



December 31, 2012

Office of the State Auditor and Inspector
Attn: Nancy Grantham
2300 N. Lincoln Blvd., Room 100
Oklahoma City, OK 73105

In accordance with O.S. Title 74 Section 212A. A. 2 and O.S. Title 11, Section 17-105.1, please find attached the following for the reporting entity of the City of Mustang for the year ended June 30, 2012:

- The audited financial statements, with the accompanying auditor's reports thereon;
- Annual Survey of City and Town Finances (SA&I Form 2643), with the accompanying accountants compilation report thereon; and

The \$100.00 filing fee has been paid via your website.

The entities included in the City of Mustang reporting entity are the following:

- The City of Mustang;
- The Mustang Improvement Authority;
- The Mustang Economic Development Authority; and
- The Mustang Special Project Authority (Inactive)

Should you need any additional information or have any questions regarding this filing, please contact me at 405-348-0615.

Sincerely,

A handwritten signature in cursive script that reads 'Andy Cromer'.

Andy Cromer, CPA
Partner



CITY OF MUSTANG, OKLAHOMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

CITY OF MUSTANG, OKLAHOMA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2012

**Prepared by:
City of Mustang
Finance Department**

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CITY OF MUSTANG, OKLAHOMA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
 For the fiscal year ended June 30, 2012

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INTRODUCTORY SECTION

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Mayor Landrith
Councilman Adams
Councilman Grubbs
Councilman Green
Councilman Jones
Councilwoman Hagan
Councilwoman Callahan

Mike Rutledge
City Manager

City of Mustang

Council-Manager Form of Government

376-4521 1501 N. Mustang Road, Mustang, Oklahoma 73064

December 31, 2012

Honorable Mayor, Members of the City Council, and
Citizens of the City of Mustang, Oklahoma

Dear Mayor, Members of the City Council and Citizens of the City of Mustang, Oklahoma:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Mustang, Oklahoma for the fiscal year ended June 30, 2012. This report is submitted in accordance with statutes of the State of Oklahoma and the Charter of the City of Mustang, Oklahoma, which require that audited financial statements be prepared within six months of the end of the fiscal year. This report reflects our intent to provide an organized, comprehensive, and informative presentation of the financial statements. We believe the information is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial affairs have been included.

It is the responsibility of Management of the City to prepare the CAFR. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

John M. Arledge and Associates, P.C., Certified Public Accountants, have issued an unqualified ("clean") opinions on the City of Mustang, Oklahoma's, financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter and should be read in conjunction.

A City with a Vision

Profile of the Government

The City of Mustang is located in Canadian County in central Oklahoma approximately 15 minutes west of downtown Oklahoma City and shares all of its boundaries with Oklahoma City. Mustang, incorporated in October 1969, covers an area of twelve (12) square miles and serves a population of approximately 18,002.

Oklahoma state statutes limit the city in its ability to levy a property tax. Property taxes must be approved by the voters and are limited to the repayment of general obligation debt and court assessed judgment principal and interest. With voter approval the city can levy a sales tax to fund operations.

The City of Mustang has adopted a charter and operates under a Council-Manager form of government. The legislative body of the city consists of one council member elected from each of six wards, and the mayor who is elected at large. The council members serve as the Board of Trustees for the Mustang Improvement Authority; the mayor serves as chairman of the board. The Mayor and Council appoint the City Manager who is the chief executive officer of the city. Responsibility for the day-to-day operations of the city rests with the City Manager.

The City of Mustang provides services necessary for the health and well-being of its citizens, including police and fire protection, streets and other infrastructure, culture and recreation, public improvements, and general administrative services. The Mustang Improvement Authority, a blended component unit, provides water, sewer and sanitation services. For financial reporting purposes, the City is defined as including all funds, agencies, boards, commissions and authorities over which the City Council has financial accountability; therefore, the activities of the Mustang Improvement Authority, the Mustang Special Projects Authority and the Mustang Economic Development Authority are included in the reporting entity.

The City of Mustang maintains privatization contracts with two companies for the operations of animal control, streets, parks, water, sewer, and sanitation services.

The City Council is required by state statute to adopt a budget no later than seven days prior to the first day of the fiscal year, July 1. The annual budget serves as the foundation for the City of Mustang's financial planning and control. All funds of the city with revenues and expenditures are required to have annual budgets, except funds of public trusts or authorities. The budget is prepared by fund by department. The City Manager may authorize transfers between departments without City Council approval. Supplemental appropriations require City Council approval and must be filed with the Office of the State Auditor and Inspector. Public trust or authorities are required to prepare an annual budget, there are no other requirements related to monitoring.

Local Economy

All types of construction were trending upward in 2012! New commercial projects receiving building permits included Whataburger™, Billy Sims' Barbeque™, Papa Murphy's Pizza™, Cherry Berry Frozen Yogurt™ and Taco Bell™. In addition to these eateries, we also gained Presidential Boutique and LaCage clothing stores. Two medical clinics also opened in the past year and two

more broke ground.

By design, there are very few true industrial sites in our community. One of the only areas set aside specifically for such activity is the Cedar Springs Industrial Park. Sheppard & Sons Construction and S&S Foods became the first companies to break ground in the park, which had set dormant since its inception in 2005.

More good news occurred when we received plats for the third phases of Hunter's Hill and Sara Homestead additions. City council also approved plans for Wild Horse Park, a unique two-family residential subdivision being constructed near Mustang's commercial corridor. More new lots should usher in additional homes, more residents, and greater opportunities to increase our sales tax base.

By the year's end, we expect to see 6 new two-family dwellings and approximately 60 new homes across our jurisdiction. This is a far cry from the growth seen in 2006, but the average size and evaluation of the homes currently under construction appears to be much greater than that before.

Unemployment remains very low and the Mustang Public Schools continues to be our largest employer with a total of 714 individuals working in City Limits and another 535 active elsewhere. Wal-Mart Stores was the largest private-sector employer with Tate Publishing in third place. Located on the southeastern side of the community, Industrial Gasket Co. employed 30 and still remained one of Canadian County's only Free Trade Zones. By all accounts, Mustang's economy remained strong and diversified.

Mustang's largest employers included:

Mustang Public Schools	714 <i>(Total number employed in City Limits)</i>
Wal-Mart Stores, Inc.	315
Tate Publishing	220
City of Mustang	135 <i>(Includes employees of Severn-Trent and an estimation of Silver Star employees Construction assigned to service our account)</i>
Lowe's Home Improvement Stores	112
Accurate Drilling Service	67
All American Bank	49
Coldwell Banker SELECT Realty	45
Larry's New Homeland	45
Security Solutions	35
Industrial Gasket	30
Wilson Ophthalmic Corp	18

In 2010, *Money* magazine ranked Canadian Count as the one of the nation's top 25 counties for new job growth. Undoubtedly, this increase was largely fueled by the oil and gas sector. However, a large number of Mustang residents were serving their country working at the Federal Aeronautical Administration's Will Rogers World Airport training campus. Others worked for the State of Oklahoma, Canadian County, and city government. Public sector jobs helped stabilize the local economy and keep unemployment at less than 5%.

Because of our revenue structure, developing the retail and hospitality industries remained a top priority for city leaders. Mustang continued to focus on preserving existing “mom and pop” storefronts while pursuing national “big box” retailers. Each time a business closed there was usually another waiting in the wings to take its place.

Visitors continued to stream into Wild Horse Park for recreational and cultural activities, which greatly increased the need to develop our hospitality industry. As result, the City placed a heightened importance to recruit restaurants and hotels. At the time of this report we have had several hotels seriously interesting in developing a new location in Mustang.

During the past ten years, the government as a whole has experienced a significant increase in operational cost due to growth and expanded services. Overall, public safety and culture and recreation have seen the most significant increases in operational cost. Public safety’s increase is due to growth in both fire and police personnel, converting the fire department to a twenty-four hour department, and a trend in the metropolitan area of public safety salaries growing at a much faster rate than those of other categories of the public-sector. The growth in culture and recreation relates to expanded facilities and services. The city constructed and began operating a softball complex, recreation and athletic facility, aquatic center, and expanded all areas of programming related to culture and recreation.

Long-term financial planning

City Council has not formally adopted a policy concerning minimum fund balance in the general fund. Council has verbally expressed a desire to maintain reserves in the two major operating funds (i.e. the General Fund and the Mustang Improvement Authority) at a combined total of ten to fifteen percent of the annual budget on a budgetary basis.

Relevant financial policies

In an attempt to designate a permanent source for infrastructure financing, the City Council approved a resolution designating one-percent of sales tax collections over \$500,000 in a single month for infrastructure. The one-percent is calculated after deducting restricted sales tax amounts.

Major initiatives

Management addressed the need to expand and upgrade the wastewater treatment plant to handle the significant growth that we have had. The sewer plant has now increased the processing capacity from 1.057mgd to 2.0 mgd. The City/MIA received financing of a low interest loan through the Oklahoma Water Resources Board. The wastewater treatment plant expansion was completed in October 2010.

The City issued \$3,600,000 Combined Purpose General Obligation Bonds, Series 2012, dated June 1, 2012 for the purpose of constructing and equipping a youth baseball complex to be located in Wild Horse Park (\$1,550,000) and to expand the Town Center Building (\$2,050,000).

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mustang for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the eighteenth consecutive year that the City of Mustang has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report is a combined effort of the staff of the finance and administrative departments of the City. We wish to express our appreciation to all members of the City who assisted and contributed to the preparation of this report. In addition, we express our appreciation to the Mustang Chamber of Commerce and the Management Team who assisted in the gathering of economic trend information for this report. In addition, our thanks to the Mayor and City Council for their leadership and support in strengthening and improving the fiscal policies of the City of Mustang.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mike Rutledge".

Michael Rutledge
City Manager

CITY OF MUSTANG, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2012

MAYOR AND CITY COUNCIL

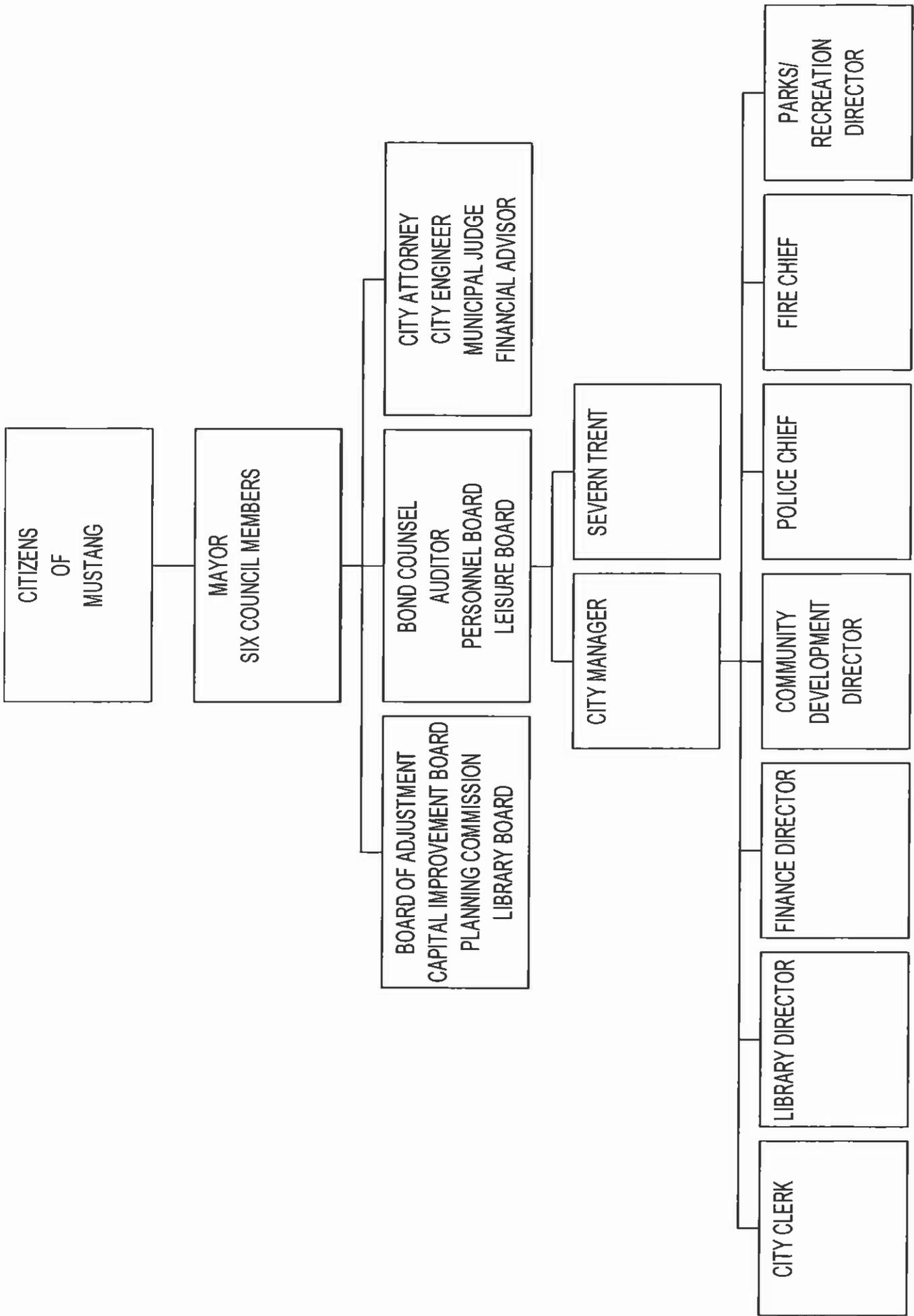
Jay Adams
Matthew Taylor
Mark Grubbs
Linda Bowers
Terry Jones
Linda Hagan
Don Mount

Mayor
Councilmember Ward 1
Councilmember Ward 2
Councilmember Ward 3
Councilmember Ward 4
Councilmember Ward 5
Councilmember Ward 6

ADMINISTRATION

Michael Rutledge
Trisha Winham
Desiree Webber
Justin Battles
Position open
Robert Coleman
Chuck Foley
Carl Hickman

City Manager
City Clerk
Library Director
Parks & Recreation Director
Finance Director
Community Development Director
Police Chief
Fire Chief



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mustang
Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Mouill

President

Jeffrey R. Enew

Executive Director

Financial Section

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Mustang, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mustang, Oklahoma (the "City") as of and for the year ended June 30, 2012, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mustang, Oklahoma, as of June 30, 2012, 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 a report dated December 14, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension plan and other post-employment benefits funding schedules, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted

of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, other supplemental information, and statistical section, are presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information, as listed in the Table of Contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Carledge & Associates, P.C.

Edmond, Oklahoma
December 14, 2012

Management of the City of Mustang provides this discussion and analysis of the City of Mustang's financial performance as an overview of the city's financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the *Letter of Transmittal* at the front of this report and the city's financial statements, which follow.

Financial Highlights

- Total net assets of the city increased by \$1,533,826 or 3.7% from the prior year. This increase is largely due to utility revenues exceeding expenses.
- The city's governmental activities net assets increased by \$459,570 or 1.5% due mainly to an increase in tax revenues.
- Net assets of the business-type activities increased by \$1,074,256 or 11.3% due to revenues exceeding expense in the water, wastewater and sanitation functions. In the business-type activities, charges for services revenues and expenses experienced a 6.7% increase and 3.4% increase, respectively.
- The City issued \$3,600,000 of General Obligation bonds for the construction of a baseball facility and for expansion of the Library and Town Center banquet facility. The bonds will be repaid with a property tax.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the city's basic financial statements. The city's basic financial statements include (or are comprised of) three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (pension information and budgetary schedules) and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the city's finances, in a manner similar to private-sector business. The statements are prepared using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. The government-wide financial statements include the following:

The *statement of net assets* presents information on all of the city's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the city that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The *governmental activities* of the city include administrative, culture and recreation, public safety, community development, and streets. The *business-type activities* of the city include three enterprise activities: the water system, the sanitary sewer system, and the sanitation system.

The government-wide financial statements include not only the city and the Mustang Improvement Authority (a blended component unit) which comprise the primary government, but also the Mustang Economic Development Authority (MEDA). *This discretely presented component unit* operates similar to private sector business, but has financial accountability to the city. The financial information for the component unit is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found immediately following this discussion and analysis on pages 24-25 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The city, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the city can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a governments' near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the 2012 G.O. Bond Project – Ballfield Fund, and the 2012 G.O. Bond Project – Town Center Fund, which are considered to be a major funds. The G.O. Bond Project Funds are major capital project funds. Data from the other five nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found immediately following the government-wide statements on pages 26-29.

Proprietary funds. These funds are used to report activities that operate like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial

statements. The city uses one enterprise fund to account for the operations of its water, sanitary sewer, and sanitation services. This fund is considered a major proprietary fund for presentation purposes. The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements on pages 30-32.

Component Unit Financial Statements. As mentioned above, these are operations for which the city has financial accountability but they have certain independent qualities as well, and they operate similar to business-type activities. The government-wide financial statements present information for the component unit in a single column of the statement of net assets and the statement of changes in net assets.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements, beginning on page 33.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the city's pension plan and the general fund budget. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with these budgets. Required supplementary information can be found immediately following the notes to the financial statements beginning on page 55.

