



FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2011
WITH
INDEPENDENT AUDITORS' REPORT

CONTENTS

List of Principal Officials.....	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Statement of Net Assets – Proprietary Funds.....	17
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Net Assets – Component Units	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Component Units	22
Statement of Fiduciary Net Assets	23
Notes to Basic Financial Statements	24
Required Supplementary Information:	
Schedule of Funding Progress – Other Post Employment Benefit Obligation	61
Budgetary Comparison Schedule – General Fund	62
Budgetary Comparison Schedule – Notes to Required Supplementary Information	68

Other Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	72
Schedule of Debt Service Coverage Requirements.....	75
Schedule of Debt Reserve Account Balance Requirements.....	76



City of Broken Arrow, Oklahoma

**List of Principal Officials
June 30, 2011**

City Council

**Mike Lester, Mayor
Craig Thurmond, Vice Mayor
Richard Carter
Johnnie Parks
Jill Norman**

City Manager

David L. Wooden

Clerk

Mary E. Bryce

Finance Director/Treasurer

Thomas L. Caldwell

INDEPENDENT AUDITORS' REPORT

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2012, on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis, budgetary comparison information and schedule of funding progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 other schedules, listed as Other Supplementary Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hogan Taylor LLP

January 12, 2012

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

June 30, 2011

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, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- For the fiscal year ended June 30, 2011, the City's total net assets increased by \$770,589 or 0.28% from the prior year net assets.
- During the year, the City's expenses for governmental activities were \$57,849,167 and were funded by program revenues of \$14,897,289, and further funded with taxes and other general revenues that totaled \$49,075,122.
- In the City's business-type activities, such as utilities, total program expenses exceeded revenues by \$8,371,929.
- At June 30, 2011, the General Fund reported a total fund balance of \$6,280,650, as compared to the prior year balance of \$5,622,897. Fund balance of \$1,990,402 has been designated for compensated absences.
- For budgetary reporting purposes, the General Fund reported revenues more than estimates of \$1,627,072, or 3.99%, while expenditures were under the final appropriations by \$1,803,675 or 4.04%.

Overview of the Financial Statements

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

Reporting the City as a Whole

The statement of net assets 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 assets and statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net assets and changes in net assets from the prior year. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial condition or position. Over time, increases or decreases in the City's net assets 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 assets and statement of activities, we divide the City into three kinds of activities:

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

The City's combined net assets increased from \$274,120,061 to \$274,890,650 between fiscal years 2011 and 2010. Looking at the net assets of governmental and business-type activities separately, governmental activities increased \$6,123,244, while business-type activities decreased \$5,352,655. A comparative, condensed presentation of net assets follows (reported in thousands):

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2010	2011	2010	2011	2010	2011	
Assets:							
Current and other assets	\$ 55,980	\$ 57,408	\$ 14,126	\$ 16,128	\$ 70,106	\$ 73,536	4.89%
Capital assets, net	225,708	237,004	114,128	115,068	339,836	352,072	3.60%
Other noncurrent assets	428	434	18,305	20,167	18,733	20,601	9.97%
Total assets	282,116	294,846	146,559	151,363	428,675	446,209	4.09%
Liabilities:							
Current liabilities	17,016	18,805	6,156	7,197	23,172	26,002	12.21%
Noncurrent liabilities	94,103	98,920	37,280	46,396	131,383	145,316	10.60%
Total liabilities	111,119	117,725	43,436	53,593	154,555	171,318	10.85%
Net Assets:							
Invested in capital assets, net of related debt	125,159	133,228	83,265	82,085	208,424	215,313	3.31%
Restricted	43,266	38,828	1,985	2,003	45,251	40,831	(9.77)%
Unrestricted	2,572	5,065	17,873	13,682	20,445	18,747	(8.31)%
Total net assets	\$ 170,997	\$ 177,121	\$ 103,123	\$ 97,770	\$ 274,120	\$ 274,891	0.28%

Changes in net assets

For the year ended June 30, 2011, the change in net assets of the primary government was the result of the following (reported in thousands):

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2010	2011	2010	2011	2010	2011	
Expenses:							
General government	\$ 8,785	\$ 11,550	\$ -	\$ -	\$ 8,785	\$ 11,550	31.47%
Public safety	29,689	30,454	-	-	29,689	30,454	2.58%
Public services	7,035	7,915	-	-	7,035	7,915	12.51%
Culture and recreation	3,392	3,638	-	-	3,392	3,638	7.25%
Interest on long-term debt	3,992	4,292	-	-	3,992	4,292	7.52%
Water	-	-	15,892	18,506	15,892	18,506	16.45%
Sewer	-	-	8,381	8,508	8,381	8,508	1.52%
Sanitation	-	-	5,166	6,320	5,166	6,320	22.34%
Stormwater	-	-	3,586	4,115	3,586	4,115	14.75%
Economic development	-	-	618	6,918	618	6,918	1019.42%
Golf	-	-	1,380	1,606	1,380	1,606	16.38%
Total expenses	52,893	57,849	35,023	45,973	87,916	103,822	18.09%
Program revenues:							
Charges for services	9,626	10,134	32,283	34,288	41,909	44,423	6.00%
Operating grants and contributions	438	900	-	-	438	900	105.48%
Capital grants and contributions	2,860	3,864	3,745	3,313	6,605	7,177	8.66%
Total program revenues	12,924	14,898	36,028	37,601	48,952	52,499	7.25%
Net revenues (expenses)	(39,969)	(42,951)	1,005	(8,372)	(38,964)	(51,323)	(31.72)%
General revenues:							
Sales and use taxes	32,016	33,472	-	-	32,016	33,472	4.55%
Property taxes	10,694	11,414	-	-	10,694	11,414	6.73%
Franchise and other taxes	5,045	5,351	-	-	5,045	5,351	6.07%
Investment income (loss)	(141)	224	145	62	4	286	7050.00%
Miscellaneous	2,267	1,582	-	-	2,267	1,582	(30.22)%
Transfers	(250)	(2,968)	250	2,957	-	(11)	(100.00)%
Total general revenues and transfers	49,631	49,075	395	3,019	50,026	52,094	4.13%
Change in net assets	\$ 9,662	\$ 6,124	\$ 1,400	\$ (5,353)	\$ 11,062	\$ 771	(93.03)%

The City's governmental activities increase in net assets of \$6,123,244 represents a 3.58% positive change from the prior year net assets. The business-type activities decrease in net assets of \$5,352,655 represents a 5.19% negative change in net assets. The results indicate the City as a whole, improved its financial condition from the prior year.

Governmental activities

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

For the year ended June 30, 2011, the City's governmental activities were funded as follows:

Government Activities Sources	
Sales and use taxes	52.32%
Other taxes	26.21%
Program revenue	23.29%
Other	(1.82)%

Government Activities Uses	
General government	19.97%
Public safety	52.64%
Public services	13.68%
Culture and recreation	6.29%
Interest on long-term debt	7.42%

For the year ended June 30, 2011, total expenses for governmental activities amounted to \$57,849,167. To fund these activities, taxpayers and other general revenues funded \$49,075,122, while those directly benefiting from the program funded \$4,763,297 from grants and other contributions and \$10,133,992 from charges for services.

Net Revenue (Expense) of Governmental Activities

	Total Expense of Services		Net Revenues (Expense) of Services	
	2010	2011	2010	2011
General government	\$ 8,785,453	\$ 11,549,994	\$ (4,600,845)	\$ (7,186,493)
Public safety	29,689,019	30,454,363	(25,471,426)	(25,683,872)
Public services	7,034,942	7,914,564	(3,036,669)	(2,707,155)
Culture and recreation	3,391,837	3,638,288	(2,868,083)	(3,082,400)
Interest on long-term debt	3,991,673	4,291,958	(3,991,673)	(4,291,958)
Total	\$ 52,892,924	\$ 57,849,167	\$ (39,968,696)	\$ (42,951,878)

Business-type activities

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

- Total business-type activities reported net expenses of \$8,371,929 for the year ended June 30, 2011.
- Sewer and stormwater activities reported net revenues for the year ended June 30 2011, while water, sanitation, economic development and golf operations, reported net expenses of \$2,182,161, 661,555, \$6,917,752 and \$231,777, respectively.

Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services		Net Revenues (Expense) of Services	
	2010	2011	2010	2011
Water	\$ 15,891,845	\$ 18,505,871	\$ (1,073,726)	\$ (2,182,161)
Sewer	8,380,724	8,508,239	2,219,110	452,251
Sanitation	5,165,782	6,320,425	915,243	(661,555)
Storm water	3,586,632	4,114,616	(269,061)	1,169,065
Economic development	617,898	6,917,752	(617,898)	(6,917,752)
Golf	1,380,667	1,606,278	(168,346)	(231,777)
Total	\$ 35,023,548	\$ 45,973,181	\$ 1,005,322	\$ (8,371,929)

A financial analysis of the City's funds

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$46,222,435 or a 3.65% decrease from 2010. The combined proprietary funds reported net assets of \$97,409,121 or a 4.54% decrease from 2010.

Other fund highlights include:

- For the year ended June 30, 2011, the General Fund's total fund balance increased by \$657,753 or 11.70%.
- The Sales Tax Capital Improvement Fund's total fund balance decreased by \$1,839,436 or 36.67% due to a one-time transfer to the Broken Arrow Economic Development Authority for a major capital economic development project.
- The General Obligation Bond Funds' total fund balance decreased by \$1,075,233 or 5.22% due to the capital outlay in excess of proceeds from issuance of debt.

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 revenue projections of 4.85% or \$2,444,750 and an increase in appropriations of 5.91% or \$3,101,428.

Capital Asset and Debt Administration

Capital assets

At the end of June 30, 2011, the City had \$352,071,659 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 \$12,236,747 or 3.60% over last year.

Primary Government Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Land	\$ 16,548,028	\$ 21,241,091	\$ 4,144,016	\$ 3,891,999	\$ 20,692,044	\$ 25,133,090
Buildings	40,868,232	41,047,028	4,309,914	3,995,162	45,178,146	45,042,190
Improvements	18,598,611	18,126,942	78,118,573	75,444,814	96,717,184	93,571,756
Machinery and equipment	10,317,054	14,085,241	3,939,377	4,124,121	14,256,431	18,209,362
Infrastructure	124,811,704	131,645,152	20,725,883	21,673,436	145,537,587	153,318,588
Construction in progress	14,563,590	10,858,352	2,889,930	5,938,321	17,453,520	16,796,673
Total assets	\$ 225,707,219	\$ 237,003,806	\$ 114,127,693	\$ 115,067,853	\$ 339,834,912	\$ 352,071,659

This year's more significant capital asset additions included:

- Street improvements totaling \$10,449,170
- Utility system improvements totaling \$1,487,929
- Storm water drainage improvements totaling \$1,777,707

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 \$161,422,748 in long-term debt outstanding which represents a \$14,604,803 or 9.95% increase from the prior year. The City's change in long-term debt by type of debt is as follows:

Primary Government Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Accrued compensated absences	\$ 1,993,446	\$ 1,990,402	\$ 426,193	\$ 425,365	\$ 2,419,639	\$ 2,415,767
Arbitrage rebate payable	9,223	19,125	-	-	9,223	19,125
General obligation bonds	75,372,003	80,449,568	-	-	75,372,003	80,449,568
Notes payable	20,803,037	19,233,037	31,036,335	38,775,706	51,839,372	58,008,743
Judgments payable	760,195	2,938,168	-	-	760,195	2,938,168
Deferred charge, interest rate swap	3,631,700	3,225,126	-	-	3,631,700	3,225,126
Automotive and general liability	834,000	758,000	-	-	834,000	758,000
Meter deposit liability	-	-	861,870	854,170	861,870	854,170
Claims payable	2,750,000	2,369,000	-	-	2,750,000	2,369,000
Other post employment benefit obligation	339,943	538,831	-	-	339,943	538,831
Capital lease obligation	-	-	-	1,846,250	-	1,846,250
Notes payable	-	-	8,000,000	8,000,000	8,000,000	8,000,000
Total long-term debt	\$ 106,493,547	\$ 111,521,257	\$ 40,324,398	\$ 49,901,491	\$ 146,817,945	\$ 161,422,748

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

Economic Factors and Next Year's Budget and Rates

City growth continues to present a major challenge to funding the personnel and other operating costs as well as the increased demand for infrastructure improvements. Although the City had experienced a consistent increase in sales tax collections of 4.32% in Fiscal Year 2002-2003, 8.96% in Fiscal Year 2003-2004, 8.67% in Fiscal Year 2004-2005, 3.29% in Fiscal Year 2005-2006, 4.03% in Fiscal Year 2006-2007, 3.02% in Fiscal Year 2007-2008 and 4.84% in Fiscal Year 2008-2009, the City had a 0.57% decrease in Fiscal Year 2009-2010. The City's sales tax rebounded in Fiscal Year 2010-2011. However, due to the continued uncertainty in the economic climate overall and to protect itself upon any further decline in the economy, the City is not projecting an increase in sales tax revenues for Fiscal year 2011-2012.

