1,755,813

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.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ending June 30, 2020

Note 8 – Subsequent Events

City:

On October 20, 2020, the City approved the sale of \$19,000,000 of General Obligation Bond Series 2020B to be issued as of December 1, 2020 payable in annual payments.

On October 20, 2020, the City approved the sale of \$1,000,000 of General Obligation Bond Series 2020C to be issued as of December 1, 2020 payable in annual payments.

On October 20, 2020, the City approved the sales of General Obligation Refunding Bond not to exceed \$10,250,000 to pay off General Obligation Bond Series 2011A and 2011B.

On August 18, 2020, the trustee of Broken Arrow Municipal Authority (BAMA) approved Resolution #1331 to issue debt with the Closed Loop Fund for \$2.6m for Recycling equipment.

In September 2020, the City received \$8,494,087 from the Office of Management and Enterprise Services for reimbursement of public safety expenses related to the CARES Act grant.

Broken Arrow Municipal Authority:

On September 1, 2020, the trustees of the Broken Arrow Municipal Authority (BAMA) approved resolution #1335 authorizing BAMA to issue its Utility System and Sales Revenue Note Taxable Series 2020A in the amount of \$27,575,000 to refund the 2012A OWRB loan.

On September 1, 2020, the trustees of the Broken Arrow Municipal Authority (BAMA) approved resolution #1336 authorizing BAMA to issue its Utility System and Sales Revenue Note Series 2020B in the amount not to exceed \$9,680,000 to fund needed water projects. (Safe Drinking Water Loan FAP)

On October 5, 2020, Broken Arrow Municipal Authority rolled out a new cart and recycling program. We added additional trucks funded by the Closed Loop Fund and each resident received two poly carts, one for recycling and one for garbage. Previously the City used a bag system for garbage and had twice a week pick up and we went to once a week garbage pickup and introduced one a week recycling.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020**

**CITY OF BROKEN ARROW, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Beginning budgetary fund balance	\$ 15,997,520	\$ 15,105,832	\$ 15,105,832	\$ -
Resources (inflows):				
Taxes:				
Sales tax	37,823,300	37,823,300	38,194,222	370,922
Use tax	4,432,400	6,541,011	6,959,155	418,144
Tobacco tax	450,000	450,000	503,379	53,379
Franchise tax	4,471,200	4,471,200	4,226,276	(244,924)
Total taxes	<u>47,176,900</u>	<u>49,285,511</u>	<u>49,883,032</u>	<u>597,521</u>
Intergovernmental:				
Intergovernmental	248,000	459,193	534,562	75,369
Alcoholic beverage tax	210,000	291,084	297,875	6,791
Total intergovernmental	<u>458,000</u>	<u>750,277</u>	<u>832,437</u>	<u>82,160</u>
Charges for services:				
Planning and zoning	200,000	200,000	157,796	(42,204)
Sale of material	45,000	45,000	23,517	(21,483)
BAMA PILOT	3,576,000	3,576,000	3,571,302	(4,698)
Rural fire runs	2,500	2,500	55,070	52,570
Fire subscription	-	51,880	-	(51,880)
Inspection fees	925,000	925,000	755,836	(169,164)
Ambulance revenue	5,610,000	5,610,000	5,970,730	360,730
Training	3,500	3,500	5,125	1,625
Special Events	15,000	15,000	16,195	1,195
Cemetery fee	140,000	160,388	160,388	-
Animal control fees	70,000	70,000	55,757	(14,243)
Nuisance abatement	40,000	40,000	40,654	654
Parks and recreation	260,000	260,000	116,871	(143,129)
Swimming pools	190,000	190,000	199,117	9,117
Administrative fees	19,000	19,000	14,012	(4,988)
Juvenile court	50,000	50,000	48,623	(1,377)
Total charges for services	<u>11,146,000</u>	<u>11,218,268</u>	<u>11,190,993</u>	<u>(27,275)</u>

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

CITY OF BROKEN ARROW, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
Year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Fines, forfeitures and assessments	1,502,700	1,502,700	1,344,292	(158,408)
Licenses and permits:				
Occupational licenses	297,200	297,200	294,525	(2,675)
Peddlers licenses	2,000	2,000	2,327	327
Food licenses	51,500	51,500	46,594	(4,906)
Other fees	130,000	130,000	63,392	(66,608)
Building permits	410,000	994,251	1,013,466	19,215
Total licenses and permits	890,700	1,474,951	1,420,304	(54,647)
Investment income	34,000	34,000	46,548	12,548
Miscellaneous:				
Rental property	1,181,200	1,181,200	1,178,154	(3,046)
Donations	-	-	1,500	1,500
Miscellaneous	100,000	100,000	136,487	36,487
Sale of capital assets	-	-	29,181	29,181
Insurance proceeds	20,000	20,000	40,044	20,044
Total miscellaneous	1,301,200	1,301,200	1,385,366	84,166
Other financing sources:				
Transfers in from other funds	16,536,500	16,536,500	16,573,533	37,033
Total other financing sources	16,536,500	16,536,500	16,573,533	37,033
Total revenues and other financing sources	79,046,000	82,103,407	82,676,505	573,098
Amounts available for appropriation	95,043,520	97,209,239	97,782,337	573,098

(Continued)

**CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020**

**CITY OF BROKEN ARROW, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
Year ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Charges to appropriations (outflows):				
General government:				
City manager:				
Personal services	1,452,100	1,452,100	1,459,612	(7,512)
Other services and charges	204,200	203,700	162,639	41,061
Materials and supplies	9,700	10,200	8,324	1,876
Total city manager	1,666,000	1,666,000	1,630,575	35,425
Finance:				
Personal services	1,154,320	1,154,320	1,108,163	46,157
Other services and charges	135,600	135,600	99,111	36,489
Materials and supplies	25,500	25,500	14,337	11,163
Total finance	1,315,420	1,315,420	1,221,611	93,809
City attorney:				
Personal services	928,300	928,300	869,203	59,097
Other service and charges	323,400	323,400	309,587	13,813
Materials and supplies	55,300	55,300	50,364	4,936
Total city attorney	1,307,000	1,307,000	1,229,154	77,846
Human resources:				
Personal services	838,400	838,400	829,541	8,859
Other services and charges	384,300	384,300	250,185	134,115
Materials and supplies	19,000	19,000	6,368	12,632
Total human resources	1,241,700	1,241,700	1,086,094	155,606
Information services:				
Personal services	1,123,900	1,123,900	1,136,331	(12,431)
Other services and charges	560,400	579,200	406,152	173,048
Materials and supplies	33,200	33,200	22,792	10,408
Total information services	1,717,500	1,736,300	1,565,275	171,025
Community development:				
Personal services	2,644,300	2,644,300	2,564,839	79,461
Other services and charges	253,100	201,249	190,492	10,757
Material and supplies	74,600	126,451	99,611	26,840
Total community development	2,972,000	2,972,000	2,854,942	117,058
General government:				
Personal services	11,600	11,600	22,254	(10,654)
Other services and charges	2,211,700	2,536,700	2,513,957	22,743
Materials and supplies	18,900	21,900	22,985	(1,085)
Total general government	2,242,200	2,570,200	2,559,196	11,004
City Clerk:				
Personal services	643,500	643,500	658,624	(15,124)
Other services and charges	95,700	95,700	87,238	8,462
Materials and supplies	16,900	16,900	8,798	8,102
Total City clerk	756,100	756,100	754,660	1,440
Total general government	13,217,920	13,564,720	12,901,507	663,213

(Continued)

**CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020**

**CITY OF BROKEN ARROW, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (continued)
GENERAL FUND
Year ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Public services:				
Streets:				
Personal services	2,540,500	2,558,299	2,258,137	300,162
Other services and charges	159,000	200,280	149,179	51,101
Materials and supplies	650,400	621,401	462,680	158,721
Total streets	3,349,900	3,379,980	2,869,996	509,984
General services:				
Personal services	183,200	183,200	198,002	(14,802)
Other services and charges	20,300	20,400	9,588	10,812
Materials and supplies	17,000	16,900	13,198	3,702
Total general services	220,500	220,500	220,788	(288)
Total public services	3,570,400	3,600,480	3,090,784	509,696
Parks and recreation:				
Personal services	3,435,200	3,435,200	3,276,390	158,810
Other services and charges	784,000	788,765	581,322	207,443
Materials and supplies	453,300	466,050	392,110	73,940
Total parks and recreation	4,672,500	4,690,015	4,249,822	440,193
Other financing uses:				
Transfers to other funds	57,567,904	59,091,395	58,797,222	294,173
Total charges to appropriations	79,028,724	80,946,610	79,039,335	1,907,275
Ending budgetary fund balance	\$ 16,014,796	\$ 16,262,629	\$ 18,743,002	\$ 2,480,373

**CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020**

**Broken Arrow
Budgetary Comparison Schedule
Major Special Revenue Fund - Public Safety Sales Tax Fund - Police
For the year ended June 30, 2020**

Public Safety Sales Tax Fund - Police				
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Beginning Budgetary Fund Balance (restated)	\$ 5,871,358	\$ 4,975,433	\$ 4,975,433	\$ -
Resources (Inflows):				
Taxes	2,268,700	2,268,700	2,291,673	22,973
Intergovernmental	100,000	100,000	112,258	12,258
Investment income	4,500	4,500	7,184	2,684
Miscellaneous	10,000	10,000	7,977	(2,023)
Transfers from other funds	23,660,987	24,301,497	24,244,767	(56,730)
Amounts available for appropriation	26,044,187	26,684,697	26,663,859	(20,838)
Charges to Appropriations (Outflows):				
Police:				
Personal Services	21,675,000	21,675,000	22,208,715	(533,715)
Other Services and Charges	1,803,300	1,775,500	1,582,893	192,607
Materials and Supplies	1,112,700	1,111,400	791,268	320,132
Capital Outlay	753,000	788,200	653,982	134,218
Total Charges to Appropriations	25,344,000	25,350,100	25,236,858	113,242
Ending Budgetary Fund Balance	\$ 6,571,545	\$ 6,310,030	\$ 6,402,434	\$ 92,404

**Broken Arrow
Budgetary Comparison Schedule
Major Special Revenue Fund - Public Safety Sales Tax Fund - Fire
For the year ended June 30, 2020**

Public Safety Sales Tax Fund - Fire				
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Beginning Budgetary Fund Balance (restated)	\$ 662,435	\$ 662,435	\$ 929,098	\$ 266,663
Resources (Inflows):				
Taxes	2,268,700	2,268,700	2,291,673	22,973
Intergovernmental	-	6,600	36,626	30,026
Investment income	3,000	3,000	3,264	264
Miscellaneous	5,000	11,500	17,059	5,559
Transfers from other funds	19,190,417	20,073,398	19,678,756	(394,642)
Amounts available for appropriation	21,467,117	22,363,198	22,027,378	(335,820)
Charges to Appropriations (Outflows):				
Fire:				
Personal Services	19,445,400	20,709,700	20,610,865	98,835
Other Services and Charges	1,005,800	1,025,216	1,073,130	(47,914)
Materials and Supplies	877,800	876,625	833,910	42,715
Capital Outlay	305,200	348,051	272,348	75,703
Total Charges to Appropriations	21,634,200	22,959,592	22,790,253	169,339
Ending Budgetary Fund Balance	\$ 495,352	\$ 66,041	\$ 166,223	\$ 100,182

NOTES TO BUDGETARY COMPARISON SCHEDULES

Note 1 - Budgetary Accounting

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

Under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"), the legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. At June 30, 2020, the City's expenditures did not exceed appropriations in any department.