Other Supplementary Information. The combining statements referred to earlier and budgetary comparisons for general fund accounts and nonmajor governmental funds are presented following the required supplementary information on page 63.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Net assets are the difference between total assets and total liabilities and are an indicator of the current fiscal health of the city. For the year ended June 30, 2012, the city's combined net assets increased by \$1.5 million. The following table provides a summary of the city's net assets:

(Table 1 - in millions)

	Governmental Activities		Business Type Activities		Total		Total % Change
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$11.4	\$6.8	\$8.1	\$7.9	\$19.5	\$14.7	33%
Capital assets	<u>25.6</u>	<u>26.6</u>	<u>25.1</u>	<u>26.0</u>	<u>50.7</u>	<u>52.6</u>	-4%
Total assets	<u>37.0</u>	<u>33.4</u>	<u>33.2</u>	<u>33.9</u>	<u>70.2</u>	<u>67.3</u>	4%
Long-term debt outstanding	4.2	0.6	22.2	24.2	26.4	24.8	6%
Other liabilities	<u>1.1</u>	<u>1.6</u>	<u>0.4</u>	<u>0.3</u>	<u>1.5</u>	<u>1.9</u>	-21%
Total liabilities	<u>5.3</u>	<u>2.2</u>	<u>22.6</u>	<u>24.5</u>	<u>27.9</u>	<u>26.7</u>	4%
Net Assets							
Invested in capital assets,							
Net of related debt (see Note 3.G)	25.4	26.3	12.9	15.4	25.3	29.0	-13%
Restricted	5.2	1.1	3.3	3.1	8.3	4.2	98%
Unrestricted	<u>1.1</u>	<u>3.8</u>	<u>(5.6)</u>	<u>(9.1)</u>	<u>8.7</u>	<u>7.4</u>	18%
Total net assets	<u>\$31.7</u>	<u>\$31.2</u>	<u>\$10.6</u>	<u>\$9.4</u>	<u>\$42.3</u>	<u>\$40.6</u>	4.2%

The above numbers reflect an increase of 1.5% for governmental activities net assets and an increase of approximately 11.3% for business-type activities net assets. The City's overall financial position improved during fiscal year 2012.

The City's governmental activities net assets increased by \$459,570. The primary reason for the increase was due to an increase in tax revenues.

The net assets of our business type activities increased by \$1,074,256 or 11.3%. The primary reason for the increase was due to operational revenues exceeding expenses.

The following table provides a summary of the City's changes in net assets:

Summary of Changes in Net Assets
Table 2
(in millions)

	Governmental Activities		% Inc. (Dec.)	Business Type Activities		% Inc. (Dec.)	Total		Total % Change 2011-2012
	2012	2011		2012	2011		2012	2011	
<i>Revenues</i>									
<i>Program Revenues</i>									
Charges for Services	\$1.3	\$1.2	8%	\$7.0	\$6.6	6%	\$8.3	\$7.8	6%
Operating Grants and contributions	0.6	0.6	-	-	-	-	0.6	0.6	-
Capital Grants and contributions	0.1	0.3	-67%	-	-	-	0.1	0.3	-67%
<i>General Revenues</i>									
Sales and use taxes	8.1	7.7	5%	-	-	-	8.1	7.7	5%
Property taxes	0.2	0.2	-	-	-	-	0.2	0.2	-
Other taxes	0.7	0.7	-	-	-	-	0.7	0.7	-
Other	0.4	0.3	33%	0.1	-	100%	0.5	0.3	67%
Total revenues	11.4	11.0	4%	7.1	6.6	8%	18.5	17.6	5%
<i>Expenses:</i>									
Administration	3.0	3.1	-3%	-	-	-	3.0	3.1	-3%
Culture and recreation	2.3	2.2	5%	-	-	-	2.3	2.2	5%
Community development	0.5	0.4	25%	-	-	-	0.5	0.4	25%
Public safety	4.8	4.5	7%	-	-	-	4.8	4.5	7%
Streets	0.7	0.6	17%	-	-	-	0.7	0.6	17%
Water	-	-	-	2.3	2.2	5%	2.3	2.2	5%
Wastewater	-	-	-	1.2	1.2	0%	1.2	1.2	0%
Sanitation	-	-	-	1.0	1.0	-	1.0	1.0	-
Ambulance	-	-	-	0.2	0.1	100%	0.2	0.1	100%
Interest on gov. activities	-	-	-	0.9	0.8	13%	0.9	0.8	13%
Total expenses	11.3	10.8	5%	5.6	5.3	6%	16.9	16.1	5%
<i>Increase in net assets</i>									
Before transfers	0.1	0.2	-50%	1.5	1.3	15%	1.6	1.5	7%
Transfers	0.4	0.4	-	(0.4)	(0.4)	0%	-	-	-
Change in net assets	\$0.5	\$0.6	-50%	\$1.1	\$0.9	15%	\$1.6	\$1.5	7%

The results of 2012 were shaped largely by the slight rebound in the local economy. Total net assets increased by 3.7% or \$1,533,826. Significant changes were related to:

Governmental Activities:

Capital grants and contributions showed a 67% decrease due to a reduction in funding from the Oklahoma Department of Transportation.

Other revenues increased 33% due to insurance reimbursements for storm damage.

Business-type Activities:

Charges for services showed a 6% increase as due to a rate adjustment in the prior year that was in effect for the full year.

Water expense increased 5% related to an increase in the public works operation contract.

Governmental Activities:

To aid in the understanding of 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 (Expense)/Revenue. The reason for this kind of 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. Table 3 presents the cost of each of the City's seven largest programs—police, economic development, fire, street, golf, general government, and community development—as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental Activities
Table 3
(in Thousands)

	Total Cost of Services		%	Net Cost of Services		%
	2012	2011		2012	2011	
Administration	\$3,036	\$3,107	-2%	(\$3,036)	(\$3,107)	-2%
Culture and Recreation	2,329	2,181	7%	(1,402)	(1,365)	3%
Community Development	441	407	8%	(265)	(252)	5%
Public Safety	4,750	4,451	7%	(4,073)	(3,723)	9%
Streets and Drainage	731	645	13%	(580)	(224)	159%
Interest on long-term debt	14	19	-26%	(14)	(19)	-26%
	<u>\$11,301</u>	<u>\$10,810</u>	5%	<u>(\$9,370)</u>	<u>(\$8,690)</u>	8%

Overall, the city's governmental activities' total costs increased 5% over last year and net costs increased by 8%. The explanations on the previous page account for the majority of increases in total costs of services and decrease in net cost of services in the governmental activities. The most significant item is the decrease in contributed capital and capital grants related to streets.

Business-type Activities:

Overall, total cost of services for the city's business-type activities increased 3% from last year. The explanations for the major components of the increases are noted on the previous page. The net revenues reported an increase which was mainly caused by the rate increase in all areas in the previous year.

Business-Type Activities
Table 4
(in Thousands)

	Total Cost of Services		%	Net Cost of Services		%
	2012	2011		2012	2011	
Water	\$2,301	\$2,213	4%	\$635	\$524	21%
Wastewater	1,170	1,216	-4%	490	345	42%
Solid Waste	1,039	1,022	2%	1,131	1,053	7%
Ambulance	201	146	38%	47	53	-11%
Interest on governmental long-term debt	870	800	9%	(870)	(800)	9%
	<u>\$5,581</u>	<u>\$5,397</u>	3%	<u>\$1,433</u>	<u>\$1,175</u>	22%

The City's Funds

The General Fund is the city's primary operating fund and the source of day-to-day operations. The general fund is significantly reliant on sales tax revenues for operations. The fund balance increased by \$198,997 from the prior year. This increase is attributed to a transfer from the MIA to assist with operations and an increase in tax revenues.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the general fund budget to supplement for grants, contributions, and unexpected expenditures. The revised budget was an increase of \$470,192. General Fund actual expenditures were below budget by \$720,989, due to most departments coming in below estimates. Actual revenues were less than budgeted by \$57,900 because transfers in were less than anticipated.

Capital Asset and Debt Administration

At the end of June 30, 2012, the city had \$50.6 million invested in capital assets including police and fire equipment, buildings, parks, streets and drainage systems, and water and sewer infrastructure. Additions to capital assets included infrastructure improvements and miscellaneous equipment purchases. Information on capital assets is located in Note 3.D.

Capital Assets
Table 5
Net of Accumulated Depreciation
(in millions)

	Governmental Activities		Business-type Activities		Totals		Total % Change
	2012	2011	2012	2011	2012	2011	
<i>Non-Depreciable Assets</i>							
Land	\$0.8	\$0.8	\$0.5	\$0.5	\$1.3	\$1.3	0%
Construction-in-progress	0.5	0.4	0.0	0.0	0.5	0.4	25%
<i>Depreciable Assets</i>							
Buildings	11.5	12.0	9.0	9.3	20.5	21.3	-4%
Improvements & Other	0.2	0.2	-	-	0.2	0.2	0%
Equipment	2.8	3.1	0.2	0.1	3.0	3.2	-6%
Infrastructure	9.7	10.1	15.4	16.1	25.1	26.2	-4%
Totals	<u>\$25.5</u>	<u>\$26.6</u>	<u>\$25.1</u>	<u>\$26.0</u>	<u>\$50.6</u>	<u>\$52.6</u>	-4%

Debt Administration

At year-end, the city had \$26,831,169 in outstanding notes, judgments, bonds and compensated absences. Additional debt information can be found in note 3.E.

These debts are further detailed below as follows:

**Outstanding Debt
 Table 6
 (in millions)**

	Governmental Activities		Business-type Activities		Totals		Total % Change
	2012	2011	2012	2011	2012	2011	
General Obligation Bond	\$ 3.6	\$ 0.3	\$ -	\$ -	\$ 3.6	\$ 0.3	1100%
Capital lease obligation	0.2	0.1	-	-	0.2	0.1	100%
Notes Payable	-	-	3.7	4.0	3.7	4.0	-8%
Revenue Bonds	-	-	19.1	20.9	19.1	20.9	-9%
Accrued Compensation	0.3	0.2	-	-	0.3	0.2	50%
Totals	\$4.1	\$0.6	\$22.8	\$24.9	\$26.9	\$25.5	5%

Economic Factors and Next Year's Budget

The City of Mustang expects to see a small growth in the economy in the next fiscal year due to more inquiries from businesses looking to build or relocate in the city. The city anticipates a conservative sales tax increase for the next fiscal year. Management will continue to strive for fiscal conservativeness while developing plans to expand the systems and operations needed to meet citizens' needs.

The fiscal year 2012-2013 government-wide budget of \$51.9 million is an increase of .04% over the prior year.

The City issued \$3,600,000 Combined Purpose General Obligation Bonds, Series 2012, dated June 1, 2012 for the purpose of constructing and equipping a youth baseball complex to be located in Wild Horse Park (\$1,550,000) and to expand the Town Center Building (\$2,050,000).

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Mustang'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, City of Mustang, 1501 N. Mustang Road, Mustang, OK 73064 or phone (405) 376-4521.

Respectfully Submitted,



Mike Rutledge
 City Manager

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BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

City of Mustang
Statement of Net Assets
June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component Unit</u> <u>Mustang Economic</u> <u>Development</u> <u>Authority</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 5,449,622	\$ 1,425,148	\$ 6,874,770	\$ 3,171
Investments	841,399	1,410,091	2,251,490	-
Restricted - cash and cash equivalents	3,557,002	2,527,339	6,084,341	-
Restricted - investments	-	1,036,408	1,036,408	-
Accounts Receivable, net	183,522	1,027,106	1,210,628	-
Due from Other Governments	1,122,552	8,142	1,130,694	-
Internal Balances	(1,464)	1,464	-	-
Other Receivables	175,966	-	175,966	-
Inventory	24,561	24,797	49,358	-
Notes Receivable	-	-	-	191,744
Total Current Assets	<u>11,353,160</u>	<u>7,460,495</u>	<u>18,813,655</u>	<u>194,915</u>
Noncurrent Assets:				
Notes Receivable	-	-	-	169,637
Capital Assets				
Land and construction in progress	1,335,095	481,776	1,816,871	-
Depreciable buildings, property, and equipment, net	24,241,353	24,610,217	48,851,570	-
Unamortized bond issue cost	54,625	637,976	692,601	-
Total Noncurrent Assets	<u>25,631,073</u>	<u>25,729,969</u>	<u>51,361,042</u>	<u>169,637</u>
Total Assets	<u>\$ 36,984,233</u>	<u>\$ 33,190,464</u>	<u>\$ 70,174,697</u>	<u>\$ 364,552</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 752,297	\$ 261,725	\$ 1,014,022	\$ -
Accrued interest payable	10,099	135,201	145,300	-
Accrued liabilities	-	-	-	-
Claims payable	214,646	-	214,646	-
Amounts held in escrow	65,711	-	65,711	-
Deposits subject to refund	-	307,060	307,060	-
Current portion of long-term obligations	129,367	2,249,500	2,378,867	191,744
Total Current Liabilities	<u>1,172,120</u>	<u>2,953,486</u>	<u>4,125,606</u>	<u>191,744</u>
Noncurrent Liabilities:				
Other post employment benefit obligation	210,072	-	210,072	-
Noncurrent portion of long-term obligations	3,892,008	19,687,366	23,579,374	169,637
Total Noncurrent Liabilities	<u>4,102,080</u>	<u>19,687,366</u>	<u>23,789,446</u>	<u>169,637</u>
Total Liabilities	<u>5,274,200</u>	<u>22,640,852</u>	<u>27,915,052</u>	<u>361,381</u>
NET ASSETS				
Invested in capital assets, net of related debt (see note 3.G. concerning total column)	25,352,936	12,922,913	25,305,849	-
Restricted by:				
Enabling legislation	86,875	-	86,875	-
External contracts	5,074,727	3,121,562	8,196,289	-
Unrestricted (see note 3.G.)	1,195,495	(5,494,863)	8,670,632	3,171
Total net assets	<u>\$ 31,710,033</u>	<u>\$ 10,548,612</u>	<u>\$ 42,259,645</u>	<u>\$ 3,171</u>

See accompanying notes to the basic financial statements

City of Mustang
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	MEDA	
Primary government								
Governmental Activities								
Administration	\$ 3,036,075	\$ -	\$ -	\$ (3,036,075)	\$ -	\$ (3,036,075)	\$ -	
Culture and recreation	2,329,462	43,372	53,402	(1,401,951)	-	(1,401,951)	-	
Community development	440,962	-	-	(265,138)	-	(265,138)	-	
Public Safety	4,749,537	365,829	-	(4,072,634)	-	(4,072,634)	-	
Streets and drainage	731,455	151,331	-	(580,124)	-	(580,124)	-	
Interest on Long-term debt	13,647	-	-	(13,647)	-	(13,647)	-	
Total governmental activities	11,301,138	560,532	53,402	(9,369,569)	-	(9,369,569)	-	
Business-type activities								
Water	2,301,043	-	-	-	635,163	635,163	-	
Wastewater	1,170,049	-	-	-	490,303	490,303	-	
Sanitation	1,038,662	-	-	-	1,130,990	1,130,990	-	
Ambulance assessment	201,108	-	-	-	46,931	46,931	-	
General government	870,590	-	-	-	(870,590)	(870,590)	-	
Total business-type activities	5,581,452	-	-	-	1,432,797	1,432,797	-	
Total primary government	\$ 16,882,590	\$ 560,532	\$ 53,402	\$ (9,369,569)	\$ 1,432,797	\$ (7,936,772)		
Component Units								
Economic Development	\$ 1,790	-	-	-	-	-	-	(411)
Total component unit	\$ 1,790	-	-	-	-	-	-	(411)
General revenues:								
Taxes:								
Sales and use taxes				8,099,554		8,099,554		
Franchise and public service taxes				902,770		902,770		
E911 taxes				6,487		6,487		
Intergovernmental revenue not restricted to specific programs				179,531		179,531		
Investment income				27,813		27,813		
Miscellaneous				186,773		186,773		
Transfers - internal activity				426,212		426,212		12
Total general revenues and transfers				9,829,140		9,829,140		12
Change in net assets				459,571	1,074,256	1,533,827	(399)	
Net assets - beginning, restated				31,250,462	9,475,356	40,725,818	3,570	
Net assets - ending				\$ 31,710,033	\$ 10,549,612	\$ 42,259,645	\$ 3,171	

See accompanying notes to the basic financial statements

City of Mustang
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	2012 GO Bond Project - Ballfields	2012 GO Bond Project -Town Center	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,498,628	\$ 1,526,661	\$ 2,019,132	\$ 2,740,943	\$ 8,785,364
Investments	304,471	-	-	237,998	542,469
Receivables:					
Due from other governments	1,110,727	-	-	11,825	1,122,552
Court fines receivable, net	183,522	-	-	-	183,522
Other receivables	151,210	-	-	24,756	175,966
Inventories	24,561	-	-	-	24,561
Total assets	<u>\$ 4,273,119</u>	<u>\$ 1,526,661</u>	<u>\$ 2,019,132</u>	<u>\$ 3,015,522</u>	<u>\$ 10,834,434</u>

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	\$ 507,207	\$ -	\$ -	\$ 128,713	\$ 635,920
Accrued liabilities	116,377	-	-	-	116,377
Due to other funds	1,464	-	-	-	1,464
Deferred revenue	125,040	-	-	9,077	134,117
Amounts held in escrow	65,711	-	-	-	65,711
Total liabilities	<u>815,799</u>	<u>-</u>	<u>-</u>	<u>137,790</u>	<u>953,589</u>
Fund balances:					
Reserved for:					
Nonspendable	24,561	-	-	-	24,561
Restricted	10,224	1,526,350	2,018,821	1,606,207	5,161,602
Assigned	815,135	311	311	1,271,525	2,087,282
Unassigned	2,607,400	-	-	-	2,607,400
Total fund balances	<u>3,457,320</u>	<u>1,526,661</u>	<u>2,019,132</u>	<u>2,877,732</u>	<u>9,880,845</u>
Total liabilities and fund balances	<u>\$ 4,273,119</u>	<u>\$ 1,526,661</u>	<u>\$ 2,019,132</u>	<u>\$ 3,015,522</u>	<u>\$ 10,834,434</u>

See accompanying notes to the basic financial statements

City of Mustang

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2012**

Total fund balance, governmental funds	\$	9,880,845
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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 the funds, net of accumulated depreciation of \$40,770,310		25,576,448
		<hr/>

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

Court fines receivable		125,040
Receivable from other governments		9,077
		<hr/>
		134,117
		<hr/>

Certain assets are not reported in the funds on the current financial resources measurement focus however, in the government-wide financial statements are reported due to the use of the economic resources focus:

Unamortized bond issue costs		54,625
		<hr/>

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental-activities in the statement of net assts.