The Municipal Authority continues to add utility customers, water, sewer, trash and stormwater, as the City grows. The Municipal Authority's Financial Plan for Fiscal Year 2011-2012 does not include any growth from the current year to protect itself from any decline in the economy.

Contacting the City's Financial Management

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

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 31,427,629	\$ 10,331,604	\$ 41,759,233	\$ 13,686
Investments	13,648,779	182,611	13,831,390	-
Taxes receivable	1,477,642	-	1,477,642	-
Internal balances	377,978	(377,978)	-	-
Due from other governments	7,633,607	-	7,633,607	-
Accrued interest receivable	41,788	6,263	48,051	-
Other receivables, net	2,787,138	5,218,351	8,005,489	-
Notes receivable	-	8,000,000	8,000,000	-
Inventories	-	744,200	744,200	-
Other assets	13,703	23,000	36,703	-
Unamortized debt issuance costs	433,755	468,221	901,976	-
Investment in joint venture	-	11,698,382	11,698,382	-
Capital assets:				
Land and construction in progress	32,099,443	9,830,320	41,929,763	-
Other capital assets, net of depreciation	204,904,363	105,237,533	310,141,896	-
Total assets	294,845,825	151,362,507	446,208,332	13,686
Liabilities				
Accounts payable	2,469,163	2,731,513	5,200,676	-
Retainage payable	290,385	-	290,385	-
Accrued payroll	1,969,386	354,826	2,324,212	-
Accrued interest payable	1,420,711	375,361	1,796,072	-
Due to other governments	12,127	-	12,127	-
Other payables	-	43,803	43,803	-
Amounts held in escrow	42,215	185,444	227,659	-
Long-term liabilities:				
Due within one year	12,600,884	3,505,038	16,105,922	-
Due in more than one year	98,920,373	46,396,453	145,316,826	-
Total liabilities	117,725,244	53,592,438	171,317,682	-
Net Assets				
Invested in capital assets, net of related debt	133,227,679	82,084,630	215,312,309	-
Restricted for:				
Capital projects	24,249,568	-	24,249,568	-
Debt service	11,409,380	2,003,179	13,412,559	-
Other projects	3,169,085	-	3,169,085	-
Unrestricted	5,064,869	13,682,260	18,747,129	13,686
Total net assets	\$ 177,120,581	\$ 97,770,069	\$ 274,890,650	\$ 13,686

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF ACTIVITIES

Year ending June 30, 2011

Functions/Programs	Program Revenues				Net Revenues (Expense) and Changes in Net Assets			
	Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Primary Government:								
Governmental activities:								
General government	\$ 11,549,994	\$ 4,191,558	\$ 171,943	\$ -	\$ (7,186,493)	\$ -	\$ (7,186,493)	\$ -
Public safety	30,454,363	4,455,181	281,755	33,555	(25,683,872)	-	(25,683,872)	-
Public services	7,914,564	967,060	445,903	3,794,446	(2,707,155)	-	(2,707,155)	-
Culture and recreation	3,638,288	520,193	-	35,695	(3,082,400)	-	(3,082,400)	-
Interest on long-term debt	4,291,958	-	-	-	(4,291,958)	-	(4,291,958)	-
Total governmental activities	57,849,167	10,133,992	899,601	3,863,696	(42,951,878)	-	(42,951,878)	-
Business-type activities:								
Water	18,505,871	15,324,007	-	999,703	-	(2,182,161)	(2,182,161)	-
Sewer	8,508,239	8,511,437	-	449,053	-	452,251	452,251	-
Sanitation	6,320,425	5,658,870	-	-	-	(661,555)	(661,555)	-
Stormwater	4,114,616	3,504,923	-	1,778,758	-	1,169,065	1,169,065	-
Economic development	6,917,752	-	-	-	-	(6,917,752)	(6,917,752)	-
Golf	1,606,278	1,289,216	-	85,285	-	(231,777)	(231,777)	-
Total business-type activities	45,973,181	34,288,453	-	3,312,799	-	(8,371,929)	(8,371,929)	-
Total primary government	\$ 103,822,348	\$ 44,422,445	\$ 899,601	\$ 7,176,495	(42,951,878)	(8,371,929)	(51,323,807)	-
General Revenues:								
Taxes:								
Property taxes					11,414,314	-	11,414,314	-
Franchise and miscellaneous taxes					3,622,269	-	3,622,269	-
Sales and use taxes					33,471,653	-	33,471,653	-
Hotel/motel taxes					406,886	-	406,886	-
Tobacco tax					457,781	-	457,781	-
E-911 taxes					734,613	-	734,613	-
Intergovernmental revenue not restricted to specific programs					129,022	-	129,022	-
Investment income					224,390	61,695	286,085	13
Miscellaneous					1,582,239	-	1,582,239	-
Transfers - internal activities					(2,968,045)	2,957,579	(10,466)	10,466
Total general revenues and transfers					49,075,122	3,019,274	52,094,396	10,479
Change in net assets					6,123,244	(5,352,655)	770,589	10,479
Net assets, beginning of year					170,997,337	103,122,724	274,120,061	3,207
Net assets, end of year					\$ 177,120,581	\$ 97,770,069	\$ 274,890,650	\$ 13,686

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Sales Tax Capital Improvement Fund	2004 General Obligation Bond Fund	2008 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 1,630,229	\$ 1,933,122	\$ 9,444,981	\$ 8,613,331	\$ 1,598,955	\$ 6,716,195	\$ 29,936,813
Investments	1,000,000	-	-	3,000,096	8,648,683	750,000	13,398,779
Taxes receivable, net	137,254	-	-	-	1,340,388	-	1,477,642
Due from other funds	2,050,117	104,763	-	-	-	-	2,154,880
Receivable from other governments	4,898,189	2,669,331	-	-	-	66,087	7,633,607
Accrued interest receivable	3,065	-	-	12,224	21,647	3,639	40,575
Other receivables, net	4,908,917	-	-	-	-	144,446	5,053,363
Prepaid expenses	13,703	-	-	-	-	-	13,703
Total assets	\$ 14,641,474	\$ 4,707,216	\$ 9,444,981	\$ 11,625,651	\$ 11,609,673	\$ 7,680,367	\$ 59,709,362
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 248,892	\$ 460,806	\$ 1,105,970	\$ 306,197	\$ -	\$ 389,389	\$ 2,511,254
Retainage payable	-	18,508	171,464	100,413	-	-	290,385
Accrued payroll	1,969,386	-	-	-	-	-	1,969,386
Accrued interest payable	-	-	-	-	118,560	-	118,560
Due to other funds	1,772,144	-	-	-	-	4,758	1,776,902
Payable to other governments	12,127	-	-	-	-	-	12,127
Deferred revenue	4,316,060	1,051,381	-	12,224	1,297,514	88,919	6,766,098
Amounts held in escrow	42,215	-	-	-	-	-	42,215
Total liabilities	8,360,824	1,530,695	1,277,434	418,834	1,416,074	483,066	13,486,927
Fund Balances							
Nonspendable	-	-	-	-	-	-	-
Restricted	1,215,781	3,176,521	8,167,547	11,206,817	10,193,599	5,116,048	39,076,313
Committed	-	-	-	-	-	2,061,102	2,061,102
Assigned	-	-	-	-	-	20,151	20,151
Unassigned	5,064,869	-	-	-	-	-	5,064,869
Total fund balances	6,280,650	3,176,521	8,167,547	11,206,817	10,193,599	7,197,301	46,222,435
Total liabilities and fund balances	\$ 14,641,474	\$ 4,707,216	\$ 9,444,981	\$ 11,625,651	\$ 11,609,673	\$ 7,680,367	\$ 59,709,362

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2011

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:

Total fund balance, governmental funds		\$ 46,222,435
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		237,003,806
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets:		
Receivable from other governments	2,327,248	
Court fines receivable	413,219	
Ambulance receivable	1,550,120	
Cemetery receivable	66,341	
Street light fee	28,172	
Interest receivable	39,362	
Miscellaneous receivables	75,411	
	<u>4,499,873</u>	4,499,873
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:		
Unamortized debt issuance costs		433,755
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 Assets:		
Excess Capacity Sewer Fund	(91,291)	
Stormwater Capital Fund	<u>(269,657)</u>	(360,948)
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 Assets.		(762,763)
Some liabilities are not due and payable in the current period and are not included in this fund financial statement, but are included in the governmental activities of the Statement of Net Assets:		
General obligation bonds payable	(80,449,568)	
Notes payable	(19,233,037)	
Accrued compensated absences	(1,990,402)	
Accrued interest payable	(1,302,151)	
Interest rate swap liability	(3,225,126)	
Automotive and general liability	(758,000)	
Judgments payable	(2,938,168)	
Arbitrage rebate payable	(19,125)	
	<u>(109,915,577)</u>	
Net Assets of Governmental Activities in the Statement of Net Assets		<u>\$ 177,120,581</u>

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended June 30, 2011

	General Fund	Sales Tax Capital Improvement Fund	2004 General Obligation Bond Fund	2008 General Obligation Bond Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ 11,381,119	\$ -	\$ 11,381,119
Sales and use taxes	28,242,568	5,229,085	-	-	-	-	33,471,653
Franchise and miscellaneous taxes	3,362,233	-	-	-	-	367,278	3,729,511
Licenses and permits	774,261	-	-	-	-	-	774,261
Intergovernmental	777,323	1,030,889	-	-	-	1,654,828	3,463,040
Charges for services	6,259,763	-	-	-	-	1,540,366	7,800,129
Fees and fines	1,783,938	-	-	-	-	23,551	1,807,489
Rental income	1,094,121	-	-	-	-	-	1,094,121
Interest income	32,931	36,434	(38,065)	62,174	97,162	7,114	197,750
Miscellaneous	55,884	8,178	-	-	-	84,354	148,416
Total revenues	42,383,022	6,304,586	(38,065)	62,174	11,478,281	3,677,491	63,867,489
Expenditures:							
Current:							
General government	7,308,024	-	-	-	-	324,905	7,632,929
Public safety	28,855,757	-	-	-	-	182,530	29,038,287
Public services	2,367,539	-	-	-	-	907,787	3,275,326
Parks and recreation	2,500,219	-	-	-	-	-	2,500,219
Debt service:							
Principal	685,000	885,000	-	-	7,834,287	-	9,404,287
Interest and other charges	1,049,536	110,454	-	-	2,999,308	-	4,159,298
Capital outlay	-	4,434,901	6,049,154	6,817,578	-	1,070,697	18,372,330
Total expenditures	42,766,075	5,430,355	6,049,154	6,817,578	10,833,595	2,485,919	74,382,676
Excess (deficiency) of revenues over expenditures	(383,053)	874,231	(6,087,219)	(6,755,404)	644,686	1,191,572	(10,515,187)
Other financing sources (uses):							
Proceeds from long-term debt, net	-	-	1,940,000	10,575,000	-	-	12,515,000
Bond premium	-	-	-	-	-	-	-
Bond issuance costs	-	-	(27,792)	(58,467)	-	-	(86,259)
Transfers in	11,762,672	136,333	-	-	-	-	11,899,005
Transfers out	(10,721,866)	(2,850,000)	-	-	(97,184)	(1,898,000)	(15,567,050)
Total other financing sources and (uses)	1,040,806	(2,713,667)	1,912,208	10,516,533	(97,184)	(1,898,000)	8,760,696
Net change in fund balances	657,753	(1,839,436)	(4,175,011)	3,761,129	547,502	(706,428)	(1,754,491)
Fund balances, beginning of year	5,622,897	5,015,957	12,342,558	7,445,688	9,646,097	7,903,729	47,976,926
Fund balances, end of year	\$ 6,280,650	\$ 3,176,521	\$ 8,167,547	\$ 11,206,817	\$ 10,193,599	\$ 7,197,301	\$ 46,222,435

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended June 30, 2011

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to the Statement of Activities:

Net change in fund balances - total governmental funds \$ (1,754,491)

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

Governmental funds report outlays for capital assets and bond issue costs as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	11,225,295	
(Gain) loss on sale of capital assets	(17,638)	
Bond issue costs capitalized	86,259	
Amortization of bond issue costs	(80,932)	
Amortization of bond premium	7,435	
Depreciation expense	<u>(7,239,171)</u>	
		3,981,248

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. 8,484,248

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. (5,692,973)

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	(132,660)	
Unrealized gain on interest rate swap	406,574	
Accrued compensated absences not reflected on governmental funds	3,044	
Claims	<u>76,000</u>	
		352,958

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

Excess Capacity Sewer Fund	122,256	
Stormwater Capital Fund	<u>598,764</u>	
		721,020