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

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

	<u>General Fund</u>
Total budgetary resources (inflows)	\$ 82,676,505
Less: transfers in from other funds	<u>(16,573,533)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 66,102,972</u>
Total budgetary expenditures and transfers	\$ 79,039,335
Less: transfers to other funds	<u>(58,797,222)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 20,242,113</u>

**CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020**

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

	Public Safety Sales Tax Fund - Police
Total budgetary resources (inflows)	<u>\$ 26,663,859</u>
Add: On-behalf payments	1,478,514
Less: Transfers in from other funds	<u>(24,244,767)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 3,897,606</u>
Total budgetary expenditures and transfers	\$ 25,236,858
Add: On-behalf payments	<u>1,478,514</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 26,715,372</u>
	Public Safety Sales Tax Fund - Fire
Total budgetary resources (inflows)	<u>\$ 22,027,378</u>
Add: On-behalf payments	4,349,821
Less: Transfers in from other funds	<u>(19,678,756)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 6,698,443</u>
Total budgetary expenditures and transfers	\$ 22,790,253
Add: On-behalf payments	<u>4,349,821</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 27,140,074</u>

**CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020**

Schedules of Required Supplementary Information

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

Last 10 Fiscal Years*

For the year June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City's proportion of the net pension liability (asset)	3.1323%	3.2237%	3.1605%	3.3097%	3.4646%	3.5076%
City's proportionate share of the net pension liability (asset)	\$(1,054,626)	\$ 131,444	\$4,840,062	\$ 254,584	\$(1,650,356)	\$ (223,922)
City's covered-employee payroll	** N/A	\$9,112,431	\$9,320,477	\$ 10,248,277	\$ 10,594,254	\$ 11,433,128
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	** N/A	1.44%	51.93%	2.48%	15.58%	1.96%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%	101.89%	100.24%

Notes to Schedule:

* Only six fiscal years are presented because 10-year data is not yet available. Current year measurement date is June 30, 2019.

** Information was not available.

SCHEDULE OF CITY CONTRIBUTIONS

OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years *

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorily required contribution	\$ 1,184,616	\$ 1,211,662	\$ 1,332,276	\$ 1,377,253	\$ 1,486,307	\$ 1,597,656
Contributions in relation to the statutorily required contribution	<u>1,184,616</u>	<u>1,211,662</u>	<u>1,332,276</u>	<u>1,377,253</u>	<u>1,486,307</u>	<u>1,597,656</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 9,112,431	\$ 9,320,477	\$ 10,248,277	\$ 10,594,254	\$ 11,433,128	\$ 12,091,461
Contributions as a percentage of covered-employee payroll	13%	13%	13%	13%	13%	13%

Notes to Schedule:

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

CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Schedules of Required Supplementary Information

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

Last 10 Fiscal Years*

For the year June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City's proportion of the net pension liability	3.6826%	3.8107%	3.9641%	4.2472%	4.4499%	4.1400%
City's proportionate share of the net pension liability	\$ 37,869,951	\$ 40,447,082	\$ 48,430,529	\$ 53,418,020	\$ 50,090,663	\$ 43,746,453
City's covered-employee payroll	** N/A	\$ 10,409,757	\$ 11,090,514	\$ 12,517,279	\$ 13,237,331	\$ 13,875,665
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	** N/A	388.55%	436.68%	426.75%	378.40%	315.27%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%

Notes to Schedule:

* Only six fiscal years are presented because 10-year data is not yet available.
 Current year measurement date is June 30, 2019.

** Information was not available.

SCHEDULE OF CITY CONTRIBUTIONS

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years *

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorily required contribution	\$ 1,457,366	\$ 1,552,672	\$ 1,752,419	\$ 1,852,898	\$ 1,942,593	\$ 2,057,989
Contributions in relation to the statutorily required contribution	<u>1,457,366</u>	<u>1,552,672</u>	<u>1,752,419</u>	<u>1,852,898</u>	<u>1,942,593</u>	<u>2,057,989</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 10,409,757	\$ 11,090,514	\$ 12,517,279	\$ 13,237,331	\$ 13,875,665	\$ 14,699,910
Contributions as a percentage of covered-employee payroll	14%	14%	14%	14%	14%	14%

Notes to Schedule:

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

CITY OF BROKEN ARROW, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Schedules of Required Supplementary Information
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
Last 10 Years*

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability			
Service cost	\$ 81,277	\$ 84,431	\$ 84,431
Interest	44,794	45,537	52,705
Change in assumptions	-	-	(210,425)
Benefit payments, including refunds of member contributions	<u>(25,646)</u>	<u>(25,646)</u>	<u>(33,656)</u>
Net change in total OPEB liability	100,425	104,322	(106,945)
Total OPEB liability - beginning	<u>1,086,022</u>	<u>1,186,447</u>	<u>1,290,769</u>
Total OPEB liability - ending	<u>\$ 1,186,447</u>	<u>\$ 1,290,769</u>	<u>\$ 1,183,824</u>
Covered employee payroll	\$ 30,068,853	\$ 30,068,853	\$ 33,734,659
Total OPEB liability as a percentage of covered employee payroll	3.95%	4.29%	3.51%

Notes to Schedule:

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

Combining Balance Sheet – Nonmajor Governmental Funds

Broken Arrow
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	SPECIAL REVENUE FUNDS					
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitor's Bureau	Police Enhancement	Street and Alley	Housing and Urban Development
ASSETS						
Cash and cash equivalents	\$ 1,461,983	\$ 1,598,314	\$ 804,328	\$ 396,319	\$ 1,504,974	\$ 273,480
Investments	-	-	-	-	-	-
Receivable from other governments	-	-	230	38,049	132,981	17,356
Accrued interest receivable	-	-	-	-	-	-
Other receivables, net	-	-	58,092	-	-	-
Total assets	1,461,983	1,598,314	862,650	434,368	1,637,955	290,836
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	-	-	25,600	-	-	7,536
Due to other funds	-	-	-	1,341	-	-
Amounts held in escrow	-	-	-	-	-	86
Total liabilities	-	-	25,600	1,341	-	7,622
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	-	-	9,670	-	-	15,543
Total deferred inflows of resources	-	-	9,670	-	-	15,543
Fund balances:						
Restricted	-	-	827,380	433,027	1,637,955	267,671
Committed	1,461,983	1,598,314	-	-	-	-
Total fund balances	1,461,983	1,598,314	827,380	433,027	1,637,955	267,671
Total liabilities, deferred inflows of resources and fund balances	\$ 1,461,983	\$ 1,598,314	\$ 862,650	\$ 434,368	\$ 1,637,955	\$ 290,836

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

Combining Balance Sheet – Nonmajor Governmental Funds. (Continued)