		305,544
		<hr/>

Certain liabilities are not due and payable from current financial resources and therefore, are not reported in the funds:

General obligation bonds payable		(3,600,000)
Accrued compensated absences		(252,793)
Capital leases payable		(168,582)
Accrued interest payable		(10,099)
Other postemployment benefits		(210,072)
		<hr/>
		(4,241,546)
		<hr/>

Net Assets of Governmental Activities in the Statement of Net Assets	\$	31,710,033
		<hr/> <hr/>

See accompanying notes to the basic financial statements

City of Mustang
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	2012 GO Bond Project - Ballfields	2012 GO Bond Project -Town Center	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 8,803,128	\$ -	\$ -	\$ 202,157	\$ 9,005,285
Intergovernmental	718,942	-	-	-	718,942
Charges for services	766,581	-	-	-	766,581
Fines and forfeitures	219,906	-	-	44,645	264,551
Licenses and permits	172,750	-	-	7,250	180,000
Investment Income	12,765	311	412	10,729	24,217
Miscellaneous	303,684	-	-	55,277	358,961
Total revenues	<u>10,997,756</u>	<u>311</u>	<u>412</u>	<u>320,058</u>	<u>11,318,537</u>
EXPENDITURES					
Current:					
Administration	2,784,019	23,650	31,280	-	2,838,949
Culture and recreation	1,951,152	-	-	-	1,951,152
Community development	417,382	-	-	-	417,382
Public safety	4,290,146	-	-	9,638	4,299,784
Streets and drainage	213,334	-	-	-	213,334
Capital outlay	91,521	-	-	470,589	562,110
Debt Service:					
Principal	38,545	-	-	307,514	346,059
Interest and fiscal charges	5,668	-	-	10,399	16,067
Total expenditures	<u>9,791,767</u>	<u>23,650</u>	<u>31,280</u>	<u>798,140</u>	<u>10,644,837</u>
Excess (deficiency) of revenues over expenditures	<u>1,205,989</u>	<u>(23,339)</u>	<u>(30,868)</u>	<u>(478,082)</u>	<u>673,700</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of long-term debt	-	1,550,000	2,050,000	143,219	3,743,219
Transfers in	7,197,288	-	-	1,437,302	8,634,590
Transfers out	(8,204,280)	-	-	-	(8,204,280)
Total other financing sources and uses	<u>(1,006,992)</u>	<u>1,550,000</u>	<u>2,050,000</u>	<u>1,580,521</u>	<u>4,173,529</u>
Net change in fund balances	198,997	1,526,661	2,019,132	1,102,439	4,847,229
Fund balances - beginning	3,258,323	-	-	1,775,293	5,033,616
Fund balances - ending	<u>\$ 3,457,320</u>	<u>\$ 1,526,661</u>	<u>\$ 2,019,132</u>	<u>\$ 2,877,732</u>	<u>\$ 9,880,845</u>

See accompanying notes to the basic financial statements

City of Mustang

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012**

Net change in fund balances - total governmental funds: \$ 4,847,229

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

Governmental funds report capital outlays 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	496,522
Bond issue costs Amortized	54,930
Amortization of issue cost	(5,926)
Depreciation expense	(1,568,599)
	(1,023,073)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred revenue	12,291
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds; but the repayment reduces long-term liabilities in the Statement of Net Assets:

Bond proceeds received	(3,600,000)
Capital lease proceeds	(143,219)
General obligation bond principal payments	240,000
Capital lease principal payments	106,059
	(3,397,160)

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	(4,961)
Accrued compensated absences	(22,472)
Other postemployment benefits	(53,104)
	(80,537)

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

Total change in net assets for internal service funds	100,821
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Change in net assets of governmental activities \$ 459,571

See accompanying notes to the basic financial statements

**City of Mustang
Statement of Net Assets
Proprietary Funds
June 30, 2012**

	Enterprise Fund	Governmental Activities
	Mustang Improvement Authority	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,425,148	\$ 221,260
Restricted cash and cash equivalents	2,527,339	-
Investments	1,410,091	298,930
Restricted investments	1,036,408	-
Accounts receivable, net	1,005,187	-
Due from other funds	1,464	-
Due from other governments	8,142	-
Other receivable	21,919	-
Inventory	24,797	-
Total current assets	7,460,495	520,190
Non-current assets:		
Land and construction in progress	481,776	-
Other capital assets, net	24,610,217	-
Unamortized bond issue costs	637,976	-
Total non-current assets	25,729,969	-
Total assets	33,190,464	520,190
LIABILITIES		
Current Liabilities:		
Accounts payable	261,725	-
Claims payable	-	214,646
Accrued interest payable	135,201	-
Refundable deposits	31,498	-
Notes payable	329,500	-
Revenue bonds payable	1,920,000	-
Total current liabilities	2,677,924	214,646
Non-current liabilities:		
Deposits subject to refund	275,562	-
Revenue bonds payable, net	16,277,073	-
Notes payable	3,410,293	-
Total non-current liabilities	19,962,928	-
Total liabilities	22,640,852	214,646
NET ASSETS		
Invested in capital assets, net of related debt	12,922,913	-
Restricted for debt service	3,121,562	-
Unrestricted	(5,494,863)	305,544
Total net assets	\$ 10,549,612	\$ 305,544

See accompanying notes to the basic financial statements

City of Mustang
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Enterprise Fund</u> Mustang <u>Improvement</u> <u>Authority</u>	<u>Governmental</u> <u>Activities</u> <u>Internal Service</u> <u>Fund</u>
REVENUES		
Charges for services:		
Water charges	\$ 2,858,999	\$ -
Sewer charges	1,563,687	-
Installations and connections	42,965	-
Penalties	123,018	-
Sanitation charges	2,125,281	-
Ambulance assessment	248,039	-
Sewer impact fees	44,275	-
Workers compensation fees	-	122,332
Other	47,380	72
Total operating revenues	<u>7,053,644</u>	<u>122,404</u>
OPERATING EXPENSES		
Cost of goods sold	521,013	-
Operations and maintenance	2,845,678	32,620
Claims expense	-	(7,441)
Depreciation expense	952,358	-
Amortization expense	76,904	-
Total Operating Expenses	<u>4,395,953</u>	<u>25,179</u>
Operating income	<u>2,657,691</u>	<u>97,225</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	28,846	3,596
Miscellaneous	(570)	-
Interest expense and fiscal charges	(1,185,499)	-
Total non-operating revenue (expenses)	<u>(1,157,223)</u>	<u>3,596</u>
Net income before transfers	1,500,468	100,821
Transfers in	7,798,674	-
Transfers out	<u>(8,224,886)</u>	-
Change in net assets	1,074,256	100,821
Total net assets - beginning (restated)	9,475,356	204,723
Total net assets - ending	<u>\$ 10,549,612</u>	<u>\$ 305,544</u>

See accompanying notes to the basic financial statements

City of Mustang, Oklahoma
Statement Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2012

	MIA Enterprise Fund	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$6,936,807	\$122,404
Payments to suppliers	(3,279,191)	(32,620)
Payments to claimants	-	(137,907)
Receipts of customer meter deposits	62,400	-
Customer meter deposits refunded or applied	(59,474)	-
Payments to other funds	(45,898)	-
Receipts from other funds	5,417	-
Net Cash Provided by (Used in) Operating Activities	<u>3,620,061</u>	<u>(48,123)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers from other funds	7,798,674	-
Transfers to other funds	(8,224,886)	-
Principal paid on non-capital debt	(1,015,000)	-
Interest and fiscal agent fees paid on non-capital debt	(644,712)	-
Net Cash Provided by (Used in) Noncapital and Related Financing Activities	<u>(2,085,924)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(15,489)	-
Principal paid on capital debt	(1,083,600)	-
Interest and fiscal agent fees paid on capital debt	(449,411)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,548,500)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	87,993	95,509
Interest and dividends	29,860	3,775
Net Cash Provided by Investing Activities	<u>117,853</u>	<u>99,284</u>
Net Increase in Cash and Cash Equivalents	103,490	51,161
Balances - beginning of the year	<u>3,848,997</u>	<u>170,099</u>
Balances - end of the year	<u>\$3,952,487</u>	<u>\$221,260</u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$1,425,148	\$221,260
Restricted cash and cash equivalents	<u>\$2,527,339</u>	<u>-</u>
Total cash and cash equivalents	<u>\$3,952,487</u>	<u>\$221,260</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income	\$2,657,691	\$97,225
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	952,358	-
Amortization expense	76,904	-
Other non operating revenues	(570)	-
Change in assets and liabilities:		
Receivables, net	(94,348)	-
Due from other funds	5,417	-
Other receivable	(21,919)	-
Accounts payables	87,500	-
Claims payables	-	(145,348)
Customer meter deposits payable	2,926	-
Due to other funds	(45,898)	-
Net Cash Provided by Operating Activities	<u>\$3,620,061</u>	<u>(\$48,123)</u>

See accompanying notes to the basic financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Generally Accepted Accounting Principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In accordance with GASB Statement 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 account principles and practices of Mustang are discussed in subsequent sections of this Note.

1.A. FINANCIAL REPORTING ENTITY

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

Primary Government:	City of Mustang
Component Units:	Mustang Improvement Authority
	Mustang Economic Development Authority
	Mustang Special Project Authority, inactive

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 is a Public Trust established pursuant to Title 60 of Oklahoma State Statutes. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets that are acquired or constructed with Authority debt or other Authority generated resources. In addition, 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 category to comprise the primary government presentation.

The component units that are blended into the primary governments' fund categories are presented below:

Mustang Improvement Authority - Created June 4, 1963, to finance, develop and operate the water, sewer, and solid waste activities. The current City Council serves as entire governing body (Trustees). Any issuances of debt would require a two-thirds approval of the City Council. The MIA is reported as an enterprise fund within the primary government presentation.

Mustang Special Project Authority - Created July 7, 1998 to provide funds for the furthering and authorized or proper functions of the municipality, including but not limited to the furnishing and supplying of economic development services and facilities. The current City Council serves as entire governing body. Any issuance of debt would require a two-thirds approval of the City Council. The trust is currently inactive.

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 component unit that is discretely presented in the city's report is presented below:

Mustang Economic Development Authority (MEDA) was created February 23, 1982, to promote and encourage development of industry and commerce and other related activities on behalf of the city. Trustees are appointed by the City Council and may be removed at will by the City Council. The city assumes no responsibility for the Authority's day-to-day operations and the Authority's Trustees are responsible for management contracts. In addition, the city has no obligation for the debt of the Authority.

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

The statement of net assets and statement of activities display information about the city as a whole. They include all financial activities of the reporting entity. 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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different governmental functions and business-type activities to arrive at the net revenue or expense of the function or activity prior to the use of taxes and other general revenues. Program revenues include (1) fees, fines, and services 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 and include assets donated by developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

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 that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Separate financial statements are presented for the two major fund categories: governmental and proprietary. The city presently has no fiduciary funds. 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:

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. 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.

FUND TYPES AND MAJOR FUNDS:

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 and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The following internal activity accounts are combined with the general fund for report purposes only: Health Reimbursement Account, General Reserve Account, and Library Account.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specified revenue sources that are restricted or committed to expenditures for specified purposes other than capital projects or debt service. The reporting entity includes the following special revenue funds: Police Traffic Enforcement, Park Improvement, and the Street Improvement Fund. None are considered major funds.

Debt Service Fund

The City 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 and fiscal agent fees. In State law, this fund is referred to as the Sinking Fund. This fund is not considered a major fund.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities or other capital assets. The reporting entity includes three capital project funds, the city Capital Improvement Fund, the 2012 General Obligation Bond Project – Ball Field Fund and the 2012 General Obligation Bond Project – Town Center Fund. The two 2012 General Obligation Bond Project Funds are considered major.

PROPRIETARY FUND TYPES

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. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Mustang Improvement Authority enterprise fund. This fund accounts for activities of the public trust in providing water, wastewater, and sanitation to the public and is considered a major fund. The reporting entity includes one internal service fund, the Worker's Compensation Fund, used to account for self-insured worker's compensation claims.

COMPONENT UNIT

The discretely presented component unit is a separate legal entity 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 is it an entity established to provide services primarily to the primary government. Since this component unit is not as closely associated with the city as is a blended component unit, it is reported in a discretely presented column on the government-wide financial statements labeled "Component Units." The reporting entity includes the Mustang Economic Development Authority, a discretely presented component unit.

1.C. 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.

The government-wide financial statements and the proprietary fund statements report using the *economic resources* measurement focus and the accrual basis of accounting. 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. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements report using the "*current financial resources*" measurement focus and the modified accrual basis of accounting. Under the current financial resources 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. Under the 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 considers revenues to be available if they are collected within 60 days of the end of the fiscal year. 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 obligation bond principal and interest which are recorded when due.

1.D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Cash Equivalents

Cash and cash equivalents includes all demand, savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Revenue bond account investments in money market accounts are also considered cash equivalents and carried at cost.

Investments

Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months and investments in U.S. Government Securities. All non-negotiable certificates of deposit are carried at cost. Investments in U.S. Government Securities are carried at fair value. The city places no limit on the amount it may invest in any one issuer. The city has not adopted a formal deposit and investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates other than restrictions set forth in state statutes.

Receivables

Material receivable in the governmental fund types and the 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. These are reported as *Due From Other Governments*. Non-exchange transactions collectible but not available are deferred in the fund financial statements. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Business-type activities and the proprietary type fund consist of revenues earned at year-end and not yet received. Billed and unbilled utility accounts receivable comprise the majority of these receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Component unit notes receivable of the Mustang Economic Development Authority consist of loans for industrial development, see also Note 3.E. for related information on the long-term debt.

Inventories

The city operates concession stands at the various ball complexes owned by the city and maintains a materials inventory related to the water and sewer facilities. At June 30, 2012, the unconsumed concession supplies and materials are recorded as inventory on the first-in, first-out basis.

Capital Assets and Depreciation

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements

In the government-wide financial statements and the proprietary fund type, property, plant and equipment are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets that are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1991. The governmental fund infrastructure assets consisting of streets and drainage systems were capitalized for the first time for the year ended June 30, 2003. The city capitalizes all capital purchases of \$1,000 or more.

Depreciation of all exhaustible capital assets is recorded as 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 ranges of estimated useful lives by type of asset are as follows:

- Buildings 20-50 years
- Other Improvements 20-50 years
- Machinery and Equipment 3-25 years
- Utility System 25-50 years
- Infrastructure 25-45 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Restricted Assets

Restricted assets reported in the fund financial statements include current assets of the governmental and enterprise funds that are legally restricted as to their use. The primary restricted assets are related to revenue bond trustee accounts restricted for debt service and deposits held for refund.

Long-Term Debt

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

All long-term debt to be repaid from governmental resources and business-type and similar discretely presented component unit resources are reported as liabilities as incurred. The long-term debt consists primarily of accrued compensated absences, general obligation bonds payable, judgment funding bonds payable, and revenue bonds payable. This long-term debt is reported net of unamortized premiums, discounts, and amounts deferred from refundings, if any.

Long-term debt of governmental funds is not reported as liabilities 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 policy regarding vacation and compensatory time permits employees to accumulate varying amounts as determined by management and contracts with employee groups. Sick leave may be sold back at various rates

accordingly to non-union and union employees. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absences that have matured, however, the compensated absences obligation is reported as a fund balance reserve in compliance with the State Constitution. The General Fund is used to liquidate compensated absences. The proprietary fund has no accrued compensated absences due to the transfer of all employees and related costs to a third-party contractor for utility operations.

Equity Classifications

Government-Wide Financial Statements:

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

1. 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.
2. 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.
3. 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.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Since the City implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of the unassigned fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of fund balance amounts require that restricted amounts would be reduced first, followed by committed amounts and then assigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Management has not formally adopted a minimum fund balance policy.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The City levies a four-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 entire sales tax is recorded as revenue within the General Fund. Upon receipt, the General Fund distributes the dedicated portion of the sales tax as follows:

- Three cents transferred to the Mustang Improvement Authority as required by revenue bond indenture, with two cents transferred back to the general fund for operations. Any portion of the one cent retained by the MIA not used for debt payments is restricted for capital purchase and is transferred to the Capital Improvement Fund.
- One cent transferred to the Mustang Improvement Authority for the payment of debt on the 2006 Revenue Bond per a vote of the citizens.
- Sales tax resulting from sales occurring prior to year end and received by the City after year end have been accrued and is included under the caption *Due From Other Governments* because they represent taxes on sales occurring during the reporting period.

Property Tax

Under State statutes, 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. For the year ended June 30, 2012, the City levied a property tax to fund the annual debt service requirements of the 2007 General Obligation Bonds.

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 percent nor more than 13 ½ percent.

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, 2012, the City's net assessed valuation of taxable property was \$109,904,379. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2012 was \$1.94.

Pledge of Future Revenues

The city has pledged one cent (or 25%) of future sales tax revenues to repay \$16,685,000 of Series 2006 Revenue Bonds. The sales tax is legally restricted by a vote of the citizens and cannot be spent on any other items. Proceeds from the note provided financing for governmental capital assets. The bonds are payable from pledged sales tax revenues and are payable through 2021. The total principal and interest payable for the remainder of the life of these bonds is \$16,430,941. Pledged sales taxes received in the current year were \$1,948,520. Debt service payments of \$1,659,713 for the current fiscal year were 85% of the pledged sales taxes. Taxes collected in excess of the debt service payments are set aside for the early retirement of debt as serial bonds become due.