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 31,234

Change in net assets of governmental activities \$ 6,123,244

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2011

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Other Nonmajor Proprietary Fund	Total Proprietary Funds	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 337,788	\$ 2,620,699	\$ 115,054	\$ 3,073,541	\$ 2,092,707
Restricted cash and cash equivalents	5,350,672	-	-	5,350,672	-
Investments	182,611	-	-	182,611	250,000
Accounts receivable, net	5,218,351	-	-	5,218,351	-
Due from other funds	2,152,864	-	-	2,152,864	-
Receivable from other governments	-	-	-	-	-
Interest receivable	-	6,209	-	6,209	1,213
Inventories	682,076	-	62,124	744,200	-
Prepaid assets	20,500	-	2,500	23,000	-
Total current assets	13,944,862	2,626,908	179,678	16,751,448	2,343,920
Noncurrent assets:					
Restricted cash and cash equivalents	1,305,500	-	-	1,305,500	-
Notes receivable	-	8,000,000	-	8,000,000	-
Restricted interest receivable	54	-	-	54	-
Unamortized debt issuance costs	366,675	101,546	-	468,221	-
Investment in joint venture	11,698,382	-	-	11,698,382	-
Capital assets:					
Land and other nondepreciable assets	7,371,131	2,229,985	229,204	9,830,320	-
Other capital assets, net of accumulated depreciation	100,283,900	222,037	4,731,596	105,237,533	-
Total noncurrent assets	121,025,642	10,553,568	4,960,800	136,540,010	-
Total assets	134,970,504	13,180,476	5,140,478	153,291,458	2,343,920
Liabilities					
Current liabilities:					
Accounts payable	2,247,853	22,917	219,800	2,490,570	198,852
Accrued payroll	354,826	-	-	354,826	-
Accrued interest payable	329,509	45,852	-	375,361	-
Due to other funds	2,045,359	-	485,483	2,530,842	-
Other accrued expenses	-	-	43,803	43,803	-
Amounts held in escrow	185,444	-	-	185,444	-
Compensated absences	283,591	-	-	283,591	-
Claims and judgments	-	-	-	-	1,167,000
Customer meter deposit reserves	170,834	-	-	170,834	-
Bonds, notes and loans payable, net	2,795,613	-	-	2,795,613	-
Capital lease obligation	255,000	-	-	255,000	-
Total current liabilities	8,668,029	68,769	749,086	9,485,884	1,365,852
Noncurrent liabilities:					
Compensated absences	141,774	-	-	141,774	-
Claims and judgments	-	-	-	-	1,740,831
Customer meter deposit reserves	683,336	-	-	683,336	-
Bonds, notes and loans payable, net	29,595,293	14,384,800	-	43,980,093	-
Capital lease obligation	1,591,250	-	-	1,591,250	-
Total noncurrent liabilities	32,011,653	14,384,800	-	46,396,453	1,740,831
Total liabilities	40,679,682	14,453,569	749,086	55,882,337	3,106,683
Net Assets					
Invested in capital assets, net of related debt	74,776,630	2,452,022	4,855,978	82,084,630	-
Restricted for debt service	2,003,179	-	-	2,003,179	-
Unrestricted	17,511,013	(3,725,115)	(464,586)	13,321,312	-
Total net assets	\$ 94,290,822	\$ (1,273,093)	\$ 4,391,392	97,409,121	\$ (762,763)

Amounts reported for business-type activities in the

Statement of Net Assets 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 Assets.

Total net assets per government-wide financial statements

360,948
\$ 97,770,069

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year ended June 30, 2011

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Other Nonmajor Proprietary Fund	Total Proprietary Funds	Internal Service Funds
Operating revenues:					
Water charges	\$ 14,648,481	\$ -	\$ -	\$ 14,648,481	\$ -
Sewer charges	8,126,679	-	-	8,126,679	-
Sanitation charges	5,409,402	-	-	5,409,402	-
Stormwater fees	3,242,019	-	-	3,242,019	-
Fees and fines	674,669	-	-	674,669	-
Golf	-	-	1,289,216	1,289,216	-
Miscellaneous	778,840	99	1,013	779,952	14,904
Self insurance charges	-	-	-	-	5,676,901
Total operating revenues	32,880,090	99	1,290,229	34,170,418	5,691,805
Operating expenses:					
General government	3,041,522	6,917,752	-	9,959,274	-
Finance and administration	801,200	-	-	801,200	-
Engineering and construction	1,397,531	-	-	1,397,531	-
Water distribution	11,038,146	-	-	11,038,146	-
Sanitary sewer system	3,770,568	-	-	3,770,568	-
Sanitation services	4,192,777	-	-	4,192,777	-
Support services	3,026,102	823,459	-	3,849,561	-
Stormwater	1,914,642	-	-	1,914,642	-
Claims expense	-	-	-	-	5,668,846
Golf	-	-	1,406,132	1,406,132	-
Amortization	34,799	2,954	-	37,753	-
Depreciation	6,183,316	9,641	192,909	6,385,866	-
Total operating expenses	35,400,603	7,753,806	1,599,041	44,753,450	5,668,846
Operating income (loss)	(2,520,513)	(7,753,707)	(308,812)	(10,583,032)	22,959
Nonoperating revenues (expenses):					
Interest and investment revenue	31,534	29,202	83	60,819	8,275
Gain on sale of assets	1,208	-	-	1,208	-
Loss from joint venture	(29,804)	-	-	(29,804)	-
Interest expense and fiscal charges	(1,062,043)	(121,855)	(7,237)	(1,191,135)	-
Total nonoperating revenue (expenses)	(1,059,105)	(92,653)	(7,154)	(1,158,912)	8,275
Income (loss) before contributions and transfers	(3,579,618)	(7,846,360)	(315,966)	(11,741,944)	31,234
Capital contributions	3,318,211	-	134,519	3,452,730	-
Transfers in	10,467,488	3,825,000	-	14,292,488	-
Transfers out	(10,634,909)	-	-	(10,634,909)	-
Change in net assets	(428,828)	(4,021,360)	(181,447)	(4,631,635)	31,234
Total net assets, beginning of year	94,719,650	2,748,267	4,572,839	102,040,756	(793,997)
Total net assets, end of year	\$ 94,290,822	\$ (1,273,093)	\$ 4,391,392	\$ 97,409,121	\$ (762,763)
Change in net assets, per above				\$ (4,631,635)	
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.					(721,020)
Change in business-type activities in net assets per government-wide financial statements				\$ (5,352,655)	

See notes to the basic financial statements.

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year ended June 30, 2011

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Other Nonmajor Proprietary Fund	Total Proprietary Funds	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers	\$ 32,050,490	\$ 99	\$ 1,292,374	\$ 33,342,963	\$ 5,691,805
Payments to employees	(9,831,054)	-	-	(9,831,054)	-
Payments to suppliers	(16,085,436)	(7,436,311)	(1,240,308)	(24,762,055)	(6,171,410)
Net cash provided by (used in) operating activities	6,134,000	(7,436,212)	52,066	(1,250,146)	(479,605)
Cash Flows from Noncapital Financing Activities					
Transfers in from other funds	10,467,488	3,825,000	-	14,292,488	-
Transfers out to other funds	(10,634,909)	-	-	(10,634,909)	-
Net cash provided by (used in) noncapital financing activities	(167,421)	3,825,000	-	3,657,579	-
Cash Flows from Capital and Related Financing Activities					
Proceeds of borrowings for capital purposes	3,942,944	6,384,800	-	10,327,744	-
Proceeds from sale of capital assets	6,790	-	-	6,790	-
Acquisition and construction of capital assets	(7,714,889)	-	(19)	(7,714,908)	-
Bond issuance costs	(49,700)	(104,500)	-	(154,200)	-
Principal paid on bonds and notes	(2,808,170)	-	-	(2,808,170)	-
Interest paid on bonds and notes	(1,062,403)	(53,012)	(7,237)	(1,122,652)	-
Net cash provided by (used in) capital and related financing activities	(7,685,428)	6,227,288	(7,256)	(1,465,396)	-
Cash Flows from Investing Activities					
Investment income	31,534	2	83	31,619	12,982
Increase (decrease) in investments	(115,696)	-	-	(115,696)	825,000
Net change in joint venture	1,745,174	-	-	1,745,174	-
Net cash provided by investing activities	1,661,012	2	83	1,661,097	837,982
Net increase (decrease) in cash and cash equivalents	(57,837)	2,616,078	44,893	2,603,134	358,377
Cash and cash equivalents, beginning of year	7,051,797	4,621	70,161	7,126,579	1,734,330
Cash and cash equivalents, end of year	\$ 6,993,960	\$ 2,620,699	\$ 115,054	\$ 9,729,713	\$ 2,092,707

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year ended June 30, 2011

	Broken Arrow Municipal Authority	Broken Arrow Economic Development Authority	Other Nonmajor Proprietary Fund	Total Proprietary Funds	Internal Service Funds
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:					
Operating gain (loss)	\$ (2,520,513)	\$ (7,753,707)	\$ (308,812)	\$ (10,583,032)	\$ 22,959
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:					
Depreciation	6,183,316	9,641	192,909	6,385,866	-
Amortization of bond issue costs	34,799	2,954	-	37,753	-
Capital asset transfers to other funds	2,037,500	338,668	-	2,376,168	-
Change in assets and liabilities:					
Accounts receivable	(829,600)	-	2,145	(827,455)	-
Due from other funds	(157,271)	-	-	(157,271)	-
Receivable from other governments	-	-	-	-	-
Inventories	(100,305)	-	(1,153)	(101,458)	-
Prepaid assets	3,000	-	4,471	7,471	-
Accounts payable	399,106	(33,768)	133,367	498,705	(320,452)
Accrued payroll	26,038	-	-	26,038	-
Due to other funds	1,045,359	-	25,107	1,070,466	-
Other payables	-	-	4,032	4,032	-
Amounts held in escrow	14,648	-	-	14,648	-
Compensated absences	(537)	-	-	(537)	-
Customer meter deposit reserves	(1,540)	-	-	(1,540)	-
Claims and judgments	-	-	-	-	(182,112)
Net cash provided by (used in) operating activities	<u>\$ 6,134,000</u>	<u>\$ (7,436,212)</u>	<u>\$ 52,066</u>	<u>\$ (1,250,146)</u>	<u>\$ (479,605)</u>
Noncash Activities					
Contributed capital assets	<u>\$ 3,318,211</u>	<u>\$ -</u>	<u>\$ 134,519</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF NET ASSETS

COMPONENT UNITS

June 30, 2011

	Broken Arrow Development Authority	Broken Arrow Home Finance Authority	Broken Arrow Hospital Authority	Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 2,782	\$ 10,904	\$ 13,686
Total assets	-	2,782	10,904	13,686
Current liabilities:				
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Net assets - unrestricted	\$ -	\$ 2,782	\$ 10,904	\$ 13,686

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

COMPONENT UNITS

Year ended June 30, 2011

	Broken Arrow Development Authority	Broken Arrow Home Finance Authority	Broken Arrow Hospital Authority	Totals
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating loss	-	-	-	-
Nonoperating revenues:				
Interest and investment revenue	-	5	8	13
Transfers in	10,466	-	-	10,466
Total nonoperating revenues	10,466	5	8	10,479
Change in net assets	10,466	5	8	10,479
Total net assets, beginning of year	(10,466)	2,777	10,896	3,207
Total net assets, end of year	\$ -	\$ 2,782	\$ 10,904	\$ 13,686

CITY OF BROKEN ARROW, OKLAHOMA

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 793,690
Accounts receivable	<u>18,920</u>
Total assets	<u><u>\$ 812,610</u></u>
Liabilities	
Amounts held in escrow	<u>\$ 812,610</u>
Total liabilities	<u><u>\$ 812,610</u></u>

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

INDEX

Note 1 – Summary of Significant Accounting Policies

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

Note 2 – Stewardship, Compliance and Accountability

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

Note 3 – Detail Notes on Transaction Classes/Accounts

Deposits	40
Accounts receivable	41
Note receivable	41
Restricted assets	41
Capital assets.....	42
Investment in joint venture	43
Long-term debt.....	43
Interfund balances and activities.....	52
Fund balances and net assets.....	52
Fund balances of governmental funds	53

Note 4 – Employee Pension and Other Benefit Plans 53

Note 5 – Risk Management 57

Note 6 – Commitments and Contingencies 59

Note 7 – Subsequent Events 60

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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. In accordance with GASB Statements Nos. 20 and 34, for its governmental and business-type activities, enterprise funds and similar discretely presented component units, the City has elected to apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. 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 Broken Arrow Development Authority

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

Blended component units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City council or the component unit

provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate fund type to comprise part of the primary government presentation.

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

Component Unit	Brief Description/Inclusion Criteria	Reporting Fund
Broken Arrow Municipal Authority (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 has been 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 three 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.

Component Unit	Brief Description/Inclusion Criteria
Broken Arrow Hospital Authority (BAHA)	Created May 1, 1974, to construct, maintain and operate the hospital and medical facilities of the City. Trustees are appointed by the City Council from a list supplied by the hospital board. They may be removed at will by the City Council. Any issuance of debt would require a two-thirds approval of the City Council.
Broken Arrow Development Authority (BADA)	Created October 8, 2008, to develop an urban renewal policy for the rehabilitation and redevelopment of blighted areas within the City. Action by the Authority requires adoption of a resolution by the City Council that such conditions exist. BADA was deactivated by the City Council on June 20, 2011.