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUNDS	
	E911	Crime Prevention	Alcohol Enforcement	Street Light	Admin Technology Fund	Parks and Recreation	Cemetery Care
	E911	Crime Prevention	Alcohol Enforcement	Street Light	Admin Technology Fund	Parks and Recreation	Cemetery Care
ASSETS							
Cash and cash equivalents	\$ 2,057,410	\$ 200,183	\$ 87,255	\$ 474,076	\$ 75,720	\$ 658,266	\$ 324,380
Investments	-	-	-	-	-	-	-
Receivable from other governments	-	16,088	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-
Other receivables, net	12,594	-	1,682	46,593	2,235	19,312	542
Total assets	2,070,004	216,271	88,937	520,669	77,955	677,578	324,922
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	-	13,606	-	26,631	-	-	-
Due to other funds	-	-	-	-	-	-	-
Amounts held in escrow	-	-	-	-	-	-	-
Total liabilities	-	13,606	-	26,631	-	-	-
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	-	-	1,282	3,348	-	-	542
Total deferred inflows of resources	-	-	1,282	3,348	-	-	542
Fund balances:							
Restricted	2,070,004	202,665	87,655	-	77,955	-	134,653
Committed	-	-	-	490,690	-	677,578	189,727
Total fund balances	2,070,004	202,665	87,655	490,690	77,955	677,578	324,380
Total liabilities, deferred inflows of resources and fund balances	\$ 2,070,004	\$ 216,271	\$ 88,937	\$ 520,669	\$ 77,955	\$ 677,578	\$ 324,922

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

Combining Balance Sheet – Nonmajor Governmental Funds. (Continued)

Broken Arrow
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	CAPITAL PROJECT FUNDS				Total Governmental Funds
	Street Sales Tax	1994 General Obligation Bond Issue	2008 General Obligation Bond Fund	2011 General Obligation Bond Fund	
ASSETS					
Cash and cash equivalents	\$ 5,056,345	\$ 198,343	\$ 916,165	\$ 3,466,815	\$ 19,554,356
Investments	-	-	-	4,198,342	4,198,342
Receivable from other governments	710,198	-	-	-	914,902
Accrued interest receivable	-	-	-	37,599	37,599
Other receivables, net	-	-	-	-	141,050
Total assets	<u>5,766,543</u>	<u>198,343</u>	<u>916,165</u>	<u>7,702,756</u>	<u>24,846,249</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	202,788	-	-	604,470	880,631
Due to other funds	-	-	-	-	1,341
Amounts held in escrow	-	-	-	-	86
Total liabilities	<u>202,788</u>	<u>-</u>	<u>-</u>	<u>604,470</u>	<u>882,058</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	37,599	67,984
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,599</u>	<u>67,984</u>
Fund balances:					
Restricted	5,563,755	-	916,165	7,060,687	19,279,572
Committed	-	198,343	-	-	4,616,635
Total fund balances	<u>5,563,755</u>	<u>198,343</u>	<u>916,165</u>	<u>7,060,687</u>	<u>23,896,207</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,766,543</u>	<u>\$ 198,343</u>	<u>\$ 916,165</u>	<u>\$ 7,702,756</u>	<u>\$ 24,846,249</u>

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

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

Broken Arrow
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	SPECIAL REVENUE FUNDS					
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitor's Bureau	Police Enhancement	Street and Alley	Housing and Urban Development
REVENUES						
Sales and use tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise and miscellaneous taxes	-	-	586,625	-	-	-
Intergovernmental	-	-	230	302,813	950,683	611,098
Charges for services	-	248,718	-	-	-	-
Fees and fines	-	-	-	-	-	-
Investment earnings	1,104	1,206	598	696	1,268	-
Miscellaneous	151,830	-	-	-	-	-
Total revenues	<u>152,934</u>	<u>249,924</u>	<u>587,453</u>	<u>303,509</u>	<u>951,951</u>	<u>611,098</u>
EXPENDITURES						
Current:						
General government	-	-	230,773	-	-	68,062
Public safety	-	-	-	18,655	-	-
Capital outlay	-	23,729	-	-	-	509,694
Total expenditures	<u>-</u>	<u>23,729</u>	<u>230,773</u>	<u>18,655</u>	<u>-</u>	<u>577,756</u>
Excess (deficiency) of revenues over expenditures	<u>152,934</u>	<u>226,195</u>	<u>356,680</u>	<u>284,854</u>	<u>951,951</u>	<u>33,342</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	(225,000)	-	(1,000,000)	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(225,000)</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>
Net change in fund balances	152,934	226,195	131,680	284,854	(48,049)	33,342
Fund balances - beginning	1,309,049	1,372,119	695,700	148,173	1,686,004	234,329
Fund balances - ending	<u>\$ 1,461,983</u>	<u>\$ 1,598,314</u>	<u>\$ 827,380</u>	<u>\$ 433,027</u>	<u>\$ 1,637,955</u>	<u>\$ 267,671</u>

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

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

Broken Arrow
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS		
	E911	Crime Prevention	Alcohol Enforcement	Street Light	Admin Technology Fund	Parks and Recreation	Cemetery Care
REVENUES							
Sales and use tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise and miscellaneous taxes	-	-	-	-	-	-	-
Intergovernmental	-	67,307	-	-	-	-	-
Charges for services	1,139,140	-	-	703,113	56,725	272,046	43,512
Fees and fines	-	-	7,423	-	-	-	-
Investment earnings	1,862	498	75	390	-	428	239
Miscellaneous	-	-	-	-	-	42,242	-
Total revenues	<u>1,141,002</u>	<u>67,805</u>	<u>7,498</u>	<u>703,503</u>	<u>56,725</u>	<u>314,716</u>	<u>43,751</u>
EXPENDITURES							
Current:							
General government	-	-	-	451,907	1,215	-	-
Public safety	-	68,676	14,378	-	-	-	-
Capital outlay	564,358	-	-	362,667	-	93,369	-
Total expenditures	<u>564,358</u>	<u>68,676</u>	<u>14,378</u>	<u>814,574</u>	<u>1,215</u>	<u>93,369</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>576,644</u>	<u>(871)</u>	<u>(6,880)</u>	<u>(111,071)</u>	<u>55,510</u>	<u>221,347</u>	<u>43,751</u>
OTHER FINANCING SOURCES (USES)							
Transfers out	<u>(720,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(720,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(143,356)	(871)	(6,880)	(111,071)	55,510	221,347	43,751
Fund balances - beginning	2,213,360	203,536	94,535	601,761	22,445	456,231	280,629
Fund balances - ending	<u>\$ 2,070,004</u>	<u>\$ 202,665</u>	<u>\$ 87,655</u>	<u>\$ 490,690</u>	<u>\$ 77,955</u>	<u>\$ 677,578</u>	<u>\$ 324,380</u>