The city has also pledged future net water and sewer revenues and one cent of sales tax to repay \$14,690,000 of the 1998 Revenue Bonds Payable. Proceeds from the bonds provided financing for utility system capital assets. The bonds are payable through 2018. The total principal and interest payable for the remainder of the life of these bonds and notes is \$7,472,907. The bond is payable from the above-mentioned utility net revenues and one cent of sales tax, if utility revenues will not cover the debt. The debt service payments on the bonds this year were \$1,150,740 which

was 11.25% of pledged net utility and sales tax revenues of \$10,241,678.

The city has also pledged future net water and sewer revenues to repay \$6,590,000 of the 2009 OWRB Note Payable. Proceeds from the note provided financing for upgrades to the wastewater treatment plant. The note is payable through 2029. The total principal and interest payable for the remainder of the life of this note is \$4,974,971. The bond is payable from the above-mentioned utility net revenues. Debt service payments of \$355,809 for the current fiscal year were 3.5% of pledged revenues.

The city has pledged future ad valorem taxes to repay \$3,600,000 of the 2012 General Obligation Bonds. Proceeds from the bonds will provide financing for the construction of a baseball complex and the expansion of the library and community center. The bonds are payable thru 2027. Levying of an ad valorem tax requires a vote of the citizens. Ad valorem revenue can only be collected to pay principal and interest on general obligation bonds or court assessed judgments. The total principal and interest payable for the remainder of the life of this bond is \$4,511,243. No ad valorem was received in the current fiscal year for the payment of this note. Debt service payments and the levying of the ad valorem tax will begin in fiscal year 2013. In order to levy enough tax to make debt payments as scheduled, the city must collect debt service in advance for payments due in October.

Expenditures and Expenses

In the government-wide financial statements, 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 the proprietary fund financial statements, expenses are reported by object or activity.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund 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.

Government-Wide Financial Statements:

Interfund activity related to services provided and used is not eliminated in the process of consolidating the government-wide financial statements. All other interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements, as follows:

Internal 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.

1. 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 effect of interfund services between funds is not eliminated in the statement of activities.
2. Primary government and component unit activity and balances - resource flows between the primary government (the City and MIA) and the discretely presented component units (the MEDA) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

1.G. 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; accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. DEFICIT FUND BALANCES OR NET ASSETS

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). At June 30, 2012, the city reported no individual fund deficits.

2.B. DEPOSITS AND INVESTMENTS REQUIREMENTS

In accordance with State Statutes, 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, surety bonds, or certain letters of credit. 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 a City (excluding Public Trusts) are limited by State Statute to the following:

- a. 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.

- b. 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.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. 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.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

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 indentures. For the year ended June 30, 2012, the city and its public trusts, complied with the above investment restrictions.

2.C. DEBT RESTRICTIONS AND COVENANTS

General 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.

Revenue Bond Debt

The bond indentures relating to the revenue bond issued of the MIA contain a number of financial restrictions or covenants. These include covenants requiring flow of funds through special accounts, required reserve account balances and revenue bond debt service coverage requirements. The MIA complied with the requirements of the bond indentures in all material respects for the fiscal year ended June 30, 2012.

Notes Payable

The loan agreement with the Oklahoma Water Resources Board relating to the interim construction note payable of the Mustang Improvement Authority contains a number of financial restrictions or covenants. These include covenants requiring a flow of funds through special accounts and a note payable debt service coverage requirement. The note agreement requires net revenues of the system plus pledged and transferred sales tax to be at least 125% of maximum annual debt service. The MIA complied with the requirements of the note indentures in all material respects for the fiscal year ended June 30, 2012.

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

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

3.A. DEPOSITS AND INVESTMENTS

The City's policies regarding deposits of cash and investments are discussed in Note 1.E.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the city's deposits may not be returned or the city will not be able to recover collateral securities in the possession of an outside party.

Deposits in financial institutions, reported as components of cash, cash equivalents, and investments had a bank balance of \$15,083,169 at June 30, 2012, that were insured by depository insurances or secured with collateral held by the City's agent in its name. The city was under collateralized at one financial institution. Deposits in excess of available collateral and FDIC insurance totaled \$647,356.

Total bank deposits of \$3,171 of the discretely presented component units were insured with Federal Deposit Insurance Corporation Insurance.

As of June 30, 2012, the City's reporting entity had the following deposits and investments:

Type	Fair Value	Credit Rating	Maturities in Years			
			On Demand	Less than one	1 - 5	6 - 10
Demand Deposits and cash on hand	\$6,892,019	n/a	\$6,892,019	-	-	-
Money Market Accounts	2,779,191	n/a	2,779,191	-	-	-
Certificates of Deposit	6,575,799	n/a	-	\$6,575,799	-	-
	<u>\$16,247,009</u>		<u>\$9,671,210</u>	<u>\$6,575,799</u>	<u>-</u>	<u>-</u>
Reconciliation to Statement of Net Assets:						
Cash and cash equivalents	\$6,874,770					
Cash and cash equivalents, restricted	6,084,341					
Investments	2,251,490					
Investments, restricted	1,036,408					
	<u>\$16,247,009</u>					

Investments

The city does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is no limit on the amount it may invest in any one issuer. The city has no investment policy that limits its investment choices other than the limitation of State Statutes discussed in Note 2.B.

3.B. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of customer utilities receivable. Accounts receivable of the governmental activities consists of franchise tax, police fines, and E-911 receivables. Receivables detail at June 30, 2012, is as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable	\$305,870	\$1,042,097	\$1,347,967
Allowance for uncollectible accounts	(122,348)	(14,991)	(137,339)
Net Accounts Receivable	\$183,522	\$1,027,106	\$1,210,628

3.C. RESTRICTED ASSETS

The amounts reported as restricted assets in the fund financial statements 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 accounts as described in Note 2.E., and deposits held for refund. The restricted assets as of June 30, 2012 were as follows:

	Cash and Cash Equivalents	Investments	Total
Governmental Activities:			
Construction Accounts	\$3,545,793	-	\$3,545,793
Debt Service	11,209	-	11,209
Total Governmental Activities	3,557,002	-	3,557,002
Business-type Activities:			
Deposits subject to refund	\$31,002	\$276,062	\$307,064
Debt Service	2,496,337	760,346	3,256,683
Total Business-type Activities	2,527,339	1,036,408	3,563,747
Total Restricted Assets	\$6,084,341	\$1,036,408	\$7,120,749

3.D. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

City of Mustang, Oklahoma
Notes to Financial Statements
June 30, 2012

	Restated, Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2012</u>
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$826,708	-	-	\$826,708
Construction-in-progress	412,923	\$154,629	\$59,165	508,387
Total Capital assets not being depreciated	<u>1,239,631</u>	<u>154,629</u>	<u>59,165</u>	<u>1,335,095</u>
Depreciable assets				
Buildings	16,684,848	-	-	16,684,848
Other improvements	426,765	-	-	426,765
Machinery and equipment	8,672,872	376,514	-	9,049,386
Infrastructure	38,826,118	24,544	-	38,850,662
Total depreciable assets	<u>64,610,603</u>	<u>401,058</u>	<u>-</u>	<u>65,011,661</u>
Less accumulated depreciation:				
Buildings	4,650,971	502,411	-	5,153,382
Other improvements	195,206	20,377	-	215,583
Machinery and equipment	5,614,933	555,356	-	6,170,289
Infrastructure	28,740,599	490,455	-	29,231,054
Total accumulated depreciation	<u>39,201,709</u>	<u>1,568,599</u>	<u>-</u>	<u>40,770,308</u>
Net depreciable assets	<u>25,408,894</u>	<u>(1,167,541)</u>	<u>-</u>	<u>24,241,353</u>
Governmental activities capital assets, net	<u>\$26,648,525</u>	<u>-\$1,012,912</u>	<u>\$59,165</u>	<u>\$25,576,448</u>

Business Type Activities:

	Restated, Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2012</u>
<i>Business -type Activities:</i>				
Capital assets not being depreciated:				
Land	\$452,326	-	-	\$452,326
Construction-in-progress	29,450	-	-	29,450
Total Capital assets not being depreciated	<u>481,776</u>	<u>-</u>	<u>-</u>	<u>481,776</u>
Depreciable Assets:				
Buildings	11,297,333	-	-	11,297,333
Other improvements	33,396	-	-	33,396
Machinery and equipment	676,381	4,098	-	680,479
Utility Property	28,960,918	11,391	-	28,972,309
Total depreciable assets	<u>40,968,028</u>	<u>15,489</u>	<u>-</u>	<u>40,983,517</u>
Less accumulated depreciation:				
Buildings	2,044,274	225,947	-	2,270,221
Other improvements	14,361	1,112	-	15,473
Machinery and equipment	516,868	27,717	-	544,585
Infrastructure	12,845,439	697,582	-	13,543,021
Total accumulated depreciation	<u>15,420,942</u>	<u>952,358</u>	<u>-</u>	<u>16,373,300</u>
Net depreciable assets	<u>25,547,086</u>	<u>(936,869)</u>	<u>-</u>	<u>24,610,217</u>
Business-type activities capital assets, net	<u>\$26,028,862</u>	<u>-\$936,869</u>	<u>-</u>	<u>\$25,091,993</u>

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

Primary Government:

Governmental Activities:

Administration	\$399,883
Culture and Recreation	306,990
Community Development	16,671
Public Safety	373,547
Streets and Drainage	<u>471,508</u>
Total depreciation expense for governmental activities	<u>\$1,568,599</u>

Business-Type Activities:

Water	\$458,309
Wastewater	481,858
General Government	11,542
Sanitation	<u>649</u>
Total depreciation expense for business-type activities	<u>\$952,358</u>

3.E. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities, amounts to be repaid from business-type activities, and amounts to be repaid from component units.

Governmental Activities:

At June 30, 2012, the governmental activities long-term debt consisted of the following:

General Obligation Bonds:

\$3,600,000 General Obligation Bonds of 212, due in thirteen annual installments of \$255,000, and a final installment of \$285,00 first payment due June 2014 final payment due June 2027, with interest rates of .09% to 3.9%, to be repaid from a property tax levy.	
Current portion zero	<u>\$3,600,000</u>
Non-Current portion	<u>\$3,600,000</u>

Capital Lease Obligations:

\$85,101 note to Welch State Bank for purchase of a backhoe due in sixty monthly installments of \$1,564, with an interest rate of 3.919%. Current portion \$17,731, non-current portion \$16,805.	\$34,536
\$143,219 note to Ford Motor Credit for the purchase of two police cars and a police administrative vehicle due in three annual installments of \$50,455 with an interest rate of 5.799%. Current portion \$45,075, non-current portion \$47,689.	92,764

\$124,040 note to Ford Motor Credit for the purchase of three police cars due in three annual installments of \$44,213 with an interest rate of 7.10%. Current portion \$41,282	41,282
Total Capital Lease Outstanding	<u>\$168,582</u>
Current portion	\$104,088
Non-current portion	64,494
Total Capital Lease Payable	<u>\$168,582</u>
Accrued Compensated Absences:	
Current portion	\$25,279
Non-current portion	<u>227,514</u>
Total Accrued Compensated Absences	<u>\$252,793</u>

Business-Type Activities:

As of June 30, 2012, the long-term debt payable from business-type activities resources consisted of the following:

Notes Payable:

2009 Interim Construction Clean Water SRF Promissory Note to the Oklahoma Water Resources Board, original issue amount of \$6,590,000, secured by utility revenues and sales tax revenue, interest rate of 2.310% and administrative fee of .5%, final maturity June 2029. Current portion \$329,500, non-current portion \$3,410,294.	<u>\$3,739,794</u>
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Revenue Bonds Payable:

1998A Refunding Revenue Bonds, original issue amount of \$11,355,000, dated September 1, 1998, issued by the Mustang Improvement Authority, secured by utility revenues and pledged sales tax, interest rates from 5.25% to 5.625%, with final maturity December 1, 2015. Current portion \$865,000, non-current \$2,880,000	\$3,745,000
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1998B Refunding Revenue Bonds, original issue amount of \$3,335,000, dated September 1, 1998, issued by the Mustang Improvement Authority, secured by Utility revenues and pledged sales tax, interest rates from 4.75% to 4.850%, with final maturity December 1, 2018. All outstanding debt is non-current.	2,355,000
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2006 Refunding Revenue Bonds, original issue amount of \$16,885,000, dated May 1, 2006, issued by the MIA to be repaid with a voter restricted City sales tax and also secured by utility revenues, interest rates from 3.6% to 5.00%, with final maturity October 1, 2021. Bonds were issued to advance refund a portion of the outstanding 1999 Revenue Bonds. Current portion \$1,055,000, non-current \$11,915,000.	<u>\$12,970,000</u>
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Total Revenue Bonds Outstanding	\$19,070,000
Unaccreted bond premium	287,649
Unamortized loss on refunding	(1,128,672)
Unamortized bond discount	<u>(31,904)</u>
Net Revenue Bonds Payable	<u>\$18,197,073</u>

City of Mustang, Oklahoma
Notes to Financial Statements
June 30, 2012

Current portion	\$1,920,000
Non-current portion	<u>16,277,073</u>
Total Revenue Bonds Payable	<u>\$18,197,073</u>

Interest expense related to the 1998A and B Revenue Bonds was directly charged to the water and wastewater programs with each program being charged \$165,370. Interest expense related to the 2006 Revenue bonds does not relate to the actual programs of the business-type activities, and therefore is not charged to the specific programs. Interest is shown on the *Statement of Changes in Net Assets* in a separate line titled *general government activities* totaling \$732,472.

Component Unit Debt

At June 30, 2012, the long-term debt payable from component unit resources consisted of the following:

2001 Industrial Revenue Note issued through the Oklahoma Industrial Finance Authority, original issue amount of \$1,993,439, dated March 26, 2000, issued on behalf of Industrial Gasket, Inc. Payable solely from the revenues of the parallel company note. Due in fifteen years with interest at 6.55%	<u>\$361,381</u>
Current portion	\$191,744
Non-current portion	<u>169,637</u>
Total Component Unit Debt	<u>\$361,381</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds	\$240,000	\$3,600,000	\$240,000	\$3,600,000	-
Capital Lease Payable	131,422	143,219	106,058	168,583	104,088
Accrued Compensated Absences	230,319	206,157	183,683	252,793	25,279
Total Governmental Activities	<u>\$601,741</u>	<u>\$3,949,376</u>	<u>\$529,741</u>	<u>\$4,021,376</u>	<u>\$129,367</u>
Business Type Activities:					
Notes payable	\$4,003,393	-	\$263,600	\$3,739,793	\$329,500
Revenue Bonds Payable	20,905,000	-	1,835,000	19,070,000	1,920,000
Unamortized Bond Discount	(37,794)	-	5,890	(31,904)	-
Unaccrued Bond Premium	318,746	-	31,097	287,649	-
Unamortized Gain/Loss on Refunding	(1,250,691)	-	122,019	(1,128,672)	-
Total Business Type Activities	<u>\$23,938,654</u>	<u>-</u>	<u>\$2,257,606</u>	<u>\$21,936,866</u>	<u>\$2,249,500</u>
Component Unit - MEDA:					
Revenue Bond	<u>\$541,000</u>	<u>-</u>	<u>\$179,619</u>	<u>\$361,381</u>	<u>\$191,744</u>

Annual Debt Service Requirements - Primary Government

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30,

2012 are as follows:

Year Ending June 30,	Governmental Activities			
	General Obligation Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2013	-	\$101,168	\$104,088	\$9,352
2014	255,000	101,168	64,495	3,098
2015	255,000	90,968	-	-
2016	255,000	84,593	-	-
2017	255,000	80,768	-	-
2018-2022	1,275,000	317,138	-	-
2023-2027	1,305,000	135,440	-	-
Total	\$3,600,000	\$911,243	\$168,583	\$12,450

Annual Debt Service Requirements - Primary Government, continued

Year Ending June 30,	Business Type Activities				Component Unit	
	Revenue Bonds		Note Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$1,920,000	\$93,920	\$329,500	\$125,906	\$191,744	\$17,982
2014	2,005,000	850,396	329,500	118,295	169,637	5,134
2015	2,100,000	750,858	329,500	110,683	-	-
2016	2,205,000	640,771	329,500	103,072	-	-
2017	2,315,000	553,008	329,500	103,072	-	-
2018-2022	8,525,000	1,099,535	1,647,500	401,186	-	-
2023-2027	-	-	701,900	15,857	-	-
2027-2030	-	-	-	-	-	-
Total	\$19,070,000	\$3,988,488	\$3,996,900	\$978,071	\$361,381	\$23,116
Amount to be drawn			257,107			
Amount outstanding			\$3,739,793			

3.F. INTERFUND TRANSACTION AND BALANCES

Interfund receivable and payable balances reported in the fund financial statements at June 30, 2012 were as follows:

City of Mustang, Oklahoma
Notes to Financial Statements
June 30, 2012

Receivable Fund	Payable Fund	Amount	Nature of Interfund Balance
* MIA	* General Fund	\$ 1,464	To cover revenue transfer
Total		<u>\$ 1,464</u>	
Reconciliation to Fund Financial Statements:			
Governmental Funds		\$ -	Due From Other Funds \$ 1,464
Proprietary Funds		1,464	Due To Other Funds -
Total		<u>\$ 1,464</u>	Net Internal Balances \$ (1,464)

* Fund is a major fund

Interfund transfers for the year ended June 30, 2012 were as follows:

Transfer from	Transfer to	Amount	Nature of Interfund Balance
* General Fund	* MIA	\$ 7,794,576	Pledged sales tax - bond indenture
* General Fund	Streets and Drainage	320,000	Budgeted annual operating transfer
* General Fund	Capital Project	89,704	Budgeted annual operating transfer
General Fund	MIA	4,098	Capital asset
* MIA	* General Fund	3,300,000	Budgeted annual operating transfer
* MIA	* General Fund	3,897,288	Pledged sales tax - bond indenture
* MIA	Streets and Drainage	236,612	Sanitation franchise fees
* MIA	Capital Project	208,188	Budgeted annual operating transfer
* MIA	Capital Project	582,798	Sales tax per ordinance
		<u>\$ 16,433,264</u>	

* Represents major fund

	Transfer of			
	Transfers in	Transfers out	Capital Assets	Total
Reconciliation to Fund Financial Statements:				
Governmental Funds	\$ 8,634,590	\$ 8,204,280	\$ (4,098)	\$ 426,212
Proprietary Funds	7,798,674	8,224,886	-	(426,212)
Total	<u>\$ 16,433,264</u>	<u>\$ 16,429,166</u>	(4,098)	-

3.G. FUND BALANCES AND NET ASSETS

Government Wide Financial Statements:

Net Asset Restrictions at June 30, 2012 were as follows:

Fund	Restricted By	Amount
Debt Service	Enabling legislation	\$ 13,957
Park Improvements	Enabling legislation	58,441
Traffic Enforcement	Enabling legislation	14,477
		<u>\$ 86,875</u>
Library	External	\$ 10,224
Street improvements	External	555,770
2012 General Obligation Bonds - Ball fields	External	1,526,350
2012 General Obligation Bonds - Town Center	External	2,018,821
Capital Improvements	External	963,562
		<u>\$ 5,074,727</u>

Restricted net assets of the business type activities of \$3,121,562 is restricted for debt service.