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

Related organizations

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

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

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

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

Joint venture

The City is currently a participant (with equity interest) in the general operating portion of the Regional Metropolitan Utility Authority (RMUA). The RMUA is a Title 60 Public Trust created to provide, operate, and maintain water supply, wastewater and pollution control facilities for the benefit of various governmental entities. Currently, the Authority is providing wastewater facilities (Haikey Creek and Rolling Hills sewage treatment plants) and is conducting studies for future facilities. On dissolution of the Authority, the net assets will be distributed to the beneficiaries based upon their pro-rata interest. Separate audited financial statements of RMUA for the year ended June 30, 2011, are available from the Office of Finance, City of Tulsa, Oklahoma.

Basis of presentation

Government-wide financial statements

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

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

Fund financial statements

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

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

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

Governmental funds:

General fund

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

Special revenue funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds:

Fund	Brief Description
Parks and Recreation	Accounts for fees collected on the construction of new residences which are restricted in use for park and recreation improvements.
Cemetery Care	Accounts for 12.5% of cemetery revenue restricted by state law and an additional 12.5% contributed by the City for cemetery capital improvement.
Crime Prevention	Accounts for revenues and expenditures of a grant from the U.S. Department of Justice.
Police Reserves	Accounts for donations to the Broken Arrow Police Officers Reserves.
Police Enhancement	Accounts for monies limited in use for police department education and drug prevention activities.
Housing and Urban Development	Accounts for revenue and expenditures of Community Development Block Grants and the Home program.
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
E-911 Escrow	Accounts for the City's share of E-911 customer assessment that is legally restricted for public safety.
Excess Capacity Sewer Escrow	Accounts for acreage fees limited in use to expenditures for excess capacity sewer lines.
Hotel/Motel Tax	Accounts for a 4% tax to be used in economic development and promotion of tourism.
Stormwater Capital	Accounts for funds received in lieu of building a detention facility to be used for future or ongoing stormwater improvement and regional detention projects.
Alcohol Enforcement	Accounts for funds received limited in use for juvenile education and enforcement related to alcohol.
Street Light Fee	Accounts for funds received limited in use for operating, maintaining and construction of the street light program.

Debt service fund

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

Capital project funds

Capital project funds are used to account for resources restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The reporting entity includes the following capital project funds:

Fund	Brief Description
1994 Industrial Development Limited Tax Bonds	Accounts for bond proceeds to be used for industrial development purposes within the City.
2001, 2002 & 2003 General Obligation Bonds	Accounts for bond proceeds to be used for street, public safety, and park and recreation improvements.
2004, 2005, 2006, 2008, 2009A, 2009C & 2010A General Obligation Bonds	Accounts for bond proceeds to be used for street, public safety, park and recreation improvements and public buildings.
2009B, 2009D & 2010B General Obligation Bonds	Accounts for bond proceeds to be used for street, public safety, park and recreation and stormwater improvements.
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.

Proprietary funds

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

Enterprise funds

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

Internal service funds

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

Component units

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

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

Measurement focus and basis of accounting

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

Measurement focus:

Government-wide, proprietary and fiduciary fund financial statements

In the government-wide statement of net assets 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 assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

Governmental fund financial statements

In the governmental fund financial statements, a *current financial resources* measurement focus is applied. Under this focus, only current financial assets and liabilities are generally included on their

balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of accounting:

Government-wide, proprietary and fiduciary fund financial statements

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

Government 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, liabilities and net assets

Cash and cash equivalents

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

Investments

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

Receivables

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

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

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

Inventories

The City has chosen to record consumable materials and supplies as an asset when purchased and expended as consumed. Such inventory is valued at cost and is typically utilized on a first-in first-out basis.

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

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

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

Restricted assets

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

Long-term debt

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

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

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

Compensated absences

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

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

Equity classifications:

Government-wide and proprietary fund financial statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

Governmental fund financial statements

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

1. Nonspendable – amounts not in spendable form, such as inventory or legally or contractually required to be maintained intact.
2. Restricted – amounts with constraint on use for a specific purpose imposed by either external parties, constitutional provisions or enabling legislation.
3. Committed – amounts with constraint on use imposed by the government itself, using its highest level of decision making authority that can be removed or changed only by taking the same action.
4. Assigned – amounts intended to be used for specific purposes as expressed by the governing body or official authorized by the governing body.
5. Unassigned – amounts within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Spending policy

The City receives inflows from revenue and other financing sources from numerous sources for use in the General Fund. The Fund will expend those resources on multiple purposes of the local government. The intention of this spending policy is to identify the expenditure order of resource categories for the General Fund. When both restricted and unrestricted resources are available in the General Fund, the following spending policy will apply:

- 1st Restricted
- 2nd Committed
- 3rd Assigned
- 4th Unassigned

The City receives inflows from revenue and other financing sources from various sources for use in Special Revenue Funds. Special Revenue Funds will expend those resources on the specific purpose of the fund. The intention of this spending policy is to identify the expenditure order of resource categories for all Special Revenue Funds. When both restricted and unrestricted resources are available in a Special Revenue Fund, the following spending policy will apply:

- 1st Restricted
- 2nd Committed
- 3rd Assigned

Fund balances are committed by City ordinances. The City Council has the authority to express assignments in the General Fund and Special Revenue Funds.

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

Fund financial statements

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

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

Revenues, expenditures and expenses

Sales tax

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

Property tax

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

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

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. For the year ended June 30, 2011, the City's net assessed valuation of taxable property was \$694,431,294. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2011, was \$16.44.

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

Expenditures and expenses

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

Use of estimates

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

Note 2 – Stewardship, Compliance and Accountability

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

Deposits and investments laws and regulations

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

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

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

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

Debt restrictions and covenants

Other long-term debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. During 2011, the City issued General Obligation Bonds Series 2010A in the amount of \$1,940,000 and Series 2010B in the amount of \$10,575,000 which were approved in 2004 and 2008, respectively.

Revenue bond and promissory note debt

The various bond and note indentures relating to the revenue bond and promissory note issuances of the Broken Arrow Municipal Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, a debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authorities' level of compliance thereon as of June 30, 2011.

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 (O&M)• 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 2005 OWRB note payable should equal \$1,305,500.	Account balance at June 30, 2011, is \$1,305,500.
c. Revenue Bond Coverage:	
OWRB Loans:	
<ul style="list-style-type: none">• Net revenues of the Authority plus 125% of maximum annual debt service of all obligations on a parity with the OWRB 1997 A & C, 1999B, 2001, 2004, 2005, 2007 and 2009 notes.	Maximum annual debt service on all parity debt is \$3,752,688. Coverage is 340%.

Fund equity/net asset 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, 2011.

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, 2011, the City did not comply in all material respects with the applicable budget laws relating to expenditures and appropriations at the legal level of control. The City had the following instance of noncompliance in which expenditures exceeded appropriations at the department level as follows:

Fund	Department	Amount
Battle Creek Golf Course	Parks	\$108,979

Workers compensation, an internal service fund, has a net deficit of \$1,172,874 primarily due to an actuarial determined unfunded liability. It is the City's intent to fund the liability as soon as economically feasible.

Note 3 – Detail Notes on Transaction Classes/Accounts

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

Deposits

As of June 30, 2011, the City had the following investments:

Investment	Maturities	Fair Value
Certificates of deposit	6 to 12 months	\$ 9,893,222
U.S. Government securities		1,000,000
Less certificates of deposit classified as cash and cash equivalents		-
Judgments		2,938,168
Total		<u>\$ 13,831,390</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 undercollateralized investments. The City mitigates credit risk by limiting its investments in any one financial institution to 50% of the City's total investment portfolio, excluding U.S. Treasuries and authorized pools.

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.

Accounts receivable

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

	Governmental Activities	Business-type Activities
Accounts receivable	\$ -	\$ 6,329,273
Accounts receivable ambulance	3,627,560	-
Accounts receivable court	821,602	-
Other	604,201	-
Allowance for uncollectible accounts	(2,266,225)	(1,110,922)
Accounts receivable, net of allowance for uncollectible accounts	<u>\$ 2,787,138</u>	<u>\$ 5,218,351</u>

Note receivable

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

Restricted assets

The amounts reported as restricted assets of the enterprise funds on the proprietary funds statement of net assets 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, 2011, were as follows:

Type of Restricted Assets	Current Cash and Cash Equivalents	Noncurrent Cash and Cash Equivalents	Accrued Interest	Total
BAMA				
Revenue bond and note trustee accounts	\$ 5,350,672	\$ 1,305,500	\$ 54	\$ 6,656,226
Meter deposits	170,834	683,336	-	854,170
Total BAMA	<u>\$ 5,521,506</u>	<u>\$ 1,988,836</u>	<u>\$ 54</u>	<u>\$ 7,510,396</u>

Capital assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at June 30, 2010	Additions	Deductions	Balance at June 30, 2011
Governmental activities:				
Nondepreciable:				
Land	\$ 16,548,028	\$ 2,655,563	\$ -	\$ 19,203,591
Land under capital lease obligation	-	2,037,500	-	2,037,500
Construction-in-progress	14,563,590	9,900,436	(13,605,674)	10,858,352
Total nondepreciable assets at historical cost	31,111,618	14,593,499	(13,605,674)	32,099,443
Depreciable:				
Buildings	47,151,876	1,190,066	-	48,341,942
Improvements	24,104,906	350,527	-	24,455,433
Machinery and equipment	24,519,415	5,560,171	(73,863)	30,005,723
Infrastructure	183,871,451	10,449,170	-	194,320,621
Total depreciable assets at historical cost	279,647,648	17,549,934	(73,863)	297,123,719
Less accumulated depreciation:				
Buildings	(6,283,644)	(1,011,270)	-	(7,294,914)
Improvements	(5,506,295)	(822,196)	-	(6,328,491)
Machinery and equipment	(14,202,361)	(1,789,983)	71,862	(15,920,482)
Infrastructure	(59,059,747)	(3,615,722)	-	(62,675,469)
Total accumulated depreciation	(85,052,047)	(7,239,171)	71,862	(92,219,356)
Net depreciable assets	194,595,601	10,310,763	(2,001)	204,904,363
Governmental activities capital assets, net	\$ 225,707,219	\$ 24,904,262	\$ (13,607,675)	\$ 237,003,806
Business-type activities:				
Nondepreciable:				
Land	\$ 4,144,016	\$ 86,650	\$ (338,667)	\$ 3,891,999
Construction-in-progress	2,889,930	3,167,307	(118,916)	5,938,321
Total nondepreciable assets at historical cost	7,033,946	3,253,957	(457,583)	9,830,320
Depreciable:				
Buildings	11,480,546	-	-	11,480,546
Improvements	176,061,802	1,487,929	-	177,549,731
Machinery and equipment	12,008,069	964,138	(186,080)	12,786,127
Infrastructure – drainage	28,996,708	2,083,168	-	31,079,876
Total depreciable assets at historical cost	228,547,125	4,535,235	(186,080)	232,896,278
Less accumulated depreciation:				
Buildings	(7,170,632)	(314,752)	-	(7,485,384)
Improvements	(97,943,229)	(4,161,688)	-	(102,104,917)
Machinery and equipment	(8,068,692)	(773,811)	180,497	(8,662,006)
Infrastructure – drainage	(8,270,825)	(1,135,615)	-	(9,406,440)
Total accumulated depreciation	(121,453,378)	(6,385,866)	180,497	(127,658,747)
Net depreciable assets	107,093,747	(1,850,631)	(5,583)	105,237,533
Business-type capital assets, net	\$ 114,127,693	\$ 1,403,326	\$ (463,166)	\$ 115,067,853

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

Depreciation expense charged to governmental activities:	
General government	\$ 1,091,605
Public safety	1,070,457
Public services	3,942,022
Culture and recreation	<u>1,135,087</u>
Total government activities depreciation expense	<u>\$ 7,239,171</u>
Depreciation expense charged to business-type activities:	
Water	\$ 2,130,801
Sewer	2,466,784
Sanitation	265,416
Stormwater management	1,329,956
Golf	<u>192,909</u>
Total business-type activities depreciation expense	<u>\$ 6,385,866</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, 2011, the "investment in joint venture" balance changed as follows:

Beginning investment in joint venture	\$ 9,953,208
Current year contributions	1,774,978
Loss from joint venture	<u>(29,804)</u>
Ending investment in joint venture	<u>\$ 11,698,382</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, 2011, the governmental activities long-term debt consisted of the following:

\$10,000,000 General Obligation Bonds of 1998, due in annual installments of \$750,000, final installment of \$1,000,000 due July 1, 2012, with interest rates of 4.00%	\$ 1,750,000
\$4,500,000 General Obligation Refunding Bonds of 2000, due in annual installments of \$400,000, final installment of \$500,000 due July 1, 2012, with interest rates of 5.15% to 6.75%	900,000
\$6,800,000 General Obligation Bonds Series 2001A, due in annual installments of \$520,000, final installment of \$560,000 due July 1, 2015, with interest rates at 3.90% to 6.75%	2,640,000