(Continued)

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

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

Broken Arrow
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	CAPITAL PROJECT FUNDS				Total-Other Governmental Funds
	Street Sales Tax	1994 General Obligation Bond Issue	2008 General Obligation Bond Fund	2011 General Obligation Bond Fund	
REVENUES					
Sales and use tax	\$ 3,819,455	\$ -	\$ -	\$ -	\$ 3,819,455
Franchise and miscellaneous taxes	-	-	-	-	586,625
Intergovernmental	-	-	-	-	1,932,131
Charges for services	-	-	-	-	2,463,254
Fees and fines	-	-	-	-	7,423
Investment earnings	8,495	-	16,179	81,481	114,519
Miscellaneous	-	-	-	-	194,072
Total revenues	<u>3,827,950</u>	<u>-</u>	<u>16,179</u>	<u>81,481</u>	<u>9,117,479</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	751,957
Public safety	-	-	-	-	101,709
Capital outlay	3,605,292	-	1,095,135	1,304,471	7,558,715
Total expenditures	<u>3,605,292</u>	<u>-</u>	<u>1,095,135</u>	<u>1,304,471</u>	<u>8,412,381</u>
Excess (deficiency) of revenues over expenditures	<u>222,658</u>	<u>-</u>	<u>(1,078,956)</u>	<u>(1,222,990)</u>	<u>705,098</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	(1,945,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,945,000)</u>
Net change in fund balances	222,658	-	(1,078,956)	(1,222,990)	(1,239,902)
Fund balances - beginning	5,341,097	198,343	1,995,121	8,283,677	25,136,109
Fund balances - ending	<u>\$ 5,563,755</u>	<u>\$ 198,343</u>	<u>\$ 916,165</u>	<u>\$ 7,060,687</u>	<u>\$ 23,896,207</u>

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

Combining Schedule of Net Position – BAMA Enterprise Fund Accounts

Broken Arrow
Combining Schedule of Net Position
Broken Arrow Municipal Authority Accounts
June 30, 2020

	Municipal Authority	BAMA Sales Tax Account	Sanitary Capital Account	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ (16,190,923)	\$ 17,184,134	\$ 1,327,008	\$ 2,320,219
Restricted cash and cash equivalents	199,536	25,715,767	-	25,915,303
Investments	66,667	-	-	66,667
Accounts receivable, net	8,824,016	-	-	8,824,016
Due from other funds	3,303,314	-	-	3,303,314
Due from other governments	106,954	512,040	-	618,994
Inventories	1,382,109	-	-	1,382,109
Prepaid assets	20,500	-	-	20,500
Total current assets	<u>(2,287,827)</u>	<u>43,411,941</u>	<u>1,327,008</u>	<u>42,451,122</u>
Non-current assets:				
Restricted cash and cash equivalents	798,146	3,285,383	-	4,083,529
Investment in joint venture	32,750,496	-	-	32,750,496
Capital Assets:				
Land and other nondepreciable assets	9,294,876	-	-	9,294,876
Other capital assets, net of accumulated depreciation	199,111,767	-	-	199,111,767
Total non-current assets	<u>241,955,285</u>	<u>3,285,383</u>	<u>-</u>	<u>245,240,668</u>
Total assets	<u>239,667,458</u>	<u>46,697,324</u>	<u>1,327,008</u>	<u>287,691,790</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	41,952	-	41,952
Deferred amounts related to OPEB	48,117	-	-	48,117
Total deferred outflows of resources	<u>48,117</u>	<u>41,952</u>	<u>-</u>	<u>90,069</u>
LIABILITIES				
Current liabilities:				
Accounts payable	9,783,066	-	-	9,783,066
Accrued payroll payable	498,971	-	-	498,971
Accrued interest payable	-	1,283,545	-	1,283,545
Due to other funds	7,334,077	4,736,136	-	12,070,213
Amounts held in escrow	346,413	-	-	346,413
Compensated absences	489,055	-	-	489,055
Meter deposit liability	199,536	-	-	199,536
Bonds, notes and loans payable, net	-	6,487,907	-	6,487,907
Total current liabilities	<u>18,651,118</u>	<u>12,507,588</u>	<u>-</u>	<u>31,158,706</u>
Non-current liabilities:				
Compensated absences	244,528	-	-	244,528
Meter deposit liability	798,146	-	-	798,146
Bonds, notes and loans payable, net	-	132,189,660	-	132,189,660
Total OPEB liability	<u>333,603</u>	<u>-</u>	<u>-</u>	<u>333,603</u>
Total non-current liabilities	<u>1,376,277</u>	<u>132,189,660</u>	<u>-</u>	<u>133,565,937</u>
Total liabilities	<u>20,027,395</u>	<u>144,697,248</u>	<u>-</u>	<u>164,724,643</u>
DEFERRED INFLOW OF RESOURCES				
Deferred amounts related to OPEB	52,264	-	-	52,264
Total deferred inflow of resources	<u>52,264</u>	<u>-</u>	<u>-</u>	<u>52,264</u>
NET POSITION				
Net Investment in capital assets	208,406,643	(115,575,937)	-	92,830,706
Restricted for debt service	-	4,615,975	-	4,615,975
Unrestricted	11,229,273	13,001,990	1,327,008	25,558,271
Total net position	<u>\$ 219,635,916</u>	<u>\$ (97,957,972)</u>	<u>\$ 1,327,008</u>	<u>\$ 123,004,952</u>

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

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

Broken Arrow
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Broken Arrow Municipal Authority Accounts
For the Year Ended June 30, 2020