Invested in capital assets, net of related debt (Government Wide Financial Statements Total Column):

The 1999 and 2006 Revenue Bonds of the business-type activities were used to fund governmental capital assets (police station, community center, and recreation facilities). The “invested in capital assets, net of related debt” in the business-type activities therefore does not include the amounts related to this debt issue as the assets are in the governmental activities. This explains the large negative balance of unrestricted net assets in the business-type activities. The capital assets related to this debt are reported in the governmental activities and are also reported in “invested in capital assets, net of related debt.” The total column for the “invested in capital assets, net of related debt” on the *Statement of Net Assets* does include the amounts related to this debt of \$12,970,000, therefore explaining why this amount does not total across.

Fund Level Financial Statements:

	General Fund	2012 GO Bond Project - Ballfields	2012 GO Bond Project - Town Center	Other Governmental Fund	Total
Fund Balance:					
Nonspendable:					
Inventory	\$ 24,561	\$ -	\$ -	\$ -	\$ 24,561
Restricted For:					
Police operations	-	-	-	14,477	14,477
Library operations	10,224	-	-	-	10,224
Park improvements	-	1,526,350	2,018,821	58,441	3,603,612
Debt Service	-	-	-	13,957	13,957
Capital improvements	-	-	-	963,562	963,562
Street improvements	-	-	-	555,770	555,770
Sub-total restricted	10,224	1,526,350	2,018,821	1,606,207	5,161,602
Assigned for:					
Capital improvements	3,838	311	311	549,428	553,888
Library operations	20,126	-	-	-	20,126
Park improvements	-	-	-	68,377	68,377
Street improvements	-	-	-	653,570	653,570
Police operations	-	-	-	150	150
Next fiscal year budget	791,171	-	-	-	791,171
Sub-total assigned	815,135	311	311	1,271,525	2,087,282
Unassigned:	2,607,400	-	-	-	2,607,400
TOTAL FUND BALANCE	\$ 3,457,320	\$ 1,526,661	\$ 2,019,132	\$ 2,877,732	\$ 9,880,845

Net assets were restated at the government-wide level due to the understatement of capital assets in both the governmental and business-type activities, as follows:

	Governmental Activities	Business-type Activities/Enterprise Fund
Beginning net Assets, as previously reported	\$ 31,246,857	\$ 9,407,984
Understatement of capital assets	3,605	67,372
Beginning net assets, restated	<u>\$ 31,250,462</u>	<u>\$ 9,475,356</u>

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The city participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Police Pension and Retirement Fund	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 Benefit Plan

Oklahoma Police and Firefighter’s Pension and Retirement Systems

Plan Description. The City of Mustang, as the employer, participates in two statewide cost-sharing multi-employer defined benefit plans on behalf of the policemen and firefighters. The plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. Both plans issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained as follows: Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd, Ste. 605, Oklahoma City, OK 73116-7335 and/or the Oklahoma Firefighter’s Pension and Retirement System, 4545 N. Lincoln Blvd., Ste. 265, Oklahoma City, OK 73105-3414.

Funding Policy. Plan members of both plans are required to contribute 8 percent of their annual covered payroll, and the City of Mustang is required to contribute 13 percent of the annual covered payroll. The contribution requirements of the plan member and the city are established by state statute and may be amended by the legislature. The state made on be-half payments to the Police and Fire pension plans of \$115,658 and \$242,525, respectively. The city’s contributions to each of the plans are listed below. The contributions are equal to the required contributions for each year, for each plan.

City contributions required by State statute:

Fiscal Year	Oklahoma Police <u>Pension and Retirement System</u>		Required	Oklahoma Firefighter's <u>Pension and Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>		<u>Percentage Contribution</u>	<u>Contribution</u>
2010	\$128,933	100%		\$105,535	100%
2011	133,321	100%		115,571	100%
2012	140,380	100%		124,594	100%

Oklahoma Municipal Retirement Plan (OMRF)

Plan Description. The City contributes to the City of Mustang and Mustang Improvement Authority Plan and Trust in the form of the Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer-defined benefit plan. The plan provides retirement and disability benefit and death benefits to full-time, non-uniformed employees of the City or Authority upon hire, if less than age 60 and their beneficiaries. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. Bank One of Oklahoma City acts as administrator and securities custodian. OMRF issues separate plan financial statements that includes required supplementary information that may be obtained by contacting the Oklahoma Municipal Retirement Fund, 100 N. Broadway, Oklahoma City, OK 73102.

Funding Policy. OMRF members are required to contribute 5.25 percent of their annual covered payroll. The city is required to contribute at an actuarially determined rate; the current rate is 13.86 percent of covered payroll. The plan does not allow for the employee to contribute more than 5.25 percent. The contribution requirements of plan members and the city are established and may be amended by the OMRF Board with approval of the City Council.

Annual Pension Cost. For fiscal year 2012 the city's annual pension cost of \$252,878 was equal to the city's required contributions. The General Fund is used to liquate net pension obligations.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$216,468	100%	\$0
June 30, 2011	\$238,065	100%	\$0
June 30, 2012	\$252,878	100%	\$0

The required contribution was determined as part of the July 1, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at July 1, 2009 included (a) 7.5 percent investment rate of return, (b) projected salary increases range from 3.0 to 7.42 percent, and (c) no COLA. The actuarial value of the plan assets was determined using actuarial write up method. This method is used to reduce the effect of fluctuations in market value. The actuarial value of assets is equal to the prior year's value adjusted for cash flows and interest at the valuation rate. This amount is adjusted by a percentage of the difference between it and market. The plans unfunded actuarial accrued liability is the difference between the actuarial liability and the actuarial value of plan

assets. The amount (redetermined each year) is amortized over 30 years from the valuation date on a closed basis.

Funded Status and Funding Progress. As of July 1, 2012 the most recent actuarial valuation date, the plan was 78.7 percent funded. The actuarial accrued liability for benefits was \$4,973,611, and the actuarial value of assets was \$3,914,519, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,059,092. The covered payroll (annual payroll of active employees covered by the plan) was \$1,733,784 and the ratio of the UAAL to the covered payroll was 61.1 percent. The unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll over a closed period of thirty years.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Other Post-Employment Benefits

Plan Description. The City sponsors Medical and Rx insurance to qualifying retirees and their dependents. Coverage is provided through fully-insured arrangements that collectively operate as a substantive single-employer defined benefit plan. Qualifying retirees are those employees who are eligible for immediate disability or retirement benefits under the Oklahoma Police Pension and Retirement System, Oklahoma Firefighter's Pension and Retirement System, or the City of Mustang Retirement Plan. Retirees may continue coverage with the City by paying the carrier premium rate. Coverage is available for each of the lifetimes of retirees and their spouses. Authority to establish and amended benefit provisions rest with the City Council. Retirees may continue coverage with the City by paying the premium rate. Benefits are paid from general operating assets of the City.

Funding Policy. The contribution requirements of plan members and the City are established by the City Council. Annual health insurance premium amounts are established by the city council. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012, the actuarially expected City contribution in the form of net age adjustment was \$7,961 to the Plan.

Plan members receiving benefits contributed \$7,961 of the total premiums, through their payment of the full determined premium in FY 2012.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2012:

Annual required contribution	\$	65,521
Interest on NPO		6,895
Amortization of net OPEB Obligation		(14,726)
Annual OPEB cost (expense)		57,690
Expected net benefits during the year		(4,586)
Increase in net OPEB obligation		53,104
Net OPEB obligation - beginning of year		156,968
Net OPEB obligation - end of year	\$	210,072

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$89,358	12%	\$78,484
6/30/11	\$92,733	12%	\$160,343
6/30/12	\$57,690	14%	\$210,072

Information for the preceding years was not available. Fiscal year 2010 was the first year the City was required to have an actuary performed and report any liability.

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$479,365, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$479,365. The covered payroll (annual payroll of active employees covered by the plan) was \$3,577,000 million, and the ratio of the UAAL to the covered payroll was 13 percent. Because the plan is a substantive plan there are no plan assets.

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.3 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 6 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2013. The UAAL is being amortized over 30 years based on a level dollar amortization basis. The remaining amortization period at July 1, 2011, was twenty-eight years open. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.

4.B. 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; employee's health and life; and natural disasters. The city manages these various risks of loss with purchased commercial insurance for all major programs except workers' compensation, for which the city retains risk of loss. For insured programs, there has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The self-insured workers' compensation program is accounted for in the Internal Service Fund with participating departments charged through an estimated annual claim cost. The plan is administered by the city with the assistance of a third party for claims discounting and processing.

Claims Liability Analysis

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirement of GASB Statement No. 10, 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 self-insured worker's compensation program, changes in the claims liability for the City from July 1, 2010 through June 30, 2012, was as follows:

<i>Claims Liability Analysis:</i>	
Claim liability, June 30, 2010	\$144,407
Claims and changes in estimates	311,738
Claims payments	<u>(96,151)</u>
Claim liability, June 30, 2011	\$359,994
Claims and changes in estimates	(7,441)
Claims payments	<u>(137,907)</u>
Claim liability, June 30, 2012	<u><u>\$214,646</u></u>
Assets available to pay claims at June 30, 2012	<u><u>\$520,190</u></u>

Based on past experience, no estimated liability for claims incurred but not reported is considered necessary or material. Net asset reserves at June 30, 2012 of \$305,544 were the result of the City's attempt to set aside funds for possible future catastrophic losses. The city maintains a stop-loss policy for plans to limit the risk associated with the self-insured plans. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

4.C. COMMITMENTS AND CONTINGENCIES

Commitments:

Privatization of Improvement Authority Services

The City has contracted with an independent firm to operate certain public service functions of the city and the Mustang Improvement Authority including water, sewage, streets, parks, and animal control. The service contract provides for the lease of the City's facilities to the firm, allowing the contractor to use city vehicles and equipment. During fiscal year 2011-2012, the City paid \$1,854,036 in privatization fees, including overages for repair and maintenance. In addition, the sanitation services are privatized. Total fees related to sanitation privatization were \$1,040,783.

Lowe's Economic Development Agreement

On June 19, 2007, the City of Mustang entered into an economic development agreement with Lowe's Home Improvement Warehouse. Under the terms of the agreement the City will provide economic incentives in exchange for Lowe's constructing a 95,000 square foot retail store within the city limits of Mustang. The incentives, valued at \$1,760,000, are payable over a five year period and will reimburse Lowe's for the construction and installation of public infrastructure. The incentive is only payable upon Lowe's compliance

incentives, valued at \$1,760,000, are payable over a five year period and will reimburse Lowe's for the construction and installation of public infrastructure. The incentive is only payable upon Lowe's compliance with certain performance conditions. Conditions must be satisfied for each one-year period following completion and opening of the project. The performance conditions include: construction of the project must commence on or before December 31, 2007; prior to December 31, 2008 Lowe's must spend at least \$10,000,000 on the project and the related infrastructure; once complete the retail store will operate and generate a payroll of at least \$2,000,000 annually during each year of the incentive; and the project will generate retail sales of not less than \$15,000,000 annually during each year of the incentive. If Lowe's fails to meet the performance conditions in any one-year period, they shall not receive the incentive for that year. The incentive, paid at \$352,000 each year, will be paid from a portion of the sales tax generated by the retail store during each one-year period. Lowe's opened the retail store on June 8, 2008 and met the incentive requirement for the period ended June 8, 2009, 2010, 2011 and 2012. Under the terms of the contract the remaining payments are recorded as encumbrances. This encumbrance is reported in the General Fund on the fund level. The sales tax in the current year that relates to the pledged tax commitment will be used to pay the current year commitments.

In July 2008, the City entered into an agreement with a local bank to provide an irrevocable Letter of Credit in the total sum of \$1,760,000 to the City through January 2014, with interest calculated at the Wall Street Journal prime rate with a current rate of 5.0 percent. The letter of credit was issued to secure the potential obligations in the above noted Economic Development Agreement with Lowe's. The Letter of Credit is payable in partial drawing of \$352,000 to Lowe's should Lowe's meet the operating indicators listed above and the City fails to make timely payment. Borrowing under the credit facility is secured by the pledged sales tax.

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 loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of 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 governmental 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.

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 judgment not covered by insurance would not have a material adverse effect on the financial condition of the city. This statutory taxing ability is not available to the city's public trusts (Authorities).

4.D. Future Accounting Pronouncements

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

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* – GASB 60 addresses issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. Management is still evaluating the effect this Statement

will have on the City's financial statements. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Earlier application is encouraged. The City does not believe that the adoption of GASB No. 61 will have a significant impact on its financial statement presentation. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The City does not believe that the adoption GASB No. 62 will have a significant impact on its financial position, activities or cash flows, or its financial statement presentation. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the City to make changes in its financial statement presentation. The Statement is effective for fiscal years ended June 30, 2013.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The City has not quantified the effects of adoption of GASB No. 65 on its net position. The Statement is effective for fiscal years ended June 30, 2014.

Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Funding Progress – Defined Benefit Retirement Plan
- Budgetary Comparison Schedules – General Fund
- Notes to RSI – Budgetary Comparison Schedules
- RSI - OPEB

PENSION PLAN FUNDING PROGRESS

Defined Benefit Retirement Plan – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (3)	Actuarial Accrued Liability (AAL) Entry Age (2)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll (1)	UAAL as a Percentage of Covered Payroll
January 1, 2003	\$1,182,521	\$1,595,757	\$413,236	74.1%	\$1,110,020	37.2%
January 1, 2004	\$1,392,235	\$1,916,820	\$524,585	72.6%	\$1,132,122	46.3%
January 1, 2005	\$1,624,861	\$2,234,163	\$609,302	72.7%	\$1,170,525	52.1%
January 1, 2006	\$1,865,296	\$2,668,418	\$803,122	69.9%	\$1,155,614	69.5%
January 1, 2007	\$2,183,142	\$3,019,494	\$836,352	72.3%	\$1,378,439	60.7%
January 1, 2008	\$2,527,907	\$3,433,182	\$905,275	73.6%	\$1,423,180	63.6%
January 1, 2009	\$2,660,658	\$3,985,112	\$1,324,454	66.8%	\$1,590,025	83.3%
January 1, 2010	\$2,966,587	\$4,288,857	\$1,322,270	69.2%	\$1,533,262	86.2%
January 1, 2011	\$3,426,895	\$4,618,060	\$1,191,165	74.2%	\$1,602,132	74.3%
January 1, 2012	\$3,914,519	\$4,973,611	\$1,059,092	78.7%	\$1,733,784	61.1%

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year and not the actual covered payroll during the fiscal year.

- (1) The actuarial value of assets is related to market value, but smoothed to reduce the volatility of contribution requirements.
- (2) During FY 2003-2004 the City amended the plan to the Rule of 80-retirement option.