\$9,500,000 General Obligation Bonds Series 2001B, due in annual installments of \$675,000, final installment of \$725,000 due August 1, 2016, with interest rates at 3.75% to 5.00%	4,100,000
\$4,075,000 General Obligation Bonds of 2002, due in annual installments of \$290,000, final installment of \$305,000 due August 1, 2017, with interest rates at 2.75% to 5.75%	2,045,000
\$7,725,000 General Obligation Bonds of 2003, due in annual installments of \$550,000, final installment of \$575,000 due August 1, 2018, with interest rates at 3.00% to 4.00%	4,425,000
\$10,070,000 General Obligation Bonds of 2004, due in annual installments of \$715,000, final installment of \$775,000 due August 1, 2019, with interest rates at 3.00% to 5.25%	6,495,000
\$8,600,000 General Obligation Bonds of 2005, due in annual installments of \$610,000, final installment of \$670,000 due December 1, 2020, with interest rates at 3.625% to 6.125%	6,160,000
\$12,000,000 General Obligation Bonds of 2006, due in annual installments of \$850,000, final installment of \$950,000 due August 1, 2021, with interest rates at 4.25% to 4.50%	9,450,000
\$10,685,000 General Obligation Bonds of 2008, due in annual installments of \$760,000, final installment of \$805,000 due April 1, 2023, with interest rates at 3.50% to 5.00%	9,165,000
\$1,000,000 General Obligation Bonds Series 2009A, due in annual installments of \$500,000, final installment of \$500,000 due March 1, 2012, with interest rate at 2.00%	500,000
\$11,400,000 General Obligation Bonds Series 2009B, due in annual installments of \$810,000, final installment of \$870,000 due March 1, 2024, with interest rates at 2.50% to 4.65%	10,590,000
\$3,225,000 General Obligation Bonds Series 2009C, due in annual installments of \$230,000, final installment of \$235,000 due December 1, 2024, with interest rates at 2.25% to 3.75%	3,225,000
\$6,400,000 General Obligation Bonds Series 2009D, due in annual installments of \$455,000, final installment of \$485,000 due December 1, 2024, with interest rates at 2.25% to 3.75%	6,400,000
\$1,940,000 General Obligation Bonds Series 2010A, due in annual installments of \$215,000, final installment of \$220,000 due August 1, 2020, with interest rates at 1.35% to 4.00%	1,940,000
\$10,575,000 General Obligation Bonds Series 2010B, due in annual installments of \$555,000, final installment of \$585,000 due August 1, 2030, with interest rates at 2.00% to 4.00%	<u>10,575,000</u>
Total general obligation bonds	80,360,000
Unamortized premium on bonds	<u>89,568</u>
Total general obligations bonds	<u>\$ 80,449,568</u>
Current portion	\$ 8,122,443
Noncurrent portion	<u>72,327,125</u>
Total general obligations bonds	<u>\$ 80,449,568</u>

Notes payable

\$20,300,000 Construction and Term Loan dated May 10, 2004, assumed by the City on May 19, 2004. Converted to term loan effective November 1, 2005, due in semi-annual installments ranging from \$15,000 to \$925,000, final installment due November 1, 2025, with interest at the six-month LIBOR rate plus 1.00% (1.40025% at June 30, 2011), 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	\$ 16,983,037
\$2,500,000 Sales Tax Revenue Note of 2008, due in semi-annual installments ranging from \$75,000 to \$380,000, final installment due December 1, 2014, with interest rate at 4.15%	2,250,000
Total notes payable	<u>\$ 19,233,037</u>
Current portion	\$ 1,160,000
Noncurrent portion	<u>18,073,037</u>
Total notes payable	<u>\$ 19,233,037</u>

Accrued compensated absences

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

Current portion	\$ 1,326,941
Noncurrent portion	<u>663,461</u>
Total accrued compensated absences	<u>\$ 1,990,402</u>

Judgments payable

\$4,250 judgment in favor of Hershel Harper Family Trust, held by sinking fund, final maturity July 2012, with interest at 5.25%	\$ 2,833
\$101,000 judgment in favor of Kyle and Rebecca Hunt Revocable Trust, held by sinking fund, final maturity December 2012, with interest at 5.25%	67,333
\$8,192 judgment in favor of Charles, Ophie and William Eitel, deceased, et al., held by sinking fund, final maturity January 2013, with interest at 5.25%	5,461
\$95,000 judgment in favor of James Barnes, held by sinking fund, final maturity September 2011, with interest at 9.25%	31,667
\$146,000 judgment in favor of Travis Trust, held by sinking fund, final maturity September 2011, with interest at 9.25%	48,667
\$21,500 judgment in favor of D.B. and Charlene Rutherford, held by sinking fund, final maturity July 2011, with interest at 9.25%	7,167
\$21,500 judgment in favor of Elizabeth Ann Read, held by sinking fund, final maturity July 2011, with interest at 9.25%	7,167
\$7,500 judgment in favor of Wylie and Linda Neal, held by sinking fund, final maturity June 2012, with interest at 5.25%	2,500
\$35,000 judgment in favor of Gloria Mayfield, held by sinking fund, final maturity June 2012, with interest at 5.25%	11,667
\$10,000 judgment in favor of Owasso Land Trust, LLC, held by sinking fund, final maturity June 2012, with interest at 5.25%	3,333

\$6,219 judgment in favor of Estate of Mary Brown, held by sinking fund, final maturity December 2011, with interest at 9.25%	2,073
\$18,500 judgment in favor of Martha Chapman Fowler, held by sinking fund, final maturity April 2012, with interest at 5.25%	6,167
\$40,000 judgment in favor of Lenard and Rosella Poplin, held by sinking fund, final maturity May 2012, with interest at 5.25%	13,333
\$40,100 judgment in favor of Rhonda Baptist and Ronald Hamilton, held by sinking fund, final maturity January 2012, with interest at 5.25%	13,367
\$30,000 judgment in favor of Stacy Heller, held by sinking fund, final maturity January 2012, with interest at 5.25%	10,000
\$13,642 judgment in favor of Tommy J. and Deleta Donathan, held by sinking fund, final maturity January 2012, with interest at 5.25%	4,547
\$11,976 judgment in favor of Troy Cosper, held by sinking fund, final maturity January 2012, with interest at 5.25%	3,932
\$101,000 judgment in favor of Ray Wilburn, held by sinking fund, final maturity July 2012, with interest at 5.25%	67,333
\$20,000 judgment in favor of Jack Kelso and Patsy Joyce Parrott, held by sinking fund, final maturity September 2012, with interest at 5.25%	13,333
\$46,827 judgment in favor of Helen Blankenship, Trustee of the Helen Blankenship Living Trust, held by sinking fund, final maturity July 2013, with interest at 5.25%	46,827
\$146,600 judgment in favor of Quapaw Investments LLC and Dunham Two LLC, Troy Cosper, held by sinking fund, final maturity February 2014, with interest at 5.25%	146,600
\$117,000 judgment in favor of David A. Center and Lorri S. Center, held by sinking fund, final maturity February 2014, with interest at 5.25%	117,000
\$120,000 judgment in favor of Kenco Properties, LLC, held by sinking fund, final maturity March 2014, with interest at 5.25%	120,000
\$23,250 judgment in favor of Terry L. Minnick and Susan M. Minnick, held by sinking fund, final maturity September 2013, with interest at 5.25%	23,250
\$215,000 judgment in favor of Frank Johnson and Shira Johnson, held by sinking fund, final maturity June 2014, with interest at 5.25%	215,000
\$65,000 judgment in favor of Stephanie Morgan, held by sinking fund, final maturity April 2014, with interest at 5.25%	65,000
\$10,000 judgment in favor of Robert Miron, held by sinking fund, final maturity September 2011, with interest at 9.25%	3,333
\$23,000 judgment in favor of Stephen Stiger Cough, Ernest Allen Couch, et al., held by sinking fund, final maturity November 2013, with interest at 5.25%	15,333
\$23,042 judgment in favor of Frances Marie Couch Revocable Trust, held by sinking fund, final maturity November 2012, with interest at 5.25%	15,362
\$20,000 judgment in favor of The Brandy LLC, held by sinking fund, final maturity September 2013, with interest at 5.25%	21,000
\$75,000 judgment in favor of Okon C. Udoumoh, held by sinking fund, final maturity August 2013 with interest at 5.25%	75,000

\$8,500 judgment in favor of United Markets, Inc., held by sinking fund, final maturity March 2013 with interest at 5.25%	8,500
\$44,083 judgment in favor of Margaret Couch, held by BAMA fund, final maturity December 2014, with interest at 5.25%	44,083
\$1,700,000 judgment in favor of Roland Investments LTD, held by sinking fund, final maturity and interest to be determined	<u>1,700,000</u>
Total judgments payable	<u>\$ 2,938,168</u>
Current portion	\$ 556,500
Noncurrent portion	<u>2,381,668</u>
Total judgments payable	<u>\$ 2,938,168</u>
<u>Self-insurance claims payable</u>	
Actuarial determined automotive and general insurance liabilities, funded by General Fund resources, reported in the governmental activities at June 30, 2011	
Current portion	\$ 268,000
Noncurrent portion	<u>490,000</u>
Total automotive and general insurance liabilities	<u>\$ 758,000</u>
<u>Other claims payable</u>	
Actuarial determined workers compensation claims payable, funded by General Fund resources, reported in the governmental activities at June 30, 2011	
Current portion	\$ 1,167,000
Noncurrent portion	<u>1,202,000</u>
Total claims payable	<u>\$ 2,369,000</u>
<u>Other post employment benefit obligation</u>	
Current portion	\$ -
Noncurrent portion	<u>538,831</u>
Total other post employment benefit obligation	<u>\$ 538,831</u>
<u>Arbitrage rebate</u>	
Current portion	\$ -
Noncurrent portion	<u>19,125</u>
Total arbitrage rebate	<u>\$ 19,125</u>

Business-type activities long-term debt

The Broken Arrow Municipal Authority's notes payable to the Oklahoma Water Resources Board are secured by utility revenues and pledged sales tax. The notes are subject to maximum annual debt service requirement coverage of at least 125%. Coverage at June 30, 2011, was 340%.

As of June 30, 2011, the long-term debt payable from enterprise fund resources consisted of the following:

Notes payable

1997A SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of \$1,079,559, dated October 1997, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.50%, final maturity February 2017	\$ 332,172
1997C SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of \$1,570,000, dated December 1997, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.50%, final maturity August 2017	510,250
1999B SRF Promissory Note payable to Oklahoma Water Resources Board, original amount of \$1,110,359, dated June 1999, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 0.50%, final maturity February 2018	409,080
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 0.50%, final maturity February 2021	190,746
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 3.50%, final maturity September 2025	8,063,270
2005 Sales Tax Revenue Note payable to Oklahoma Water Resources Board, original amount of \$13,055,000, dated May 2005, by Broken Arrow Municipal Authority, secured by utility revenues and pledged sales tax, interest rate at 2.795% to 4.245%, final maturity September 2015	6,910,000
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	12,166,694
2009 Drinking Water SRF Promissory Note payable to Oklahoma Water Resources Board, original amount \$4,000,000 dated December 29, 2009, by Broken Arrow Municipal Authority, providing for engineering and design of the Water Treatment Plant, secured by pledged sales tax, interest rate at 3.11%, final maturity March 2031	3,942,944
Total notes payable	32,525,156
Unamortized bond discounts	(35,970)
Unamortized deferred loss on early retirement of debt	(98,280)
Total notes payable	<u>\$ 32,390,906</u>
Current portion	\$ 2,795,613
Noncurrent portion	29,595,293
Total notes payable	<u><u>\$ 32,390,906</u></u>

Capital lease obligation

Capital lease obligation for land, payable in quarterly installments of \$63,750 plus interest at 3.00%, final payment due October 2018	\$ 1,846,250
Total capital lease obligation	<u>\$ 1,846,250</u>
Current portion	\$ 255,000
Noncurrent portion	<u>1,591,250</u>
Total capital lease obligation	<u><u>\$ 1,846,250</u></u>

Accrued compensated absences

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

Current portion	\$ 283,591
Noncurrent portion	<u>141,774</u>
Total accrued compensated absences	<u><u>\$ 425,365</u></u>

Customer meter deposit reserves

Current portion	\$ 170,834
Noncurrent portion	<u>683,336</u>
Total customer meter deposit reserves	<u><u>\$ 854,170</u></u>

Broken Arrow Economic Development Authority (BAEDA)

BAEDA has one industrial revenue bond issue outstanding at June 30, 2011. This issue is for the promotion of economic development. The bonds pay interest quarterly at various rates, is secured by a mortgage and matures April 1, 2019. At June 30, 2011, the total amount of outstanding industrial revenue bonds is \$8,000,000.