	<u>Municipal Authority</u>	<u>BAMA Sales Tax Account</u>	<u>Sanitary Capital Account</u>	<u>Total</u>
REVENUES				
Water charges	\$ 22,418,462	\$ -	\$ -	\$ 22,418,462
Sewer charges	13,959,014	-	-	13,959,014
Sanitation charges	6,614,456	-	-	6,614,456
Stormwater fees	6,683,353	-	-	6,683,353
Fees and fines	733,244	-	-	733,244
Miscellaneous	253,674	-	-	253,674
Total operating revenues	<u>50,662,203</u>	<u>-</u>	<u>-</u>	<u>50,662,203</u>
OPERATING EXPENSES				
General government	1,249,531	-	-	1,249,531
Finance and administration	1,749,909	-	-	1,749,909
Engineering and construction	3,085,734	-	-	3,085,734
Water distribution	10,000,077	-	-	10,000,077
Saitary sewer system	6,769,132	-	-	6,769,132
Sanitation services	5,954,622	-	-	5,954,622
Support services	3,327,317	-	-	3,327,317
Stormwater	3,972,822	-	-	3,972,822
Depreciation	10,388,963	-	-	10,388,963
Total Operating Expenses	<u>46,498,107</u>	<u>-</u>	<u>-</u>	<u>46,498,107</u>
Operating income	<u>4,164,096</u>	<u>-</u>	<u>-</u>	<u>4,164,096</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	30,909	415,776	1,054	447,739
Gain on disposal of capital assets	110,010	-	-	110,010
Operating grant	60,218	-	-	60,218
Bond issuance costs	-	(66,750)	-	(66,750)
Interest expense and fiscal charges	-	(4,652,516)	-	(4,652,516)
Total non-operating revenue (expenses)	<u>201,137</u>	<u>(4,303,490)</u>	<u>1,054</u>	<u>(4,101,299)</u>
Income (loss) before contributions and transfers	4,365,233	(4,303,490)	1,054	62,797
Capital contributions	6,999,531	-	-	6,999,531
Transfers in	15,293,699	-	-	15,293,699
Transfers out	(15,893,699)	-	-	(15,893,699)
Change in net position	<u>10,764,764</u>	<u>(4,303,490)</u>	<u>1,054</u>	<u>6,462,328</u>
Total net position - beginning	<u>208,871,152</u>	<u>(93,654,482)</u>	<u>1,325,954</u>	<u>116,542,624</u>
Total net position - ending	<u>\$ 219,635,916</u>	<u>\$ (97,957,972)</u>	<u>\$ 1,327,008</u>	<u>\$ 123,004,952</u>

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

Combining Schedule of Cash Flows – BAMA Enterprise Fund Accounts

Broken Arrow
Combining Schedule of Cash Flows
Broken Arrow Municipal Authority Accounts
For the Year Ended June 30, 2020

	<u>Municipal Authority</u>	<u>BAMA Sales Tax Account</u>	<u>Sanitary Capital Account</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 49,220,550	\$ -	\$ -	\$ 49,220,550
Payments to suppliers	(15,209,839)	-	-	(15,209,839)
Payments to employees	(17,633,532)	-	-	(17,633,532)
Receipts of customer meter deposits	273,512	-	-	273,512
Payment of customer meter deposits	(269,554)	-	-	(269,554)
Interfund payments & receipts	4,712,142	-	-	4,712,142
Net cash provided by operating activities	<u>21,093,279</u>	<u>-</u>	<u>-</u>	<u>21,093,279</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	15,293,699	-	-	15,293,699
Transfer to other funds	(15,893,699)	-	-	(15,893,699)
Net cash provided by (used in) noncapital financing activities	<u>(600,000)</u>	<u>-</u>	<u>-</u>	<u>(600,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(21,218,658)	-	-	(21,218,658)
Proceeds from issuance of debt	-	6,438,428	-	6,438,428
Note issuance costs	-	(66,750)	-	(66,750)
Proceeds from sale of capital assets	110,010	-	-	110,010
Payment to escrow for refunding	-	(5,693,792)	-	(5,693,792)
Principal paid on capital debt	-	(5,580,146)	-	(5,580,146)
Interest paid on capital debt	-	(4,875,838)	-	(4,875,838)
Net cash provided by (used in) capital and related financing activities	<u>(21,108,648)</u>	<u>(9,778,098)</u>	<u>-</u>	<u>(30,886,746)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales of investments	88,000	-	-	88,000
(Increase) decrease in investment in joint venture	(5,179,649)	-	-	(5,179,649)
Interest and dividends	30,909	415,776	1,054	447,739
Net cash provided by (used in) investing activities	<u>(5,060,740)</u>	<u>415,776</u>	<u>1,054</u>	<u>(4,643,910)</u>
Net Increase (decrease) in cash and cash equivalents	(5,676,109)	(9,362,322)	1,054	(15,037,377)
Balances-beginning of year	(9,517,132)	55,547,606	1,325,954	47,356,428
Balances-end of year	<u>\$ (15,193,241)</u>	<u>\$ 46,185,284</u>	<u>\$ 1,327,008</u>	<u>\$ 32,319,051</u>
Reconciliation to Combining Statement of Net Position:				
Cash and cash equivalents	\$ (16,190,923)	\$ 17,184,134	\$ 1,327,008	\$ 2,320,219
Restricted cash and cash equivalents-current	199,536	25,715,767	-	25,915,303
Restricted cash and cash equivalents-noncurrent	798,146	3,285,383	-	4,083,529
Total cash and cash equivalents, end of year	<u>(15,193,241)</u>	<u>46,185,284</u>	<u>1,327,008</u>	<u>32,319,051</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income	\$ 4,164,096	\$ -	\$ -	\$ 4,164,096
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	10,388,963	-	-	10,388,963
Change in assets, liabilities and deferrals:				
Receivables, net	(1,431,148)	-	-	(1,431,148)
Due from other funds	(11,654)	-	-	(11,654)
Due from other governments	(46,736)	-	-	(46,736)
Inventories	(131,216)	-	-	(131,216)
Deferred amounts related to OPEB	59,078	-	-	59,078
Accounts payables	3,159,630	-	-	3,159,630
Accrued payroll	139,781	-	-	139,781
Due to other funds	4,723,796	-	-	4,723,796
Amounts held in escrow	36,231	-	-	36,231
Accrued compensated absences	66,646	-	-	66,646
Customer meter deposits payable	3,958	-	-	3,958
Total OPEB liability	(28,146)	-	-	(28,146)
Net cash provided by operating activities	<u>\$ 21,093,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>21,093,279</u>
Non-cash Activities:				
Capital assets contributed	\$ 6,999,531	\$ -	\$ -	\$ 6,999,531
Total Non-cash Activities	<u>\$ 6,999,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,999,531</u>