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 1,216,000	\$ 1,216,000	\$ 3,115,707	1,899,707
Resources (inflows):				
Taxes:				
Sales tax	7,675,000	7,794,085	7,876,617	82,532
Use tax	285,000	285,000	222,937	(62,063)
Franchise tax	664,562	664,562	703,574	39,012
Total Taxes	<u>8,624,562</u>	<u>8,743,647</u>	<u>8,803,128</u>	<u>59,481</u>
License and Permits:				
Occupational licenses	61,500	61,500	60,186	(1,314)
Construction permits	90,000	90,000	93,667	3,667
Animal license	500	500	2,076	1,576
Inspection fees	15,000	15,000	8,895	(6,105)
Other permits and licenses	21,350	21,350	7,926	(13,424)
Total Licenses and Permits	<u>188,350</u>	<u>188,350</u>	<u>172,750</u>	<u>(15,600)</u>
Intergovernmental:				
Alcoholic beverage tax	48,000	48,000	66,269	18,269
Tobacco tax	108,000	108,000	113,262	5,262
Grants	120,000	133,916	21,562	(112,354)
Gasoline excise tax	36,300	36,300	32,326	(3,974)
Commercial vehicle fee	95,500	116,000	119,005	3,005
911 communication fee	7,550	7,550	6,487	(1,063)
Total Intergovernmental	<u>415,350</u>	<u>449,766</u>	<u>358,911</u>	<u>(90,855)</u>
Charges for Services:				
Aquatic charges	158,000	158,000	188,990	30,990
Aquatic concessions	35,000	35,000	36,384	1,384
Recreational programs	22,000	22,000	21,627	(373)
Ball concessions	105,000	105,000	80,974	(24,026)
Ball league and gate fees	95,000	95,000	75,765	(19,235)
Aerobic fees	25,000	25,000	14,722	(10,278)
Room rentals	60,000	60,000	67,068	7,068
After school programs and camps	110,000	110,000	129,294	19,294
Memberships	148,500	148,500	151,757	3,257
Total Charges for Services	<u>758,500</u>	<u>758,500</u>	<u>766,581</u>	<u>8,081</u>
Fines and Forfeitures	<u>193,200</u>	<u>193,200</u>	<u>216,462</u>	<u>23,262</u>
Miscellaneous:				
Donations	5,000	24,481	15,407	(9,074)
Miscellaneous	165,500	173,113	276,106	102,993
Total Miscellaneous	<u>170,500</u>	<u>197,594</u>	<u>291,513</u>	<u>93,919</u>
Investment Income:	<u>15,000</u>	<u>15,000</u>	<u>12,374</u>	<u>(2,626)</u>
Other Financial Sources:				
Transfers In	7,249,500	7,309,288	7,197,288	(112,000)
Total Other Financing Sources	<u>7,249,500</u>	<u>7,309,288</u>	<u>7,197,288</u>	<u>(112,000)</u>
Amounts available for appropriation	<u>\$ 18,830,962</u>	<u>\$ 19,071,345</u>	<u>\$ 20,934,714</u>	<u>\$ 1,863,369</u>

(continued)

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (outflows):				
ADMINISTRATION:				
Mayor/Council	276,870	282,970	257,231	25,739
City Manager	657,885	568,491	509,525	58,966
Finance	479,209	475,681	406,041	69,640
General Government	1,512,170	1,689,978	1,620,007	69,971
TOTAL ADMINISTRATION	2,926,134	3,017,120	2,792,804	224,316
CULTURE AND RECREATION:				
Library	392,832	413,483	389,573	23,910
Ball Complex	306,502	277,802	244,579	33,223
Aquatic	209,222	269,852	244,884	24,968
Town Center	269,966	261,972	253,507	8,465
Parks	833,995	897,254	859,789	37,465
TOTAL CULTURE AND RECREATION	2,012,517	2,120,363	1,992,332	128,031
COMMUNITY DEVELOPMENT:	485,076	477,106	417,382	59,724
PUBLIC SAFETY:				
Police	2,605,030	2,621,730	2,469,619	152,111
Fire	1,546,155	1,641,200	1,523,414	117,786
TOTAL PUBLIC SAFETY	4,151,185	4,262,930	3,993,033	269,897
STREET:	155,000	203,500	213,334	(9,834)
OTHER FINANCING USES:				
Transfers to other funds	8,134,050	8,253,135	8,204,280	48,855
Total Charges to Appropriations	17,863,962	18,334,154	17,613,165	720,989
ENDING BUDGETARY FUND BALANCE	\$ 967,000	\$ 737,191	\$ 3,321,549	\$ 2,584,358

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 ON BUDGETARY ACCOUNTING AND CONTROL**

	General Fund
Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$20,934,714
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(3,115,707)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(7,197,288)
Payments to police and fire pension systems made by the State of Oklahoma are revenues for financial reporting purpose but not budgetary purposes	358,183
The activity of the municipal court fund are not inflows of budgetary resources but are revenues for financial reporting purposes.	(278)
Account combined with the General Fund due to the implementation of GASB Statement 54 are revenues for financial reporting purposes but not budgetary purposes	18,132
	\$10,997,756
<i>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$17,613,165
Differences - budget to GAAP:	
Payments to police and fire pension systems made by the State of Oklahoma are revenues for financial reporting purpose but not budgetary purposes	358,183
Account combined with the General Fund due to the implementation of GASB Statement 54 are expenditures for financial reporting purposes but not budgetary purposes	23,406
Other expenditures	1,293
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(8,204,280)
	\$9,791,767
<i>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The city prepares its annual operating budget under the provisions of the Municipal Budget Act of 1979 (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 under this section of the state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department within a fund. The Budget Act recognizes the following object categories of control by department within a fund: Personal Services, Materials and Supplies, Other Services and Charges, Capital Outlay, Debt Service, and Interfund Transfers.

Transfers of appropriations between departments and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector. The city exceeded appropriation in the following categories:

General Fund – Street Department - \$9,834
Park Improvement Fund – Capital Outlay - \$32,108

Budgetary Accounting

The annual operating budgets of the General Fund are prepared and presented on the modified accrual basis of accounting for revenues and on the cash basis for expenditures, excluding internal service account activity of the General Fund.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are reappropriated in the subsequent year's budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements. However, as discussed in Note 4.C., the Economic Development Incentive Agreement required that the City encumber funds related to the payment of the incentive at the time the agreement was approved and that the outstanding balance of the encumbrance remain outstanding for the life of the agreement. The city encumbered the funds in fiscal year 2007 and \$352,000 of the encumbrance remains outstanding.

Required Supplementary Information – OPEB

The funded status and funding progress of the City’s defined benefit OPEB plan for the most recent actuarial valuations is as follows:

	July 1, 2009	July 1, 2010	July 1, 2011
Actuarial accrued liability - AAL (a)	\$594,047	\$662,459	\$479,365
Actuarial value of plan assets (b)	-	-	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$594,047	\$662,459	\$479,365
Funded ratio (b)/(a)	0%	0%	0%
Covered payroll (c)	\$3,224,000	\$3,400,500	\$3,577,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	18%	19%	13%

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor are a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Schedules – General Fund Accounts
- Budgetary Comparison Schedules – General Fund Accounts
- Combining Schedules – Non-major governmental funds
- Budgetary Comparison Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Major Capital Project Funds
- Combining Schedules – Enterprise Fund Accounts
- Schedule of Federal Awards
- Schedule of Revenue Bond Coverage

**City of Mustang
Combining Balance Sheet
General Fund Accounts
June 30, 2012**

	General Fund	General Reserve Fund	Health Reimbursement	Library Fund	Total General Fund
ASSETS					
Cash and cash equivalents	\$ 2,468,348	\$ 3,838	-	\$ 26,442	\$ 2,498,628
Investments	293,631	-	-	10,840	304,471
Receivables:					
Due from other governments	1,110,727	-	-	-	1,110,727
Court fines receivable, net	183,522	-	-	-	183,522
Other receivables	151,210	-	-	-	151,210
Inventories	24,561	-	-	-	24,561
Total assets	\$ 4,231,999	\$ 3,838	\$ -	\$ 37,282	\$ 4,273,119

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	\$ 500,275	-	-	\$ 6,932	\$ 507,207
Accrued liabilities	116,377	-	-	-	116,377
Due to other funds	1,464	-	-	-	1,464
Deferred revenue	125,040	-	-	-	125,040
Amounts held in escrow	65,711	-	-	-	65,711
Total liabilities	\$ 808,867	\$ -	\$ -	\$ 6,932	\$ 815,799
Fund balances:					
Nonspendable	24,561	-	-	-	24,561
Restricted	-	-	-	10,224	10,224
Assigned	791,171	3,838	-	20,126	815,135
Unassigned	2,607,400	-	-	-	2,607,400
Total fund balances	\$ 3,423,132	\$ 3,838	\$ -	\$ 30,350	\$ 3,457,320
Total liabilities and fund balances	\$ 4,231,999	\$ 3,838	\$ -	\$ 37,282	\$ 4,273,119

See accompanying notes to the basic financial statements

City of Mustang
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Accounts
For the Year Ended June 30, 2012

	General Fund	General Reserve Fund	Health Reimbursement	Library Fund	Total General Fund
REVENUES					
Taxes	\$ 8,803,128	\$ -	\$ -	\$ -	\$ 8,803,128
Intergovernmental	717,094	-	-	1,848	718,942
Charges for services	766,581	-	-	-	766,581
Fines and forfeitures	216,076	-	-	3,830	219,906
Licenses and permits	172,750	-	-	-	172,750
Investment income	12,512	31	-	222	12,765
Miscellaneous	291,483	-	-	12,201	303,684
Total revenues	<u>10,979,624</u>	<u>31</u>	<u>-</u>	<u>18,101</u>	<u>10,997,756</u>
EXPENDITURES					
Current:					
Administration	2,784,019	-	-	-	2,784,019
Culture and recreation	1,932,846	-	-	18,306	1,951,152
Community development	417,382	-	-	-	417,382
Public safety	4,290,146	-	-	-	4,290,146
Streets and drainage	213,334	-	-	-	213,334
Capital outlay	86,421	5,100	-	-	91,521
Debt service:					
Principal	38,545	-	-	-	38,545
Interest and fiscal charges	5,668	-	-	-	5,668
Total expenditures	<u>9,768,361</u>	<u>5,100</u>	<u>-</u>	<u>18,306</u>	<u>9,791,767</u>
Excess (deficiency) of revenues over expenditures	<u>1,211,263</u>	<u>(5,069)</u>	<u>-</u>	<u>(205)</u>	<u>1,205,989</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	7,197,288	-	-	-	7,197,288
Transfers in - interaccount	-	-	167	-	167
Transfers out	(8,204,280)	-	-	-	(8,204,280)
Transfers out - interaccount	(167)	-	-	-	(167)
Total other financing sources and uses	<u>(1,007,159)</u>	<u>-</u>	<u>167</u>	<u>-</u>	<u>(1,006,992)</u>
Net change in fund balances	204,104	(5,069)	167	(205)	198,997
Fund balances - beginning	3,219,028	8,907	(167)	30,555	3,258,323
Fund balances - ending	<u>\$ 3,423,132</u>	<u>\$ 3,838</u>	<u>\$ -</u>	<u>\$ 30,350</u>	<u>\$ 3,457,320</u>

See accompanying notes to the basic financial statements

CITY OF MUSTANG, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND ACCOUNTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	GENERAL RESERVE			HEALTH REIMBURSEMENT			LIBRARY					
	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues												
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-
Treatment income	-	\$31	\$31	\$31	-	-	-	-	\$0,000	0,000	3,830	(\$632)
Miscellaneous	-	-	-	-	-	-	-	-	12,500	14,000	222	(78)
Total Revenues	-	-	31	31	-	-	-	-	18,500	22,800	18,101	(4,699)
Expenditures												
Current:												
Administration	-	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	12,800	21,371	18,308	3,065
Community Development	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Sirens	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	5,000	5,000	5,100	(100)	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	5,000	5,000	5,100	(100)	-	-	-	-	12,800	21,371	18,308	3,065
Revenues over (under) expenditures	(5,000)	(5,000)	(5,069)	(69)	-	-	-	-	6,000	1,429	(205)	(1,634)
Other Financing Sources (Uses)												
Transfers in	-	-	-	-	-	-	\$107	(\$107)	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	107	(107)	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	(5,000)	(5,000)	(5,066)	(66)	-	-	107	(107)	6,000	1,429	(205)	(1,634)
Fund Balance - beginning of year	10,200	10,200	8,907	(1,293)	-	-	107	-	26,950	28,950	30,555	3,605
Fund Balance - end of year	5,200	5,200	\$3,841	(\$1,359)	-	-	\$334	(\$107)	\$32,950	\$28,379	\$30,350	\$1,971

City of Mustang
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	SPECIAL REVENUE			DEBT SERVICE		CAPITAL PROJECTS		
	Traffic Enforcement	Park Improvements Fund	Street Improvement	Sinking Fund	Capital Improvement Fund	Total Nonmajor Governmental Funds		
ASSETS								
Cash and cash equivalents	\$ 14,627	\$ 116,388	\$ 1,158,221	\$ 11,209	\$ 1,440,498	\$ 2,740,943		
Investments	-	-	117,569	-	120,429	237,998		
Receivables:								
Due from other governments	-	-	-	11,825	-	11,825		
Other receivables	-	24,756	-	-	-	24,756		
Total assets	\$ 14,627	\$ 141,144	\$ 1,275,790	\$ 23,034	\$ 1,560,927	\$ 3,015,522		
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ 14,326	\$ 66,450	\$ -	\$ 47,937	\$ 128,713		
Deferred revenue	-	-	-	9,077	-	9,077		
Total liabilities	-	\$ 14,326	\$ 66,450	9,077	47,937	137,790		
Fund balances:								
Restricted	14,477	58,441	555,770	13,957	963,562	1,606,207		
Assigned	150	68,377	653,570	-	549,428	1,271,525		
Total fund balances	14,627	126,818	1,209,340	13,957	1,512,990	2,877,732		
Total liabilities and fund balances	\$ 14,627	\$ 141,144	\$ 1,275,790	\$ 23,034	\$ 1,560,927	\$ 3,015,522		

City of Mustang
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2012

	SPECIAL REVENUE			DEBT SERVICE		CAPITAL PROJECTS		Total Nonmajor Governmental Funds
	Traffic Enforcement	Park Improvements Fund	Street Improvement	Sinking Fund	Capital Improvement Fund	Total Nonmajor Governmental Funds		
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ 202,157	\$ -	\$ -	\$ 202,157	
Licenses and permits	-	7,250	-	-	-	-	7,250	
Fines and forfeitures	8,930	35,715	-	-	-	-	44,645	
Investment income	74	496	4,493	-	-	-	10,729	
Miscellaneous	-	53,402	1,875	-	-	-	55,277	
Total revenues	9,004	96,863	6,368	202,157	-	5,666	320,058	
EXPENDITURES								
Current:								
Public safety	9,638	-	-	-	-	-	9,638	
Capital Outlay	-	66,786	127,468	-	274,335	-	470,589	
Debt Service:								
Principal	-	-	-	240,000	67,514	-	307,514	
Interest and fiscal charges	-	-	-	8,686	1,713	-	10,399	
Total Expenditures	9,638	66,786	127,468	248,686	343,562	-	798,140	
Excess (deficiency) of revenues over expenditures	(634)	28,077	(121,100)	(46,529)	(337,896)	-	(478,082)	
OTHER FINANCING SOURCES (USES)								
Proceeds from issuance of debt	-	-	-	-	143,219	-	143,219	
Transfers in	-	-	556,612	-	880,690	-	1,437,302	
Total other financing sources	-	-	556,612	-	1,023,909	-	1,580,521	
Net change in fund balances	(634)	28,077	435,512	(46,529)	686,013	-	1,102,439	
Fund balances - beginning	15,261	98,741	773,828	60,486	826,977	-	1,775,293	
Fund balances - ending	14,627	126,818	1,209,340	13,957	1,512,990	\$ -	2,877,732	

CITY OF MUSTANG, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SPECIAL REVENUE - TRAFFIC ENFORCEMENT FUND				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	-	-	-	-
Fines and forfeitures	\$10,300	\$10,300	\$8,930	(\$1,370)
License and permits	-	-	-	-
Investment income	-	-	74	74
Miscellaneous	-	-	-	-
Total Revenues	10,300	10,300	9,004	(1,296)
Expenditures:				
Current:				
Public safety	10,300	10,300	9,638	662
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total Expenditures	10,300	10,300	9,638	662
Revenues over (under) expenditures	-	-	(634)	(634)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	-	-	(634)	(634)
Fund Balance - beginning of year	13,670	13,670	15,261	1,591
Fund Balance - end of year	13,670	13,670	\$14,627	\$957

CITY OF MUSTANG, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE - PARK IMPROVEMENT				SPECIAL REVENUE - STREET IMPROVEMENT FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Intergovernmental	-	-	-	-	-	-	-	-
Fines and forfeitures	\$35,000	\$35,000	\$35,715	\$715	-	-	-	-
License and permits	9,000	9,800	7,250	(2,550)	-	-	-	-
Investment income	700	700	498	(204)	\$8,200	\$8,200	\$4,493	(\$1,707)
Miscellaneous	-	-	53,402	53,402	-	-	1,875	1,875
Total Revenues	<u>44,700</u>	<u>45,500</u>	<u>98,863</u>	<u>51,363</u>	<u>8,200</u>	<u>8,200</u>	<u>6,368</u>	<u>188</u>
Expenditures								
Current								
Public safety	-	-	-	-	-	-	-	-
Capital outlay	0,000	38,878	68,788	(32,108)	573,091	685,410	127,488	557,942
Debt service	-	-	-	-	-	-	-	-
Total Expenditures	<u>0,000</u>	<u>38,878</u>	<u>68,788</u>	<u>(32,108)</u>	<u>573,091</u>	<u>685,410</u>	<u>127,488</u>	<u>557,942</u>
Revenues over (under) expenditures	35,700	8,822	28,077	19,255	(566,891)	(879,210)	(121,100)	558,110
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	437,510	437,510	558,812	119,102
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>437,510</u>	<u>437,510</u>	<u>558,812</u>	<u>119,102</u>
Revenues and other sources over (under) expenditures and other uses	35,700	8,822	28,077	19,255	(129,381)	(241,700)	435,512	677,212
Fund Balance - beginning of year	85,000	85,000	88,741	33,741	80,000	800,000	773,828	173,828
Fund Balance - end of year	<u>\$100,700</u>	<u>\$73,822</u>	<u>\$126,818</u>	<u>\$52,996</u>	<u>(69,381)</u>	<u>\$358,300</u>	<u>\$1,209,340</u>	<u>\$851,040</u>