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

Effective November 15, 2010, BAEDA entered into a \$9,715,000 credit agreement for the purpose of promoting economic development. The agreement requires semi-annual interest only payments through April 2013 and then semi-annual principal payments beginning October 1, 2013 ranging from \$175,000 to \$410,000, including accrued interest at the six-month LIBOR rate plus 2%. The agreement matures October 1, 2030. The agreement is secured by the annual encumbering, subject to the constraints of Article X, Sections 14(A) and 26 of the Constitution of the State Oklahoma, of one-eighth (1/8) of one cent of the City's general sales tax revenues and subject to the funds in the BAEDA 2010 Reserve Account. BAEDA had drawn down \$6,384,400 under the credit agreement as of June 30, 2011.

Changes in long-term debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

Type of Debt	Balance, June 30, 2010	Additions	Deductions	Balance, June 30, 2011	Amounts Due Within a Year
Governmental activities:					
General obligation bonds	\$ 75,372,003	\$ 12,515,000	\$ 7,437,435	\$ 80,449,568	\$ 8,122,443
Notes payable	20,803,037	-	1,570,000	19,233,037	1,160,000
Accrued compensated absences	1,993,446	-	3,044	1,990,402	1,326,941
Judgments payable	760,195	2,582,260	404,287	2,938,168	556,500
Interest rate swap liability	3,631,700	-	406,574	3,225,126	-
Claims payable	3,584,000	-	457,000	3,127,000	1,435,000
Other post employment benefit obligation	339,943	198,888	-	538,831	-
Arbitrage rebate	9,223	9,902	-	19,125	-
Total governmental activities	\$ 106,493,547	\$ 15,306,050	\$10,278,340	\$ 111,521,257	\$ 12,600,884
Business-type activities:					
Notes payable	\$ 31,036,335	\$ 10,327,745	\$ 2,588,374	\$ 38,775,706	\$ 2,795,613
Accrued compensated absences	426,193	-	828	425,365	283,591
Customer meter deposit reserves	861,870	-	7,700	854,170	170,834
Capital lease obligation	-	2,037,500	191,250	1,846,250	255,000
Revenue bonds payable	8,000,000	-	-	8,000,000	-
Total business-type activities	\$ 40,324,398	\$ 12,365,245	\$ 2,788,152	\$ 49,901,491	\$ 3,505,038

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, 2011, are as follows:

Year ending June 30,	Governmental Activities					
	General Obligation Bonds		Notes Payable		Judgments Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 8,115,000	\$ 2,818,080	\$ 1,160,000	\$ 1,316,015	\$ 556,500	\$ 65,137
2013	8,735,000	2,477,770	1,475,000	1,238,297	954,248	125,038
2014	7,235,000	2,212,806	1,575,000	1,150,519	860,754	74,940
2015	7,235,000	1,954,219	1,275,000	1,059,092	566,666	29,750
2016	7,275,000	1,684,760	955,000	986,114	-	-
2017-2021	28,405,000	4,751,718	5,850,000	3,767,530	-	-
2022-2026	10,555,000	1,248,923	6,943,037	1,285,428	-	-
2027-2031	2,805,000	259,691	-	-	-	-
Total	\$ 80,360,000	\$ 17,407,967	\$ 19,233,037	\$ 10,802,995	\$2,938,168	\$ 294,865

Year ending June 30,	Business-Type Activities			
	Notes Payable		Capital Lease Obligation	
	Principal	Interest	Principal	Interest
2012	\$ 2,795,613	\$ 1,107,604	\$ 255,000	\$ 52,519
2013	2,864,987	1,016,144	255,000	44,869
2014	3,295,012	916,011	255,000	37,219
2015	3,390,704	806,999	255,000	29,569
2016	3,500,570	692,891	255,000	21,919
2017-2021	18,123,374	2,533,292	571,250	21,347
2022-2026	10,689,078	1,004,148	-	-
2027-2031	2,116,368	95,702	-	-
Total	\$ 46,775,706	\$ 8,172,791	\$ 1,846,250	\$ 207,442

Sources of debt repayments

General obligation bonds are issued for governmental activity purposes and are paid through the collection of property taxes by the Debt Service Fund. Sales tax revenue notes and the term loan included in governmental activities are paid by the Sales Tax Capital Improvement Fund and the General Fund, respectively. Compensated absences incurred by governmental activities are paid by the General Fund. Judgments are paid through the collection of property taxes by the Debt Service Fund. Automotive and general insurance liabilities are paid by the General Fund. The other post employment benefit obligation will be paid by the General Fund. The workers' compensation unfunded liability is paid equally by the General Fund and BAMA. Revenue bonds, promissory notes and capital leases issued for business-type activities are paid by those activities. Compensated absences incurred by business-type activities are paid by those activities. The 2010 note issued by BAEDA is currently paid through a sales tax transfer from the General Fund. Customer meter deposits will be paid by BAMA. The revenue bond issued by BAEDA will be paid by BAEDA through the collection of the corresponding note receivable.

Interest rate swap agreement

In May 2004, the City entered into an interest rate swap agreement with a bank to fix the interest rate on an initial \$15,035,000 notional amount. The interest rate swap is defined as an investment derivative according to GASB 53, *Accounting and Financial Reporting for Derivative Instruments*. The City pays a fixed rate of 7.2975% per annum and receives a floating rate based on the six-month LIBOR plus 1% (1.40025% at June 30, 2011). The floating rate has a reset frequency as of the first day of each month. The interest rate swap agreement matures November 1, 2025. The notional amount at June 30, 2011 was \$13,220,000 and the net amount paid on the interest rate swap during 2011 was \$790,121. The fair value of the interest rate swap was estimated as a \$3,225,126 liability at June 30, 2011 and such fair value was determined by one of the City's financial institutions. The interest rate swap liability decreased by \$406,574 and is reflected as an unrealized gain in the governmental activities at the government-wide level. The interest rate swaps fair value is highly sensitive to interest rate changes and, as a result the City is exposed to interest rate risk. The City is not exposed to any significant credit risk with respect to the interest rate swap.

Interfund balances and activities

Interfund receivables and payables at June 30, 2011, consist of the following:

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
BAMA	General	\$ 1,772,144	Sales tax collections
BAMA	Battle Creek Golf Course	380,720	Operational advances
General Fund	BAMA	2,045,359	Eliminated negative cash
General Fund	Crime Prevention	4,758	Operation advances
Sales Tax Capital Improvement	Battle Creek Golf Course	104,763	Capital outlay purchases

Interfund transfers for the year ended June 30, 2011, were as follows:

Transfer From	Transfer To	Amount	Nature of Transfer
General Fund	BAMA	\$ 10,467,488	Sales tax collections
General Fund	BAEDA	137,500	Economic development
General Fund	Sales Tax Capital Improvement	116,878	FEMA reimbursement
BAMA	General Fund	10,467,488	Operating subsidy
BAMA	Sales Tax Capital Improvement	19,455	FEMA reimbursement
BAMA	BAEDA	137,500	Economic development
BAMA	BADA	10,466	Operating subsidy
Convention & Visitors Bureau	General Fund	98,000	Operational/General Government
Stormwater Capital	BAEDA	700,000	Economic development
Sales Tax Capital Improvement	BAEDA	2,850,000	Economic development
Street and Alley	General Fund	700,000	Operational/Streets
E-911	General Fund	400,000	Operational/Public Safety
Debt Service	General Fund	97,184	Operational/Interest

Fund balances and net assets

Net assets reserves at June 30, 2011, consist of the following:

	Primary Government BAMA Enterprise Fund
Restricted assets in:	
Bond accounts	\$ 1,027,134
Bond reserve account	1,305,500
	2,332,634
Accrued interest receivable	54
Less: accrued interest payable	(329,509)
Restricted for debt service	<u>\$ 2,003,179</u>

Fund balances of governmental funds

	General Fund	Sales Tax Capital Improvement Fund	Debt Service Fund	Bond Funds	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:						
Highways	-	-	-	10,140,447	645,433	10,785,880
Public safety	-	-	-	4,865,338	2,274,382	7,139,720
Debt service	1,215,781	-	10,193,599	-	-	11,409,380
Stormwater and sanitary sewer	-	-	-	1,626,986	-	1,626,986
Parks and recreation	-	-	-	2,741,593	400,000	3,141,593
Economic Development/Tourism	-	-	-	-	959,174	959,174
Cemetery care	-	-	-	-	533,306	533,306
Other capital purposes	-	3,176,521	-	-	303,753	3,480,274
	1,215,781	3,176,521	10,193,599	19,374,364	5,116,048	39,076,313
Committed to:						
Highways	-	-	-	-	787,841	787,841
Stormwater and sanitary sewer	-	-	-	-	360,948	360,948
Parks and recreation	-	-	-	-	748,710	748,710
Economic Development/Tourism	-	-	-	-	163,603	163,603
	-	-	-	-	2,061,102	2,061,102
Assigned to:						
Public safety	-	-	-	-	3,484	3,484
Cemetery care	-	-	-	-	16,667	16,667
	-	-	-	-	20,151	20,151
Unassigned	5,064,869	-	-	-	-	5,064,869
Total fund balances	\$6,280,650	\$3,176,521	\$10,193,599	\$19,374,364	\$ 7,197,301	\$46,222,435

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	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OMRF)	Agent Multiple Employer – Defined Contribution Plan

Oklahoma police and firefighters pension and retirement systems

The City of Broken Arrow, as the employer, participates in two state-wide cost-sharing multi-employer defined benefit plans on behalf of the police officers and firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes and state appropriations as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

Eligibility factors, contribution methods and benefit provisions

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighters Pension and Retirement System
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63 rd St., Suite 605 Oklahoma City, OK 73116-7335	Firefighter's Pension & Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time officers employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired.	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate (percent of covered payroll)	8%	8%
City's contribution rate (percent of covered payroll)	13%	13%
State obligation	State appropriation to fund the unfunded actuarial accrued liability.	State appropriation to fund the unfunded actuarial accrued liability.
Eligibility and benefits for distribution (full-time)	20 years credited service, 2.5% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10, but before 20 years of credited service with reduced benefits.	20 years credited service, 2.5% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10, but before 20 years of credited service with reduced benefits.
Eligibility and benefits for distribution (volunteer)	-	20 years credit service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years of continuous creditable service.	Yes, 20 years of continuous creditable service.
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by May 1983
Death (duty, nonduty, post retirement)	Yes	Yes
Disability (duty, nonduty)	Yes	Yes
Cost of living allowances	Yes	Yes

Trend information

Contributions required by State statute:

Fiscal Year	Oklahoma Police Pension and Retirement System		Oklahoma Firefighters Pension and Retirement System	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2007	\$ 890,801	100%	\$ 946,359	100%
2008	\$ 937,011	100%	\$ 1,047,455	100%
2009	\$ 969,528	100%	\$ 1,078,293	100%
2010	\$ 1,011,122	100%	\$ 1,057,690	100%
2011	\$ 1,589,426	100%	\$ 1,674,043	100%

Trend information is showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

Related party investments

As of June 30, 2011, the Systems held no related-party investments of the City or of its related entities.

Defined contribution plan – OMRF

The City has also provided, effective November 1, 1990, a defined contribution plan and trust known as the City of Broken Arrow Plan and Trust (the Plan) in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by the OMRF. The defined contribution plan is available to all full-time employees not already participating in another plan. The employee may contribute to the Plan an amount not less than 2% or more than 10% of their compensation. The City Council determines the City's contribution rate each year and for the year ended June 30, 2011, contributed at the rate of 9% 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, 2011, the following amounts related to actual contributions to the defined contribution plan:

Employee contributions made	\$ 70,329
Employer (City) contributions made	\$ 1,384,958

Post employment benefits other than pensions

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

Funding policy. The City funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay premiums for a set percentage of the cost, with the City subsidizing the remaining costs.

Contribution requirements are established and amended as needed by the City Council on an annual basis. The required monthly contribution rates of the plan members for 2011 range from \$25 to \$207 for active employees and \$497 to \$1,197 for retirees and COBRA participants.

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

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

Annual required contribution	\$ 230,123
Interest on Net OPEB Obligation	16,147
Amortization of Net OPEB Obligation	<u>(20,513)</u>
Annual OPEB cost	225,757
Employer contributions	<u>26,869</u>
Increase in net OPEB obligation	198,888
Beginning OPEB obligation	<u>339,943</u>
Ending OPEB obligation	<u><u>\$ 538,831</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 172,637	13.50%	\$ 149,331
2010	\$ 223,874	14.86%	\$ 339,943
2011	\$ 225,757	11.90%	\$ 538,381

Funded status and funding progress. As of June 30, 2011, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$1,875,248, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,875,248. The covered payroll (annual payroll of active employees covered by the plan) was \$22,877,266, and the ratio of the UAAL to the covered payroll was 8.20%.