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

Combining Statement of Net Position – Internal Service Funds

Broken Arrow			
Combining Statement of Net Position			
Internal Service Funds			
June 30, 2020			
	Worker's Compensation	Group Health & Life	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,269,218	\$ 2,771,715	\$ 5,040,933
Total assets	2,269,218	2,771,715	5,040,933
LIABILITIES			
Current Liabilities:			
Accounts payable	6,285	7,220	13,505
Amounts held in escrow	42,970	-	42,970
Claims liability	976,000	-	976,000
Total current liabilities	1,025,255	7,220	1,032,475
Non-current liabilities:			
Claims liability	2,714,000	719,848	3,433,848
Total non-current liabilities	2,714,000	719,848	3,433,848
Total liabilities	3,739,255	727,068	4,466,323
NET POSITION			
Unrestricted (deficit)	(1,470,037)	2,044,647	574,610
Total Net Position	\$ (1,470,037)	\$ 2,044,647	\$ 574,610

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

Broken Arrow			
Combining Statement of Revenues, Expenses and Changes in Fund Net Position			
Internal Service Funds			
For the Year Ended June 30, 2020			
	Worker's Compensation	Group Health & Life	Total
OPERATING REVENUES			
Self insurance charges	\$ 1,472,000	\$ 8,807,201	\$ 10,279,201
Total operating revenues	1,472,000	8,807,201	10,279,201
OPERATING EXPENSES			
Claims expense	534,559	8,312,101	8,846,660
Total operating expenses	534,559	8,312,101	8,846,660
Operating income	937,441	495,100	1,432,541
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,596	2,275	3,871
Miscellaneous revenue	38,224	-	38,224
Total non-operating revenue (expenses)	39,820	2,275	42,095
Change in net position	977,261	497,375	1,474,636
Total net position - beginning	(2,447,298)	1,547,272	(900,026)
Total net position - ending	\$ (1,470,037)	\$ 2,044,647	\$ 574,610

CITY OF BROKEN ARROW, OKLAHOMA
OTHER SUPPLEMENTARY INFORMATION
June 30, 2020

Combining Statement of Cash Flows – Internal Service Funds

Broken Arrow			
Combining Statement of Cash Flows			
Internal Service Funds			
For the Year Ended June 30, 2020			
	Worker's Compensation	Group Health & Life	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,508,092	\$ 8,820,289	\$ 10,328,381
Claims paid	(965,282)	(8,675,716)	(9,640,998)
Net cash provided by operating activities	542,810	144,573	687,383
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	1,596	2,275	3,871
Net cash provided by investing activities	1,596	2,275	3,871
Net increase in cash and cash equivalents	544,406	146,848	691,254
Balances-beginning of year	1,724,812	2,624,867	4,349,679
Balances-end of year	\$ 2,269,218	\$ 2,771,715	\$ 5,040,933
Reconciliation to Combining Statement of Net Position:			
Cash, including time deposits	\$ 2,269,218	\$ 2,771,715	\$ 5,040,933
Total cash and cash equivalents, end of year	\$ 2,269,218	\$ 2,771,715	\$ 5,040,933
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 937,441	\$ 495,100	\$ 1,432,541
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous non-operating revenue (expense)	38,224	-	38,224
Change in assets and liabilities:			
Other receivable	-	13,088	13,088
Accounts and other payables	(30,723)	3,586	(27,137)
Amounts held in escrow	(2,132)	-	(2,132)
Claims liability	(400,000)	(367,201)	(767,201)
Net cash provided by operating activities	\$ 542,810	\$ 144,573	\$ 687,383

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

SCHEDULE OF DEBT SERVICE COVERAGE

Year Ended June 30, 2020

	OWRB 2001, 2004, 2007, 2012, 2015, 2016, 2017, 2018 and 2019 Notes Payable and 2019 STRN
Gross revenue available for debt service:	
Charges for services	\$ 50,662,203
Investment income	447,739
Sales tax transferred from the City General Fund	<u>15,293,699</u>
Total gross revenues available	<u>66,403,641</u>
Operating expenses (1)	
General government	1,249,531
Finance and administration	1,749,909
Engineering and construction	3,085,734
Water distribution	10,000,077
Sanitary sewer system	6,769,132
Sanitation services	5,954,622
Support services	3,327,317
Stormwater	<u>3,972,822</u>
Total operating expenses	<u>36,109,144</u>
Net revenue available for debt service	<u>\$ 30,294,497</u>
Debt service requirements	
Maximum annual debt service on all BAMA parity debt	<u>\$ 12,246,341</u>
Computed coverage	<u>247%</u>
Coverage requirement	<u>125%</u>

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

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF DEBT RESERVE ACCOUNT BALANCE REQUIREMENTS

Year ended June 30, 2020

	Series 2019 BAEDA Note Payable	Series 2012 OWRB Note Payable	Series 2015 OWRB Note Payable
Required balance	\$ 500,000	\$ 2,435,677	\$ 849,706
Balance in Trustee Account, June 30, 2020	<u>500,000</u>	<u>2,435,677</u>	<u>849,706</u>
Excess of account balance over (under) required balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BROKEN ARROW, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

June 30, 2020

CITY OF BROKEN ARROW, OKLAHOMA

June 30, 2020

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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 <i>Government Auditing Standards</i>	1
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Reports related to Federal Assistance Programs Required by the Uniform Guidance:

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required By the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	5
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Schedule of Findings and Questioned Costs	8
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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, 2020, 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 3, 2021.

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

March 3, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE UNIFORM GUIDANCE

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 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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2020.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 3, 2021, 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 the Uniform Guidance 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.