CITY OF MUSTANG, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	DEBT SERVICE FUND				CAPITAL PROJECT - CAPITAL IMPROVEMENT FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Taxes	\$208,425	\$208,425	\$202,157	(\$6,268)	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	4,000	\$4,000	\$5,666	\$1,666
Miscellaneous	-	-	-	-	-	-	-	-
Total Revenues	<u>208,425</u>	<u>208,425</u>	<u>202,157</u>	<u>(8,268)</u>	<u>4,000</u>	<u>4,000</u>	<u>5,666</u>	<u>1,666</u>
Expenditures								
Current:								
Public safety	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	1,590,540	945,313	274,335	670,978
Debt service	249,300	249,300	248,686	614	-	89,227	69,227	-
Total Expenditures	<u>249,300</u>	<u>249,300</u>	<u>248,686</u>	<u>614</u>	<u>1,590,540</u>	<u>1,014,540</u>	<u>343,562</u>	<u>670,978</u>
Revenues over (under) expenditures	(40,875)	(40,875)	(46,529)	(5,654)	(1,586,540)	(1,010,540)	(337,896)	672,644
Other Financing Sources (Uses)								
Capital lease proceeds	-	-	-	-	-	-	143,219	143,219
Transfers in	-	-	-	-	691,200	691,200	880,690	189,490
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>691,200</u>	<u>691,200</u>	<u>1,023,909</u>	<u>332,709</u>
Revenues and other sources over (under) expenditures and other uses	(40,875)	(40,875)	(46,529)	(5,654)	(895,340)	(319,340)	686,013	1,005,353
Fund Balance - beginning of year	110,920	110,920	60,486	(50,434)	895,340	895,340	826,977	(68,363)
Fund Balance - end of year	<u>\$70,045</u>	<u>\$70,045</u>	<u>\$13,957</u>	<u>(\$56,088)</u>	<u>-</u>	<u>\$576,000</u>	<u>\$1,512,990</u>	<u>\$936,990</u>

CITY OF MUSTANG, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 MAJOR CAPITAL PROJECT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	2012 GO Bond - Ballfields				2012 GO Bond - Town Center			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Investment income	-	-	\$311	\$311	-	-	\$412	\$412
Total Revenues	-	-	311	311	-	-	412	412
Expenditures								
Current								
Administration	-	\$23,650	23,650	-	-	\$31,280	31,280	-
Total Expenditures	-	23,650	23,650	-	-	31,280	31,280	-
Revenue over (under) expenditures	-	(23,650)	(23,339)	311	-	(31,280)	(30,868)	412
Other Financing Sources (Uses)								
Bond proceeds	-	1,550,000	1,550,000	-	-	2,050,000	2,050,000	-
Total Other Financing Sources (Uses)	-	1,550,000	1,550,000	-	-	2,050,000	2,050,000	-
Revenues and other sources over (under) expenditures and other uses	-	1,526,350	1,526,661	311	-	2,018,720	2,019,132	412
Fund Balance - beginning of year	-	-	-	-	-	-	-	-
Fund Balance - end of year	-	\$1,526,350	\$1,526,661	\$311	-	\$2,018,720	\$2,019,132	\$412

City of Mustang
Statement of Net Assets
Combining Schedule of Accounts of the MIA
June 30, 2012

	Mustang Improvement Authority	2008 Revenue Bond Fund	MIA Reserve Fund	1995 Revenue Bond Fund	Sewer Impact Fund	Utility Deposits	Total Mustang Improvement Authority
ASSETS							
Current assets							
Cash and cash equivalents	\$ 987,542	\$ -	\$ 46,362	\$ -	\$ 391,244	\$ -	\$ 1,425,146
Restricted cash and cash equivalents	-	1,965,924	-	530,413	-	31,002	2,527,339
Investments	719,630	-	-	-	690,461	-	1,410,091
Restricted investments	-	760,346	-	-	-	276,062	1,036,408
Accounts receivable, net	1,005,187	-	-	-	-	-	1,005,187
Due from other funds	1,464	-	-	-	-	-	1,464
Due from other governments	8,142	-	-	-	-	-	8,142
Other receivable	21,919	-	-	-	-	-	21,919
Inventory	24,797	-	-	-	-	-	24,797
Total current assets	2,768,681	2,726,270	46,362	530,413	1,081,705	307,064	7,460,495
Non-current assets							
Land and construction in progress	481,776	-	-	-	-	-	481,776
Other capital assets, net of depreciation	24,610,217	-	-	-	-	-	24,610,217
Unamortized bond issue costs	118,771	339,462	-	179,743	-	-	637,976
Total non-current assets	25,210,764	339,462	-	179,743	-	-	25,729,969
Total assets	27,979,445	3,065,732	46,362	710,156	1,081,705	307,064	33,190,464
LIABILITIES							
Current liabilities							
Accounts payable	228,700	-	-	-	33,025	-	261,725
Claims payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Accrued interest payable	-	104,280	-	30,921	-	-	135,201
Refundable deposits	880	-	-	-	-	30,618	31,498
Notes payable, current portion	329,500	-	-	-	-	-	329,500
Revenue bonds payable, current portion	-	1,055,000	-	865,000	-	-	1,920,000
Total current liabilities	559,080	1,159,280	-	895,921	33,025	30,618	2,677,924
Non-current liabilities							
Deposits subject to refund	-	-	-	-	-	275,562	275,562
Revenue bonds payable, net	-	11,073,977	-	5,203,096	-	-	16,277,073
Notes payable	3,410,293	-	-	-	-	-	3,410,293
Total non-current liabilities	3,410,293	11,073,977	-	5,203,096	-	275,562	19,962,928
Total liabilities	3,969,373	12,233,257	-	6,099,017	33,025	306,180	22,640,852
NET ASSETS							
Invested in capital assets, net of related debt	18,991,992	-	-	(6,069,079)	-	-	12,922,913
Restricted for debt service	-	2,622,070	-	499,492	-	-	3,121,562
Unrestricted	5,018,080	(11,789,595)	46,362	180,726	1,048,680	884	(5,494,863)
Total net assets	\$ 24,010,072	\$ (9,167,525)	\$ 46,362	\$ (5,388,861)	\$ 1,048,680	\$ 884	\$ 10,549,612

City of Mustang
Statement of Revenues, Expenses and Changes in Net Assets
Combining Schedule of Accounts of the MIA
For the Year Ended June 30, 2012

	Mustang Improvement Authority	2008 Revenue Bond Fund	MIA Reserve Fund	1998 Revenue Bond Fund	Sewer Impact Fund	Utility Deposits	Total Mustang Improvement Authority
REVENUES							
Charges for Service							
Water charges	\$ 2,858,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,858,000
Sewer charges	1,563,887	-	-	-	-	-	1,563,887
Installations and connections	42,985	-	-	-	-	-	42,985
Penalties	123,018	-	-	-	-	-	123,018
Sanitation charges	2,125,281	-	-	-	-	-	2,125,281
Ambulance assessment	248,039	-	-	-	-	-	248,039
Sewer impact fees	-	-	-	-	44,275	-	44,275
Other	47,380	-	-	-	-	-	47,380
Total operating revenues	7,009,369	-	-	-	44,275	-	7,053,644
OPERATING EXPENSES							
Cost of goods sold	521,013	-	-	-	-	-	521,013
Operations and maintenance	2,845,555	123	-	-	-	-	2,845,878
Depreciation expense	952,358	-	-	-	-	-	952,358
Amortization expense	7,021	36,690	-	33,184	-	-	76,904
Total operating expenses	4,325,947	36,822	-	33,184	-	-	4,395,953
Operating income (loss)	2,683,422	(36,822)	-	(33,184)	44,275	-	2,657,691
NON-OPERATING REVENUES (EXPENSES)							
Investment income	11,607	9,192	(166)	55	7,322	838	28,846
Miscellaneous	(518)	-	-	-	-	48	(570)
Interest expense and fiscal charges	(8,500)	(732,472)	-	(334,478)	(112,049)	-	(1,185,499)
Total non-operating revenue (expenses)	4,469	(723,280)	(166)	(334,423)	(104,727)	884	(1,157,223)
Net income (loss) before contributions and transfers	2,687,891	(760,102)	(166)	(367,607)	(60,452)	884	1,500,468
Transfers in - interaccount	635,037	1,948,520	12,710	1,173,334	205,000	-	3,974,601
Transfers out - interaccount	(3,525,723)	-	-	(185,278)	(283,800)	-	(3,974,601)
Transfers in	7,798,674	-	-	-	-	-	7,798,674
Transfers out	(8,224,888)	-	-	-	-	-	(8,224,888)
Change in net assets	(828,087)	1,188,418	12,544	620,449	(110,052)	884	1,074,258
Total net assets - beginning, restated	24,639,059	(10,355,943)	33,818	(8,008,310)	1,187,732	-	9,475,356
Total net assets - ending	\$ 24,010,072	\$ (9,167,525)	\$ 46,362	\$ (5,388,861)	\$ 1,048,680	\$ 884	\$ 10,549,612

STATEMENT OF CASH FLOWS
COMBINING SCHEDULE ACCOUNTS OF THE MIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	ACCOUNTS OF THE MIA						TOTALS
	MUSTANG IMPROVEMENT AUTHORITY (MIA)	1999 AND 2006 BOND FUND	MIA RESERVE FUND	1998 REVENUE BOND FUND	SEWER IMPACT FUND	UTILITY DEPOSITS	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$6,892,439	\$45	-	-	\$44,275	\$48	\$6,936,807
Payments to suppliers	(3,279,068)	(123)	-	-	-	-	(3,279,191)
Receipts of customer meter deposits	-	-	-	-	-	62,400	62,400
Customer meter deposits refunded or applied	-	-	-	-	-	(59,474)	(59,474)
Payments to other funds	(27,008)	-	(\$16,895)	-	-	(1,995)	(45,898)
Receipts from other funds	5,417	-	-	-	-	-	5,417
Net Cash Provided by (Used in) Operating Activities	3,591,780	(78)	(16,895)	-	44,275	979	3,620,061
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES							
Transfers from other funds - interaccount	635,037	1,948,520	12,710	1,173,334	205,000	-	3,974,601
Transfers to other funds - interaccount	(3,525,723)	-	-	(185,278)	(263,600)	-	(3,974,601)
Transfers from other funds	7,798,674	-	-	-	-	-	7,798,674
Transfers to other funds	(8,224,886)	-	-	-	-	-	(8,224,886)
Principal paid on non-capital debt	-	(1,015,000)	-	-	-	-	(1,015,000)
Interest and fiscal agent fees paid on non-capital debt	-	(644,712)	-	-	-	-	(644,712)
Net Cash Provided by (Used in) Noncapital and Related Financing Activities	(3,316,898)	289,808	12,710	988,056	(58,600)	-	(2,085,924)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of capital assets	(15,489)	-	-	-	-	-	(15,489)
Principal paid on capital debt	(263,600)	-	-	(820,000)	-	-	(1,083,600)
Interest and fiscal agent fees paid on capital debt	(6,500)	-	-	(330,741)	(112,170)	-	(449,411)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(285,589)	-	-	(1,150,741)	(112,170)	-	(1,548,500)
CASH FLOWS FROM INVESTING ACTIVITIES							
Sale (Purchase) of investments	90,424	(8,810)	-	-	(7,321)	13,600	87,893
Interest and dividends	12,455	9,193	-	54	7,322	836	29,860
Net Cash Provided by (Used in) Investing Activities	102,879	383	-	54	1	14,436	117,753
Net Increase (Decrease) in Cash and Cash Equivalents	92,172	289,113	(4,185)	(162,631)	(126,494)	15,415	103,390
Balances - beginning of the year	895,370	1,676,711	50,547	693,044	517,738	15,587	3,848,997
Balances - end of the year	\$987,542	\$1,965,824	\$46,362	\$530,413	\$391,244	\$31,002	\$3,952,387
Reconciliation to Statement of Net Assets:							
Cash and cash equivalents	\$987,542	-	\$46,362	-	\$391,244	-	\$1,425,148
Restricted cash and cash equivalents	-	\$1,965,824	-	\$530,413	-	\$31,002	2,527,239
Total cash and cash equivalents	\$987,542	\$1,965,824	\$46,362	\$530,413	\$391,244	\$31,002	\$3,952,387
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$2,683,422	(\$36,822)	-	(\$33,184)	\$44,275	-	\$2,657,691
Adjustments to reconcile operating income to net cash provided (used) by operating activities							
Depreciation expense	952,358	-	-	-	-	-	952,358
Amortization expense	7,021	36,699	-	33,184	-	-	76,904
Other non-operating revenues	(618)	-	-	-	-	\$48	(570)
Change in assets and liabilities:							
Receivables, net	(94,393)	45	-	-	-	-	(94,348)
Due from other funds	5,417	-	-	-	-	-	5,417
Other receivable	(21,919)	-	-	-	-	-	(21,919)
Accounts payable	87,500	-	-	-	-	-	87,500
Customer meter deposits payable	-	-	-	-	-	2,926	2,926
Due to other funds	(27,008)	-	(16,895)	-	-	(1,995)	(45,898)
Net Cash Provided by (Used in) Operating Activities	\$3,591,780	(78)	(\$16,895)	-	\$44,275	\$979	\$3,620,061

CITY OF MUSTANG, OKLAHOMA
 SCHEDULE OF FEDERAL AND STATE AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA#	Grant #	Contract Amount	Contract Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Non Profit Security Program	97.008	150 017	<u>\$5,235</u>	<u>\$5,235</u>
TOTAL FEDERAL AWARDS			<u><u>\$5,235</u></u>	<u><u>\$5,235</u></u>

SCHEDULE OF REVENUE BOND DEBT SERVICE COVERAGE

Gross Revenue Available for Debt Service:

Operating revenues (3)	\$4,545,703
Interest revenues	28,846
Sales tax revenues (2)	<u>7,794,576</u>
 Total Gross Revenues Available	 \$12,369,125
 Authority Operating Expenses (1)	 <u>2,127,447</u>
 Net Revenues Available for Debt Service	 <u><u>\$10,241,678</u></u>

Average Annual Debt Service Requirements for Term:

06 Utility System Refunding Revenue Bonds	\$1,659,713
98 A Refunding Revenue Bonds	1,038,138
98 B Refunding Revenue Bonds	112,603
OWRB Loan	<u>355,809</u>
 Total average annual Debt Service	 <u><u>\$3,166,263</u></u>
 Computed Coverage	 <u><u>3.23</u></u>
 Coverage Requirement - Revenue Bond Indenture	 <u><u>1.25</u></u>

(1) Excludes amortization and depreciation.

(2) Includes entire amount pledged, MIA only retains two-cents.

(3) Operating revenues of the system per the bond indenture only include water and sanitary sewer charges.

Statistical Section

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Statistical Section

This part of the City of Mustang's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Financial Trends – These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. (Table 1-4)

Revenue Capacity – These schedules contain information to help the reader assess the city's most significant local revenue sources, property tax and sales tax. (Table 5-11)

Debt Capacity – These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future. (Table 12-16)

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place. (Table 17-18)

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs. (Table 19-21)

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years and data maintained by each department of the city. The City implemented GASB Statement 34 in Fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

THE CITY OF MUSTANG, OKLAHOMA
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

Table 1

Description	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 25,352,936	\$ 26,279,118	\$ 26,397,315	\$ 25,910,144	\$ 26,436,760	\$ 26,440,340	\$ 8,777,281	\$ 8,617,595	\$ 6,412,726	\$ 7,179,328
Restricted for (by):										
Statutory requirements	-	894	-	-	-	-	-	-	-	-
Enabling legislation	86,875	132,112	-	-	-	-	-	-	-	-
External Contracts	5,074,727	1,021,119	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	241,927	248,726	423,349
Debt Service	-	-	364,139	156,311	427,551	305,456	981,871	1,015,619	821,249	753,566
Other purposes	-	-	-	-	549,457	932,632	309,693	521,009	465,881	343,900
Unrestricted	1,195,494	3,813,614	3,990,679	3,794,572	3,041,248	2,335,305	4,175,764	1,345,011	1,481,857	439,493
Total Governmental Activities Net Assets	31,710,032	31,245,857	30,642,133	29,861,027	30,455,016	30,013,733	14,244,669	11,741,161	9,410,439	9,129,636
Business-type Activities:										
Invested in Capital Assets, Net of Related Debt	12,891,952	15,414,609	15,521,922	12,581,606	12,024,740	11,121,073	10,599,503	9,039,410	8,315,855	7,520,442
Restricted for:										
Debt Service	3,121,562	3,121,391	2,727,295	3,148,041	2,367,241	1,851,388	694,183	757,808	618,560	703,191
Unrestricted	(5,999,063)	(9,128,016)	(9,686,721)	(11,097,352)	(11,968,502)	(12,430,614)	2,944,553	2,285,356	2,308,828	1,912,075
Total Business-type Activities Net Assets	10,414,451	9,407,984	8,560,496	4,532,295	2,423,479	541,847	14,228,249	12,082,574	11,243,263	10,135,708
Primary Government:										
Invested in Capital Assets, Net of Related Debt (See Note 3 G.)	25,305,849	29,016,833	26,595,393	22,205,917	21,870,022	20,257,078	19,376,784	17,657,005	14,728,581	14,699,770
Restricted for:										
Statutory requirements	-	894	-	-	-	-	-	-	-	-
Enabling legislation	86,875	3,253,503	-	-	-	-	-	-	-	-
External Contracts	8,196,289	1,021,119	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	241,927	248,726	423,349
Debt Service	-	-	3,091,434	3,304,352	2,794,792	2,156,844	1,666,054	1,773,427	1,439,829	1,456,757
Other purposes	-	-	-	-	549,457	932,632	309,693	521,009	465,881	343,900
Unrestricted	7,879,461	7,362,492	9,511,802	8,983,053	7,654,224	7,269,026	7,120,327	3,630,367	3,770,685	2,342,569
Total Primary Government Net Assets (3)	\$ 41,468,474	\$ 40,654,841	\$ 39,202,629	\$ 34,493,322	\$ 32,878,495	\$ 30,555,580	\$ 28,472,858	\$ 23,823,735	\$ 20,553,702	\$ 19,265,344

(1) This schedule is shown using the accrual basis of accounting
(2) The City implemented GASB 54 in FY 2011
(3) See Table 2 for changes in net assets from year to year.