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. An actuarial valuation takes inputs such as participant data, benefit provisions and assumptions. Participant data includes the members' ages, membership service, plan selection, etc. Benefit provisions include the structure of the benefits that the members receive; in the City's case, the subsidies supporting retiree medical benefits. In the actuarial valuation as of June 30, 2011, the projected unit credit (PUC) actuarial cost method was used to measure accruing costs. Under the principles of the PUC method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated pro-rata to each year of service between entry age and assumed exit. The portion of this actuarial present value allocated to a valuation year is called the normal cost. Actuarial assumptions include the interest

rate, health care inflation rates, general inflation rates, participation rates, Medicare coverage, etc. The 2011 ARC was based on a 4.75% discount rate, a health care trend rate beginning at 7% and grading to 5% over four years. It also assumed that 35% of future retirees will opt to continue coverage and that 50% of these will cover a spouse at retirement.

Note 5 – Risk Management

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

Type of Loss	Method Managed	Risk of Loss Retained
a. General Liability: - Torts - Errors and omissions	Self-insured with limits of the Oklahoma Tort Liability Act as follows: - \$25,000 property loss - \$100,000 per individual - \$1,000,000 per incident	Entire risk of loss retained.
b. Physical Property: - Theft - Damage to assets - Natural disasters	All physical property except vehicles is insured through commercial insurance with deductibles ranging from \$1,000 to \$10,000. Vehicle damage is covered through self-insurance.	All physical property except vehicles subject to \$1,000 to \$10,000 risk of loss – none. 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 City Risk Management staff and third-party.
d. Health and Life: - Medical - Dental - Vision	Self-insured with third-party administration of the claims provided by Blue Cross Blue Shield of Oklahoma (BCBS). Participation in Vision Service Plan. City purchases annual eye examination benefits for insured at a monthly cost of \$0.58 per month for single coverage and \$1.25 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 BCBS.	Claims up to \$75,000 per individual are self-funded. Specific stop loss reinsurance covers claims in excess of \$75,000 per insured. Aggregate stop loss coverage is adjusted monthly based on number of participants and was \$4,633,687 at June 30, 2011 ⁽¹⁾ .

⁽¹⁾ H.M. Insurance Group

Life and health benefit plan

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

The City is self-funded for health and dental benefits and has an Administrative Services Agreement with Blue Cross Blue Shield of Oklahoma 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 Blue Cross Blue Shield of Oklahoma 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 Blue Cross Blue Shield of Oklahoma.

Life insurance benefits are funded entirely by the City through Fort Dearborn Life Insurance Company.

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, 2007 to June 30, 2011, are as follows:

	Workers Compensation	Health Care
Claim liability, June 30, 2007	\$ 1,086,695	\$ 206,695
Claims and changes in estimate	1,130,474	3,532,313
Claims payments	(822,036)	(3,419,532)
Claim liability, June 30, 2008	1,395,133	319,476
Claims and changes in estimate	1,968,584	5,339,576
Claims payments	(1,006,563)	(5,087,391)
Claim liability, June 30, 2009	2,357,154	571,661
Claims and changes in estimate	1,672,994	4,185,439
Claims payments	(1,162,703)	(4,015,298)
Claim liability, June 30, 2010	2,867,445	741,802
Claims and changes in estimate	786,404	4,932,990
Claims payments	(1,284,849)	(4,937,109)
Claim liability, June 30, 2011	\$ 2,369,000	\$ 737,683
Assets available to pay claims at June 30, 2011	\$ 1,196,126	\$ 1,147,794

Note 6 – Commitments and Contingencies

Commitments

Water purchase contract

The City has a contractual commitment with the Oklahoma Ordinance Works Authority to purchase, if needed, 11,000,000 to 27,000,000 gallons of treated water per day at a monthly fee plus a rate per 1,000 gallons. For the year ended June 30, 2011, the City's total cost of water was \$6,272,040.

Construction commitments

At June 30, 2011, the following construction commitments were outstanding:

	Original Contract	Balance Remaining
Olive – Kenosha to Washington three lane	\$ 2,752,412	\$ 1,272,621
Animal Shelter	2,062,430	256,977
Aspen – New Orleans to Florence, five lane	3,115,963	2,515,614
Fire Training Tower	717,189	323,377
Fire Station #2 replacement	3,049,000	3,049,000
9 th Street – Kenosha to Elgin, five lane	719,237	551,371
Adams Creek NQ Sewer improvements	2,491,737	2,084,384
Lift Station , Indian Springs	285,160	285,160

Operating lease commitments

The City leases office space and equipment under noncancellable operating leases. Rent expense totaled \$48,853 for the year ended June 30, 2011. At June 30, 2011, the City was obligated under noncancellable operating leases expiring from 2012 to 2013 for future minimum lease payments as follows:

Year	Amount
2012	\$ 38,003
2013	7,757
	<u>\$ 45,760</u>

The City leases land and a building to Bass Pro Shops under a lease which commenced May 2004. The initial term of the lease is 20 years and includes nine one-year renewal options and three five-year renewal options. Rental income is calculated as a percentage of gross sales. Bass Pro Shops has the option to purchase the premises for 90% of fair market value after the initial term. Total rental income received during 2011, was \$858,961.

Contingencies

Grant program involvement

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

Litigation

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

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

Note 7 – Subsequent Events

On August 3, 2010, the City approved Resolution 659 authorizing a 2010 SRF promissory note payable to the Oklahoma Water Resources Board in a principal amount not to exceed \$5,735,000. This loan was closed in July 2011.

On August 1, 2011, the City issued \$5,000,000 and \$11,450,000 of General Obligation Bonds Series 2011A and 2011B, respectively. The bonds are due in annual installments ranging from \$260,000 to \$650,000, bear interest at 1.35% to 4.125% and mature August 1, 2031.

On December 20, 2011, the City approved Resolution 727 authorizing a \$35,000,000 2011 DWSRF promissory note payable to the Oklahoma Water Resources Board and Resolution 728 authorizing a FAP Promissory Note not to exceed \$30,000,000. These loans are to finance the construction of a new water treatment plant. The City has not closed on either loan as of the audit issuance date.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA

**SCHEDULE OF FUNDING PROGRESS -
OTHER POST EMPLOYMENT BENEFIT OBLIGATION**

June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/09	\$ -	\$ 1,190,138	\$ 1,190,138	0.0%	\$ 21,795,343	5.46%
06/30/10	\$ -	\$ 1,997,256	\$ 1,997,256	0.0%	\$ 23,242,452	8.59%
06/30/11	\$ -	\$ 1,875,248	\$ 1,875,248	0.0%	\$ 22,877,266	8.20%

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISION SCHEDULE

GENERAL FUND

**Year ended June 30, 2011
(unaudited)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Beginning budgetary fund balance	\$ 5,622,897	\$ 5,622,897	\$ 5,622,897	\$ -
Resources (inflows):				
Taxes:				
Sales tax	23,990,400	24,990,400	26,154,736	1,164,336
Use tax	1,811,900	1,811,900	2,087,832	275,932
Tobacco tax	408,700	408,700	457,781	49,081
Franchise tax	2,641,900	2,641,900	2,904,452	262,552
Total taxes	28,852,900	29,852,900	31,604,801	1,751,901
Intergovernmental:				
Intergovernmental	150,000	586,750	648,301	61,551
Alcoholic beverage tax	122,400	122,400	129,022	6,622
Total intergovernmental	272,400	709,150	777,323	68,173
Charges for services:				
Planning and zoning	9,800	9,800	17,435	7,635
Sale of material	12,700	12,700	33,143	20,443
BAMA PILOT	2,413,400	2,413,400	2,391,963	(21,437)
BAMA overhead charge	904,700	904,700	894,418	(10,282)
Rural fire runs	5,600	5,600	4,665	(935)
Inspection fees	412,700	412,700	339,066	(73,634)
Ambulance revenue	1,764,000	1,764,000	1,674,593	(89,407)
Training facilities	-	-	1,050	1,050
Cemetery fee	147,700	147,700	127,360	(20,340)
Animal control fees	40,100	40,100	39,820	(280)
Nuisance abatement	41,100	41,100	196,259	155,159
Parks and recreation	136,100	136,100	183,648	47,548
Swimming pools	271,900	271,900	244,785	(27,115)
Swimming lessons	18,800	18,800	31,220	12,420
Administrative fees	10,300	10,300	11,744	1,444
Juvenile court	76,100	76,100	68,594	(7,506)
Total charges for services	6,265,000	6,265,000	6,259,763	(5,237)

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISION SCHEDULE

GENERAL FUND

**Year ended June 30, 2011
(unaudited)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Fines, forfeitures and assessments	1,848,000	1,848,000	1,783,938	(64,062)
Licenses and permits:				
Occupational licenses	189,400	189,400	171,602	(17,798)
Peddlers licenses	-	-	8,901	8,901
Food licenses	36,300	36,300	35,600	(700)
Other fees	114,500	114,500	103,019	(11,481)
Building permits	510,200	510,200	455,139	(55,061)
Total licenses and permits	850,400	850,400	774,261	(76,139)
Investment income	25,300	25,300	32,931	7,631
Miscellaneous:				
Rental property	1,100,000	1,100,000	1,094,121	(5,879)
Donations	12,400	12,400	6,167	(6,233)
Miscellaneous	53,000	53,000	31,860	(21,140)
Insurance proceeds	39,800	39,800	17,857	(21,943)
Total miscellaneous	1,205,200	1,205,200	1,150,005	(55,195)
Other financing sources:				
Transfers in from other funds	11,130,100	12,138,100	11,762,672	(375,428)
Total other financing sources	11,130,100	12,138,100	11,762,672	(375,428)
Total revenues and other financing sources	50,449,300	52,894,050	54,145,694	1,251,644
Amounts available for appropriation	56,072,197	58,516,947	59,768,591	1,251,644

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISION SCHEDULE

GENERAL FUND

**Year ended June 30, 2011
(unaudited)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Charges to appropriations (outflows):				
General government:				
City manager:				
Personal services	606,300	641,550	660,492	(18,942)
Other services and charges	46,600	46,600	22,605	23,995
Materials and supplies	6,000	10,000	8,053	1,947
Total city manager	658,900	698,150	691,150	7,000
Finance:				
Personal services	578,000	588,050	580,352	7,698
Other services and charges	68,100	68,100	56,693	11,407
Materials and supplies	5,700	5,700	4,162	1,538
Total finance	651,800	661,850	641,207	20,643
City attorney:				
Personal services	539,600	561,400	562,411	(1,011)
Other service and charges	79,800	104,800	89,802	14,998
Materials and supplies	22,000	30,000	29,635	365
Total city attorney	641,400	696,200	681,848	14,352
Human resources:				
Personal services	1,731,300	1,796,600	1,797,782	(1,182)
Other services and charges	545,200	637,700	529,509	108,191
Materials and supplies	39,100	39,100	37,972	1,128
Total human resources	2,315,600	2,473,400	2,365,263	108,137
Development services - One-Stop & Planning:				
Personal services	1,336,200	1,358,950	1,334,167	24,783
Other services and charges	110,300	129,000	92,666	36,334
Material and supplies	15,200	16,500	12,426	4,074
Total development services	1,461,700	1,504,450	1,439,259	65,191
General government:				
Personal services	15,000	15,000	8,674	6,326
Other services and charges	1,653,100	1,651,600	1,445,815	205,785
Materials and supplies	46,000	47,500	34,808	12,692
Total general government	1,714,100	1,714,100	1,489,297	224,803
Total general government	7,443,500	7,748,150	7,308,024	440,126

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISION SCHEDULE

GENERAL FUND

**Year ended June 30, 2011
(unaudited)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Public safety:				
Police:				
Personal services	13,620,200	13,853,900	13,554,907	298,993
Other services and charges	671,300	645,670	607,671	37,999
Materials and supplies	516,400	563,030	552,244	10,786
Total police	14,807,900	15,062,600	14,714,822	347,778
Fire:				
Personal services	11,726,000	12,907,400	12,475,850	431,550
Other services and charges	646,700	695,550	624,929	70,621
Materials and supplies	439,500	490,650	465,918	24,732
Total fire	12,812,200	14,093,600	13,566,697	526,903
Development services - Inspections:				
Personal services	550,000	559,500	543,870	15,630
Other services and charges	13,200	13,200	9,488	3,712
Materials and supplies	20,200	20,200	20,880	(680)
Total development services - Inspections	583,400	592,900	574,238	18,662
Total public safety	28,203,500	29,749,100	28,855,757	893,343
Public services:				
Streets:				
Personal services	1,095,600	1,113,600	1,133,192	(19,592)
Other services and charges	171,800	171,800	158,247	13,553
Materials and supplies	491,000	566,000	486,694	79,306
Total streets	1,758,400	1,851,400	1,778,133	73,267
General services:				
Personal services	518,600	526,900	519,304	7,596
Other services and charges	35,400	35,400	20,563	14,837
Materials and supplies	59,900	59,900	49,539	10,361
Total general services	613,900	622,200	589,406	32,794
Total public services	2,372,300	2,473,600	2,367,539	106,061