Arlidge & Associates

March 3, 2021

City of Broken Arrow
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<i>CDBG - Entitlement Grants-Cluster</i>				
Department of Housing and Urban Development Community Development Block Grants/Entitlement Grants Community Development Block			U.S. Dept of H.U.D - Tulsa County--B-19-UC-40-0001	88,987
Grants/Entitlement Grants Community Development Block	14.218		U.S. Dept of H.U.D - Tulsa County--B-18-UC-40-0001	392,511
Grants/Entitlement Grants Community Development Block	14.218		U.S. Dept of H.U.D - Tulsa County--B-17-UC-40-0001	96,258
Total Community Development Block Grants/Entitlement Grants				<u>577,756</u>
<i>Total Department of Housing and Urban Development</i>				<u>577,756</u>
<i>Total CDBG - Entitlement Grants-Cluster</i>				
<i>Highway Safety Cluster-Cluster</i>				
Department of Transportation State and Community Highway Safety				
State and Community Highway Safety	20.600	OHS Traffic Enf Grant - Traffic Enforcement--SE-19-03-03-19		21,905
State and Community Highway Safety	20.600	OHS Traffic Enf Grant - Traffic Enforcement--SE-19-03-03-19		4,185
State and Community Highway Safety	20.600	OHS Traffic Enf Grant - Speed Enforcement--OP-20-03-01-20		2,400
State and Community Highway Safety	20.600	OHS Traffic Enf Grant - Speed Enforcement--OP-20-03-01-20		13,393
Total State and Community Highway Safety				<u>41,883</u>
<i>Total Department of Transportation</i>				<u>41,883</u>
<i>Total Highway Safety Cluster-Cluster</i>				
<i>Other Programs</i>				
Office of Management and Enterprise Serve - OK Cares Act				
Office of Management and Enterprise Serve - OK Cares Act	21.019	Oklahoma CARES Act--FA-000312/FA002886		36,626
Office of Management and Enterprise Serve - OK Cares Act	21.019	Oklahoma CARES Act--FA-000312/FA002886		16,357
Office of Management and Enterprise Serve - OK Cares Act	21.019	Oklahoma CARES Act--FA-000312/FA002886		17,557
Office of Management and Enterprise Serve - OK Cares Act	21.019	Oklahoma CARES Act--FA-000312/FA002886		230
Office of Management and Enterprise Serve - OK Cares Act	21.019	Oklahoma CARES Act--FA-000312/FA002886		12,481
Office of Management and Enterprise Serve - OK Cares Act	21.019	Oklahoma CARES Act--FA-000312/FA002886		100,000
Total Office of Management and Enterprise Serve - OK Cares Act				<u>183,250</u>
Public Health and social Emergency Fund - HHS Stimulus CARES Act				
Public Health and social Emergency Fund - HHS Stimulus CARES Act	93.498	HHS Stimulus CARES Act--N/A		81,383
Total Public Health and social Emergency Fund - HHS Stimulus CARES Act				<u>81,383</u>
<i>Total Default Agency</i>				<u>264,633</u>
Department of Homeland Security Hazard Mitigation Grant				
Hazard Mitigation Grant	97.039	DEPT OF EMER MGMT - Hazard Mitigation Grant Program--HMPG-4315-0014- OK		265,677
Total Hazard Mitigation Grant				<u>265,677</u>
<i>Total Department of Homeland Security</i>				<u>265,677</u>
United States Department of Justice Crime Victim Assistance				

Crime Victim Assistance	16.575	US Justice Dept. Grant - District Attorney's Council- Crime Victim Assistan--2019- VOCA-Broken Arr	10,124
Crime Victim Assistance	16.575	US Justice Dept. Grant - District Attorney's Council- Crime Victim Assistan--2018- VOCA-Broken Arr	12,782
Crime Victim Assistance	16.575	US Justice Dept. Grant - District Attorney's Council- Crime Victim Assistan--2019- VOCA-Broken Arr	16,511
Total Crime Victim Assistance			<u>39,417</u>
Edward Byrne Memorial Justice Assistance Grant Program			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	US Justice Dept. Grant - Edward byrne Memorial Justice Assistance--2019-DJ-BX- 0405	7,129
Edward Byrne Memorial Justice Assistance Grant Program	16.738	US Justice Dept. Grant - Edward byrne Memorial Justice Assistance--2018-DJ-BX- 0233	1,939
Edward Byrne Memorial Justice Assistance Grant Program	16.738	US Justice Dept. Grant - Edward byrne Memorial Justice Assistance--2017-DJ-BX- 0508	2,689
Edward Byrne Memorial Justice Assistance Grant Program	16.738	US Justice Dept. Grant - Edward byrne Memorial Justice Assistance--2017-DJ-BX- 0508	2,345
Edward Byrne Memorial Justice Assistance Grant Program	16.738	US Justice Dept. Grant - Edward byrne Memorial Justice Assistance--2018-DJ-BX- 0233	3,307
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>17,409</u>
<i>Total United States Department of Justice</i>			<u>56,826</u>
Total Other Programs			<u>587,136</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,206,775</u></u>

The accompanying notes are an integral part of this schedule

CITY OF BROKEN ARROW, OKLAHOMA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2020. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C—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	Broken Arrow Neighbors	27,690
Community Development Block Grant/ Entitlement Grants	14.218	Borken Arrow Seniors	20,872
Community Development Block Grant/ Entitlement Grants	14.218	Child Abuse Network	19,501
			<u>\$ 68,062</u>

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

<u>Program</u>	<u>CFDA Number</u>
Community Development Block Grants	14.218

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

June 30, 2020

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

A. Internal control

No matters were reported.

B. Compliance Findings

No matters were reported.

Section III—Findings Required to be Reported in Accordance with the Uniform Guidance:

A. Internal control

No matters were reported.

B. Compliance Findings

No matters were reported.

CITY OF BROKEN ARROW, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2020

Findings Required to be Reported in Accordance with *Government Auditing Standards*:

A. Internal Control

<u>Reference</u>	<u>Finding</u>	<u>Status</u>	<u>Corrective Action Plan or Other Explanation</u>
2019-01	Internal control processes were not adequately designed to ensure the reported allowance for uncollectible accounts receivable was sufficient with uncollectible balances properly identified and reported. The aggregate accumulated error resulted in an overstatement of assets and related revenues of \$1,632,634 in the City's Government-Wide financial statements.	Fully Corrected	The City will begin monitoring the collectability of ambulance accounts receivable on a regular basis to ensure the proper development and recording of allowances at year end.

B. Compliance Findings

No matters were reported.

Findings Required to be Reported in Accordance with the Uniform Guidance:

Finding: 2019-02 – Filing of the Data Collection Form with the Federal Audit Clearinghouse

A. Internal Control

<u>Reference</u>	<u>Finding</u>	<u>Status</u>	<u>Corrective Action Plan or Other Explanation</u>
2019-02	Internal control processes were not adequately designed to ensure the data collection form was filed with federal audit clearinghouse or the State Auditor and Inspector Form 2643 was filed with the state auditor within the required time frame.	Fully Corrected	The City is implementing a new computer system with new procedures and will be following an internal time schedule to make sure that the auditors receive the requested items in a timely manner. This will ensure that the data collection form and State Auditor and Inspector Form 2643 will be filed within the required timeframe.

B. Compliance Findings

No matters were reported.