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISION SCHEDULE

GENERAL FUND

**Year ended June 30, 2011
(unaudited)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Parks and recreation:				
Personal services	1,836,700	1,861,700	1,774,114	87,586
Other services and charges	465,100	470,100	429,042	41,058
Materials and supplies	299,100	302,100	297,063	5,037
Total parks and recreation	2,600,900	2,633,900	2,500,219	133,681
Debt service:				
Principal	685,000	685,000	685,000	-
Interest and other charges	1,280,000	1,280,000	1,049,536	230,464
Total debt service	1,965,000	1,965,000	1,734,536	230,464
Other financing uses:				
Transfers to other funds	9,902,600	11,019,478	10,721,866	297,612
Total charges to appropriations	52,487,800	55,589,228	53,487,941	2,101,287
Ending budgetary fund balance	\$ 3,584,397	\$ 2,927,719	\$ 6,280,650	\$ 3,352,931

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended June 30, 2011

(unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Positive (Negative)
Revenues:				
Sales and miscellaneous taxes	\$ 28,852,900	\$ 29,852,900	\$ 31,604,801	\$ 1,751,901
Licenses and permits	850,400	850,400	774,261	(76,139)
Intergovernmental	272,400	709,150	777,323	68,173
Charges for services	6,265,000	6,265,000	6,259,763	(5,237)
Fees and fines	1,848,000	1,848,000	1,783,938	(64,062)
Interest income	25,300	25,300	32,931	7,631
Miscellaneous	1,205,200	1,205,200	1,150,005	(55,195)
Total revenue	39,319,200	40,755,950	42,383,022	1,627,072
Expenditures:				
Current:				
General government	7,443,500	7,748,150	7,308,024	440,126
Public safety	28,203,500	29,749,100	28,855,757	893,343
Public services	2,372,300	2,473,600	2,367,539	106,061
Parks and recreation	2,600,900	2,633,900	2,500,219	133,681
Debt service:				
Principal	685,000	685,000	685,000	-
Interest and other charges	1,280,000	1,280,000	1,049,536	230,464
Total expenditures	42,585,200	44,569,750	42,766,075	1,803,675
Excess (deficiency) of revenues over expenditures	(3,266,000)	(3,813,800)	(383,053)	3,430,747
Other financing sources (uses):				
Transfers in	11,130,100	12,138,100	11,762,672	(375,428)
Transfers out	(9,902,600)	(11,019,478)	(10,721,866)	297,612
Total other financing sources (uses)	1,227,500	1,118,622	1,040,806	(77,816)
Net change in fund balances	(2,038,500)	(2,695,178)	657,753	3,352,931
Budgetary fund balances, beginning of year	5,622,897	5,622,897	5,622,897	-
Budgetary fund balances, end of year	\$ 3,584,397	\$ 2,927,719	\$ 6,280,650	\$ 3,352,931

CITY OF BROKEN ARROW, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2011

(unaudited)

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 new 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.

For the year ended June 30, 2011, the City did not comply in all material respects with the applicable budget laws relating to expenditures and appropriations at the legal level of control. The City had the following instance of noncompliance:

Expenditures exceeded appropriations at the department level as follows:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
Battle Creek Golf Course	Parks	\$ 108,979

OTHER SUPPLEMENTARY INFORMATION

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

	Special Revenue Funds					
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitors Bureau	Police Enhancement	Parks and Recreation	Cemetery Care
Assets						
Cash and cash equivalents	\$ 332,234	\$ 269,657	\$ 971,977	\$ 58,621	\$ 907,995	\$ 549,973
Investments	-	-	-	-	250,000	-
Accrued interest receivable	-	-	-	-	1,213	-
Due from other funds	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	-
Other receivables, net	-	-	39,608	-	-	543
Prepaid expenses	-	-	-	-	-	-
Total assets	\$ 332,234	\$ 269,657	\$ 1,011,585	\$ 58,621	\$ 1,159,208	\$ 550,516
Liabilities						
Accounts payable	\$ 240,943	\$ -	\$ 12,803	\$ -	\$ 9,285	\$ -
Retainage payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	39,608	-	1,213	543
Total liabilities	240,943	-	52,411	-	10,498	543
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	959,174	58,621	400,000	533,306
Committed	91,291	269,657	-	-	748,710	-
Assigned	-	-	-	-	-	16,667
Unassigned	-	-	-	-	-	-
Total fund balances	91,291	269,657	959,174	58,621	1,148,710	549,973
Total liabilities and fund balances	\$ 332,234	\$ 269,657	\$ 1,011,585	\$ 58,621	\$ 1,159,208	\$ 550,516

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (continued)

June 30, 2011

	Special Revenue Funds						
	Street and Alley	Housing and Urban Development	E-911	Crime Prevention	Police Reserves	Alcohol Enforcement	Street Light
Assets							
Cash and cash equivalents	\$ 579,346	\$ 425,768	\$ 1,656,311	\$ 190,297	\$ 3,484	\$ 69,071	\$ 537,858
Investments	-	-	250,000	-	-	-	250,000
Accrued interest receivable	-	-	1,213	-	-	-	1,213
Due from other funds	-	-	-	-	-	-	-
Receivable from other governments	66,087	-	-	-	-	-	-
Other receivables, net	-	-	59,166	-	-	1,439	43,690
Prepaid expenses	-	-	-	-	-	-	-
Total assets	\$ 645,433	\$ 425,768	\$ 1,966,690	\$ 190,297	\$ 3,484	\$ 70,510	\$ 832,761
Liabilities							
Accounts payable	\$ -	\$ 122,015	\$ -	\$ 4,326	\$ -	\$ -	\$ 17
Retainage payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	4,758	-	-	-
Deferred revenue	-	-	1,213	-	-	1,439	44,903
Total liabilities	-	122,015	1,213	9,084	-	1,439	44,920
Fund Balances							
Nonspendable	-	-	-	-	-	-	-
Restricted	645,433	303,753	1,965,477	181,213	-	69,071	-
Committed	-	-	-	-	-	-	787,841
Assigned	-	-	-	-	3,484	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	645,433	303,753	1,965,477	181,213	3,484	69,071	787,841
Total liabilities and fund balances	\$ 645,433	\$ 425,768	\$ 1,966,690	\$ 190,297	\$ 3,484	\$ 70,510	\$ 832,761

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (continued)

June 30, 2011

	Capital Project Funds		Total Nonmajor
	1994 GO	2001 GO	Governmental
	Bond Issue	Bond Issue	Funds
Assets			
Cash and cash equivalents	\$ 163,603	\$ -	\$ 6,716,195
Investments	-	-	750,000
Accrued interest receivable	-	-	3,639
Due from other funds	-	-	-
Receivable from other governments	-	-	66,087
Other receivables, net	-	-	144,446
Prepaid expenses	-	-	-
Total assets	\$ 163,603	\$ -	\$ 7,680,367
Liabilities			
Accounts payable	\$ -	\$ -	\$ 389,389
Retainage payable	-	-	-
Due to other funds	-	-	4,758
Deferred revenue	-	-	88,919
Total liabilities	-	-	483,066
Fund Balances			
Nonspendable	-	-	-
Restricted	-	-	5,116,048
Committed	163,603	-	2,061,102
Assigned	-	-	20,151
Unassigned	-	-	-
Total fund balances	163,603	-	7,197,301
Total liabilities and fund balances	\$ 163,603	\$ -	\$ 7,680,367

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2011

	Special Revenue Funds					
	Excess Capacity Sewer Escrow	Stormwater Capital	Convention and Visitors Bureau	Police Enhancement	Parks and Recreation	Cemetery Care
Revenues:						
Franchise and miscellaneous taxes	\$ -	\$ -	\$ 367,278	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	57,168	35,695	-
Charges for services	-	108,424	-	-	60,540	33,334
Fees and fines	-	-	-	-	-	-
Interest income	324	552	768	411	915	426
Miscellaneous	9,611	-	5,950	-	66,031	-
Total revenues	9,935	108,976	373,996	57,579	163,181	33,760
Expenditures:						
Current:						
General government	-	-	256,059	-	-	-
Public safety	-	-	-	31,896	-	-
Public services	-	-	-	-	-	-
Capital outlay	132,191	7,740	3,960	8,988	176,387	-
Total expenditures	132,191	7,740	260,019	40,884	176,387	-
Excess (deficiency) of revenues over expenditures	(122,256)	101,236	113,977	16,695	(13,206)	33,760
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	(700,000)	(98,000)	-	-	-
Total other financing sources (uses)	-	(700,000)	(98,000)	-	-	-
Net change in fund balances	(122,256)	(598,764)	15,977	16,695	(13,206)	33,760
Fund balances, beginning of year	213,547	868,421	943,197	41,926	1,161,916	516,213
Fund balances, end of year	\$ 91,291	\$ 269,657	\$ 959,174	\$ 58,621	\$ 1,148,710	\$ 549,973

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)

NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2011

	Special Revenue Funds						
	Street and Alley	Housing and Urban Development	E-911	Crime Prevention	Police Reserves	Alcohol Enforcement	Street Light
Revenues:							
Franchise and miscellaneous taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	804,744	595,307	-	161,914	-	-	-
Charges for services	-	-	734,613	-	-	-	603,455
Fees and fines	-	-	-	-	-	23,551	-
Interest income	386	-	1,355	71	-	39	442
Miscellaneous	-	-	-	-	-	-	-
Total revenues	805,130	595,307	735,968	161,985	-	23,590	603,897
Expenditures:							
Current:							
General government	-	65,733	-	-	-	3,036	-
Public safety	-	-	-	147,846	2,788	-	-
Public services	-	-	-	-	-	-	242,326
Capital outlay	-	701,866	9,600	24,567	-	3,735	1,663
Total expenditures	-	767,599	9,600	172,413	2,788	6,771	243,989
Excess (deficiency) of revenues over expenditures	805,130	(172,292)	726,368	(10,428)	(2,788)	16,819	359,908
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(700,000)	-	(400,000)	-	-	-	-
Total other financing sources (uses)	(700,000)	-	(400,000)	-	-	-	-
Net change in fund balances	105,130	(172,292)	326,368	(10,428)	(2,788)	16,819	359,908
Fund balances, beginning of year	540,303	476,045	1,639,109	191,641	6,272	52,252	427,933
Fund balances, end of year	\$ 645,433	\$ 303,753	\$ 1,965,477	\$ 181,213	\$ 3,484	\$ 69,071	\$ 787,841

See independent auditors' report.

CITY OF BROKEN ARROW, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)

NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2011

	Capital Project Funds		Total Nonmajor
	1994 GO	2001 GO	Governmental
	Bond Issue	Bond Issue	Funds
Revenues:			
Franchise and miscellaneous taxes	\$ -	\$ -	\$ 367,278
Intergovernmental	-	-	1,654,828
Charges for services	-	-	1,540,366
Fees and fines	-	-	23,551
Interest income	1,425	-	7,114
Miscellaneous	2,762	-	84,354
	4,187	-	3,677,491
Total revenues			
Expenditures:			
Current:			
General government	77	-	324,905
Public safety	-	-	182,530
Public services	-	665,461	907,787
Capital outlay	-	-	1,070,697
	77	665,461	2,485,919
Total expenditures			
Excess (deficiency) of revenues over expenditures	4,110	(665,461)	1,191,572
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(1,898,000)
	-	-	(1,898,000)
Total other financing sources (uses)			
Net change in fund balances	4,110	(665,461)	(706,428)
Fund balances, beginning of year	159,493	665,461	7,903,729
Fund balances, end of year	\$ 163,603	\$ -	\$ 7,197,301

See independent auditors' report.

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

SCHEDULE OF DEBT SERVICE COVERAGE REQUIREMENTS

Year ended June 30, 2011

	<u>OWRB 1997 A&C, 1999B, 2001, 2004, 2005, 2007 and 2009 Notes Payable</u>
Gross revenue available for debt service:	
Charges for services	\$ 31,426,581
Investment income	31,534
Sales tax transferred from the City General Fund	<u>10,467,488</u>
Total gross revenues available	<u>41,925,603</u>
Operating expenses (1):	
General government	3,041,522
Finance and administration	801,200
Engineering and construction	1,397,531
Water distribution	11,038,146
Sanitary sewer system	3,770,568
Sanitation services	4,192,777
Support services	3,026,102
Stormwater	<u>1,914,642</u>
Total operating expenses	<u>29,182,488</u>
Net revenue available for debt service	<u><u>\$ 12,743,115</u></u>
Debt service requirements:	
Maximum annual debt service on all BAMA parity debt	<u><u>\$ 3,752,688</u></u>
Computed coverage	<u><u>340%</u></u>
Coverage requirement	<u><u>125%</u></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, 2011

	<u>Series 2005 OWRB Note Payable</u>
Required balance	\$ 1,305,500
Balance in Trustee Account, June 30, 2011	<u>1,305,500</u>
Excess of account balance over (under) required balance	<u><u>\$ -</u></u>