THE CITY OF MUSTANG, OKLAHOMA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

Table 2
page 1 of 2

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses (2)										
Governmental Activities										
Administration	\$3,036,075	\$3,108,236	\$2,911,942	\$2,691,957	\$2,513,297	\$2,473,980	\$2,321,757	\$2,219,320	\$1,998,081	\$2,169,491
Culture and recreation:	2,329,462	2,191,178	2,065,297	1,903,895	1,719,152	1,719,152	1,625,695	1,688,442	1,642,836	1,216,261
Community Development	440,962	407,014	382,505	483,396	477,895	396,151	396,905	408,858	381,614	359,532
Public safety	4,749,537	4,451,242	4,273,023	3,988,709	3,080,652	3,080,652	2,823,858	2,805,222	2,564,541	2,384,823
Streets and Drainage	731,455	643,834	590,070	564,688	531,542	531,542	445,568	379,719	1,533,124	1,308,442
Interest on long-term debt	13,647	19,238	33,278	37,580	46,810	26,060	922,230	1,034,674	1,073,948	1,107,923
Total governmental activities expenses	11,301,138	10,810,742	10,256,115	9,959,457	8,860,362	8,227,537	8,634,813	8,534,236	9,184,244	8,666,172
Business-type activities:										
Water operations	2,301,043	2,213,351	2,054,925	2,183,491	2,082,783	2,004,214	1,963,397	1,851,291	1,928,647	1,537,489
Wastewater operations	1,170,049	1,215,719	1,123,620	1,186,490	1,414,648	1,145,960	1,054,790	1,033,814	1,016,030	1,059,161
Solid waste operations	1,036,662	1,022,186	947,369	827,368	743,463	743,463	663,525	618,790	517,759	467,228
Ambulance	201,108	148,429	82,956	105,560	88,760	88,760	94,149	85,300	-	-
Interest on general long-term debt for governmental act.	870,590	800,094	801,863	841,181	850,330	818,304	-	-	-	-
Total business-type activities expenses	5,581,452	5,397,779	5,010,823	5,144,066	5,342,234	4,898,701	3,675,861	3,597,195	3,482,436	3,063,868
Total primary government expenses	16,882,590	16,208,521	15,266,938	15,103,523	14,202,596	13,126,238	12,310,674	12,121,430	12,646,680	11,630,340
Program Revenues										
Governmental Activities:										
Charges for Services										
Administration	830,737	785,775	766,004	800,071	681,343	603,989	800,147	728,571	684,046	621,828
Culture and recreation:	175,824	154,831	165,139	183,421	280,601	302,734	391,556	331,684	359,004	309,889
Community Development	311,074	290,075	252,754	239,315	271,275	283,983	283,547	244,190	199,036	214,888
Public safety	-	-	-	-	-	-	-	-	-	-
Streets and Drainage	560,532	598,667	546,450	461,428	322,771	237,089	212,866	213,987	255,700	354,419
Operating Grants and Contributions	53,402	290,889	1,228,430	365,756	446,530	475,789	1,758,271	1,583,011	848,857	911,841
Capital Grants and Contributions	1,931,589	2,120,247	2,856,777	2,030,599	2,229,367	2,110,703	3,449,952	3,194,430	2,347,938	2,440,039
Total governmental activities program revenues	2,936,206	2,737,408	2,492,376	2,203,382	2,025,663	1,881,081	2,283,327	1,813,618	1,834,432	1,562,292
Business-type Activities:										
Water operations	1,650,352	1,561,017	1,529,786	1,374,055	1,439,643	1,425,472	1,316,816	1,230,967	1,205,073	1,056,505
Wastewater operations	2,169,682	2,075,472	1,821,128	1,631,283	1,484,081	1,484,081	1,445,985	1,336,663	1,384,294	1,252,138
Solid waste operations	248,059	189,216	115,802	114,310	110,904	107,222	102,252	98,661	-	-
Ambulance	-	-	2,000,000	-	-	-	-	-	-	-
Operating Grants and Contributions	7,014,249	6,573,113	8,959,092	5,548,366	5,818,991	5,401,071	6,620,822	5,302,798	5,370,322	4,609,881
Capital Grants and Contributions	8,945,818	8,692,360	11,015,869	7,578,965	7,846,358	7,511,774	10,070,874	8,487,228	7,718,260	7,049,320
Total business-type activities program revenues	16,945,818	16,088,166	20,999,737	14,466,726	15,214,116	14,414,147	17,440,817	15,320,882	15,083,906	13,971,844
Total primary government program revenues	26,828,408	26,124,694	26,266,675	23,148,213	23,428,712	22,540,385	29,761,494	27,442,312	27,730,588	25,602,186

THE CITY OF MUSTANG, OKLAHOMA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

Table 2
page 2 of 2

	Fiscal Year									
	2012	2011	2010	2009	2009	2007	2006	2005	2004	2003
Net (Expenses) Revenues (3)										
Governmental Activities	(\$9,369,569)	(\$8,650,495)	(\$7,299,338)	(\$7,928,858)	(\$6,650,995)	(\$6,116,834)	(\$5,184,861)	(\$5,349,805)	(\$6,636,306)	(\$6,126,433)
Business-type Activities	1,432,797	1,175,334	3,048,269	404,300	274,757	502,370	2,945,061	1,715,601	1,907,886	1,546,013
Total Primary Government Net (Expenses)	(7,936,772)	(7,515,161)	(4,251,069)	(7,524,558)	(6,356,238)	(5,614,464)	(2,239,800)	(3,634,204)	(4,728,420)	(4,580,420)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Sales and Use taxes (5)	8,099,554	7,717,051	7,720,761	7,868,844	6,972,867	6,540,179	5,971,174	5,677,438	5,250,121	3,825,563
Franchise and public service taxes	902,770	854,056	647,140	617,738	573,365	537,065	524,324	440,704	436,227	389,887
E-911 taxes	6,487	7,024	7,090	7,785	7,544	7,024	5,179	5,484	5,501	4,824
Intergovernmental revenue	179,531	153,400	365,017	377,459	496,307	253,060	228,635	363,778	340,573	355,824
Investment Income	27,813	38,633	38,668	75,661	135,820	95,696	77,010	51,483	40,141	78,621
Miscellaneous	186,772	136,481	108,799	80,370	33,567	27,411	245,798	196,394	196,553	88,553
Transfers - Internal Activity	426,212	388,574	(807,029)	(1,672,272)	(1,150,990)	(670,002)	853,576	990,431	846,152	1,061,820
Total Governmental Activities	9,829,139	9,295,219	8,080,446	7,355,585	7,072,278	6,795,629	7,688,309	7,775,116	7,117,109	5,805,092
Business-type Activities:										
Intergovernmental revenue	-	-	34,050	293,482	108,665	44,679	38,409	24,984	24,984	73,777
Investment Income	28,846	46,661	56,532	77,809	125,413	27,301	9,511	75,732	20,837	3,294
Miscellaneous	38,825	14,067	16,371	20,385	36,890	670,002	(853,576)	(990,431)	(846,152)	(1,061,820)
Transfers - Internal Activity	(426,212)	(388,574)	807,029	1,672,272	1,150,990	670,002	(853,576)	(990,431)	(846,152)	(1,061,820)
Total Business-type Activities	(359,541)	(327,846)	879,932	1,804,516	1,806,775	805,968	(799,386)	(976,290)	(800,331)	(984,749)
Total Primary Government	9,470,598	8,967,373	8,960,378	9,160,101	8,879,053	7,602,597	6,888,923	6,808,826	6,316,778	4,820,343
Change in Net Assets										
Governmental Activities	459,570	604,724	781,108	(573,273)	441,283	679,795	2,503,448	2,425,311	280,803	5,264,051
Business-type Activities	1,074,256	847,488	3,928,201	2,208,816	1,981,532	1,308,338	2,145,675	639,311	1,107,555	561,264
Total Primary Government (4)	\$1,533,826	\$1,452,212	\$4,709,309	\$1,635,543	\$2,322,815	\$1,988,133	\$4,649,123	\$3,264,622	\$1,388,358	\$5,825,315

(1) This schedule reports using the accrual basis of accounting.

(2) Expenses include allocated indirect expense.

(3) Net (expenses) is the difference between the expenses and program revenues. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues.

(4) See Table 1 for ending net asset balances for reported years.

(5) During fiscal year 2004, a major retailer located in Mustang, increasing sales tax and use tax.

**THE CITY OF MUSTANG, OKLAHOMA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

Table 3

	Fiscal Year									
	2012	2011 (4)	2010	2009	2008	2007	2006	2005	2004	2003
General Fund:										
Nonspendable	24,561	25,752	-	-	-	-	-	-	-	-
Restricted	10,224	27,576	-	-	-	-	-	-	-	-
Assigned	815,135	12,780	-	-	-	-	-	-	-	-
Reserved for:										
Risk Management	-	-	-	\$377,445	\$293,332	\$293,332	\$293,665	\$331,988	\$324,070	\$310,299
Encumbrances	-	-	-	-	-	-	-	-	-	-
Specific Programs	-	-	-	-	-	-	-	-	7,521	-
Contracts payable	-	-	-	-	-	-	94,589	94,589	-	-
Accrued Compensated Absences	-	-	231,166	230,090	233,390	201,773	189,110	169,704	-	-
Inventories	-	-	19,068	21,265	14,292	27,352	16,028	19,070	15,354	2,842
Debt Service	-	-	-	-	-	-	-	-	821,249	-
Encumbrance	-	-	1,056,000	1,408,600	1,760,000	-	-	-	-	-
Unreserved/Unassigned	2,607,400	3,192,215	1,136,184	633,156	590,199	2,260,610	1,680,682	1,315,289	555,139	1,120,029
Total General Fund	3,457,320	3,258,323	2,442,418	2,293,111	2,975,326	2,783,067	2,274,074	1,930,840	1,723,333	1,433,170
Other Governmental Funds:										
Restricted	5,151,378	1,126,549	-	-	-	-	-	-	-	-
Assigned	1,272,147	648,743	-	-	-	-	-	-	-	-
Reserved for:										
Encumbrances	-	-	-	-	-	-	-	-	-	926
Specific Programs	-	-	216,880	269,142	686,411	1,025,584	494,619	1,383,802	2,010,361	32,147
Debt Service	-	-	112,351	163,299	427,551	330,886	981,871	1,284,211	1,090,671	1,033,232
Unreserved/Unassigned	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	915,143	661,449	1,056,773	811,149	376,254	14,771	16,243	1,599,592
Debt Service Fund	-	-	-	-	-	-	-	-	-	-
Capital project funds	-	-	246,839	200,052	91,859	70,999	85,375	47,972	53,826	54,209
Total Other Governmental Funds	6,423,525	1,775,292	1,491,213	1,293,942	2,262,594	2,238,618	1,938,119	2,730,756	3,171,101	2,899,618
Total Governmental Funds	9,880,845	5,033,615	3,933,631	3,587,053	5,237,920	5,021,685	4,212,193	4,661,596	\$4,894,434	\$4,332,788

(1) This schedule reports using the modified accrual basis of accounting.
(2) See Table 4 for changes in fund balances from year to year.
(3) The City implemented GASB 54, fund balance reporting, in fiscal year 2011.

THE CITY OF MUSTANG, OKLAHOMA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Table 4

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Taxes	\$9,005,285	\$8,571,856	\$8,981,973	\$8,713,651	\$7,897,457	\$7,194,475	\$6,591,495	\$6,407,642	\$5,690,931	\$4,826,317
Intergovernmental	718,942	768,221	705,041	701,359	485,010	375,388	352,407	296,576	243,141	417,562
Charges for services	766,581	720,049	697,413	713,631	824,131	749,386	744,765	811,127	740,603	616,162
Fines and forfeitures	264,551	271,094	233,265	258,666	230,220	221,991	235,180	209,729	178,748	173,418
Licenses and permits	180,000	157,301	165,139	164,029	293,721	310,421	394,551	335,658	362,298	313,929
Investment income	24,217	15,065	38,668	75,561	135,620	95,698	77,010	51,483	40,141	78,621
Miscellaneous	359,961	248,470	194,834	176,099	167,735	194,391	185,328	367,734	223,639	266,359
Total Revenues	11,319,537	10,752,046	10,816,333	10,805,098	10,033,894	9,141,746	8,580,739	8,480,149	7,780,501	6,391,368
Expenditures:										
Current:										
Administration	2,838,949	2,413,167	2,477,639	2,493,152	2,127,488	2,045,313	1,894,938	1,795,907	1,682,948	1,824,810
Culture and recreation	1,951,152	1,879,426	1,859,874	1,787,030	1,698,775	1,513,282	1,505,215	1,439,969	1,428,369	1,088,134
Community development	417,382	360,715	360,597	481,228	462,236	386,063	386,021	399,987	373,216	333,109
Public safety	4,299,784	4,096,741	3,860,578	3,748,433	3,152,988	2,829,558	2,655,014	2,604,851	2,294,655	2,107,862
Streets and drainage	213,334	154,470	153,130	153,366	151,067	178,825	137,551	116,190	132,745	123,770
Capital outlay	562,110	935,148	467,124	1,349,901	829,557	774,999	1,058,505	1,686,438	428,723	1,253,589
Debt service:	-	-	-	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	33,729	565,772	-	-	-
Principal retirement	346,059	300,574	255,901	451,245	205,000	205,000	730,116	618,485	644,911	992,947
Interest and fiscal charges	16,067	24,415	27,892	41,640	49,560	21,330	1,090,080	1,044,961	1,078,441	1,115,250
Total Expenditures	10,644,837	10,164,676	9,482,725	10,485,993	8,666,669	7,988,098	10,013,212	9,705,618	8,065,007	8,660,471
Excess of revenues over(under) expenditures	673,700	587,370	1,153,608	319,103	1,367,225	1,153,648	(1,432,476)	(1,225,469)	(284,506)	(2,459,103)
Other Financing Sources (Uses):										
Transfers in	8,634,590	7,932,808	7,212,930	6,396,504	5,872,229	6,105,868	7,184,678	6,852,042	5,849,899	4,464,454
Transfers out	(8,204,280)	(7,544,234)	(8,019,859)	(8,068,866)	(7,023,219)	(6,775,870)	(6,331,102)	(5,861,811)	(5,003,747)	(3,402,634)
Capital lease/bond proceeds	3,743,219	124,040	-	85,101	-	960,000	18,885,000	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(16,885,000)	-	-	-
Premium on sale of bonds	-	-	-	-	-	-	479,415	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	4,173,529	512,614	(807,029)	(1,587,171)	(1,150,990)	289,988	1,332,991	990,431	646,152	1,061,820
Net change in fund balances	\$4,847,229	\$1,099,984	\$346,570	(\$1,268,066)	\$216,235	\$1,443,646	(\$99,485)	(\$235,038)	\$581,646	(\$1,397,283)
Debt Service as a Percentage of Non-Capital Expenditures	3.57%	3.52%	3.16%	5.39%	3.25%	3.14%	20.22%	20.74%	22.57%	27.62%

(1) This schedule reports using the modified accrual basis of accounting.

THE CITY OF MUSTANG, OKLAHOMA
TAX REVENUES BY SOURCE (1)
 LAST TEN FISCAL YEARS

Table 5

Fiscal Year	Ad Valorem Tax (3)	Sales Tax (2)	Alcoholic Beverage Tax	Franchise Tax	Commercial Vehicle Tax
2003	\$321,072	\$3,630,407	\$34,752	\$389,887	\$93,441
2004	304,583	5,130,960	35,990	436,227	93,388
2005	267,247	5,544,658	38,203	440,705	93,367
2006	92,554	5,823,816	39,480	524,324	93,367
2007	117,231	6,347,024	41,370	537,065	93,368
2008	356,140	6,767,926	44,918	573,365	93,369
2009	227,069	7,566,653	47,039	617,737	93,882
2010	214,072	7,463,894	47,188	647,140	93,882
2011	203,182	7,458,028	48,955	651,623	99,687
2012	202,157	7,876,617	66,269	703,574	119,005

Fiscal Year	Fuel Tax	Use Tax	Telephone Tax	Tobacco Tax	Totals
2003	\$27,101	\$175,156	\$4,824	-	\$4,676,640
2004	26,956	119,161	5,501	-	6,152,766
2005	25,652	132,780	5,484	\$36,075	6,584,171
2006	27,789	144,259	5,179	90,184	6,840,952
2007	26,255	193,155	7,024	92,364	7,454,856
2008	28,222	204,941	7,544	95,249	8,171,674
2009	32,452	302,191	7,785	103,409	8,998,217
2010	33,818	256,867	7,090	104,313	8,868,264
2011	35,480	259,023	7,024	104,445	8,867,447
2012	32,326	222,937	6,487	113,262	9,342,634

- (1) This schedule reports using the modified accrual basis of accounting
 (2) Effective December 1996, the sales tax rate increased from three cents to four cents on the dollar.
 In fiscal year 2004, a major retailer located in Mustang.
 (3) These revenues are reported in the Debt Service fund. The City does not levy property taxes for operations.
 Property taxes are used to service general obligation bonds and judgments, per State Statute.

THE CITY OF MUSTANG, OKLAHOMA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS Table 6

Fiscal Year	Real Property	Personal Property	Public Service Property	Total Assessed Value	Homestead Exemption	Total Assessed Value	Estimated Actual Value	Total Mileage Levied
2012	\$108,319,823	\$ 5,196,614	\$ 4,379,240	\$117,895,677	\$ 4,115,166	\$113,780,511	\$ 112,921,191	2.91
2011	105,119,238	5,433,715	4,303,920	114,856,873	4,137,166	110,719,707	106,319,101	1.94
2010	97,326,059	5,218,483	3,985,236	106,529,778	4,137,987	102,391,791	102,391,791	2.09
2009	89,770,263	4,033,766	4,070,577	97,874,608	4,110,498	93,764,110	98,171,023	2.40
2008	80,506,852	3,845,740	3,880,763	88,233,355	4,008,499	84,224,856	88,233,355	4.22
2007	71,006,980	3,746,635	4,155,748	78,909,363	4,125,325	74,784,038	78,909,363	1.60
2006	65,832,914	3,117,446	4,337,485	73,287,845	3,755,332	69,532,513	73,287,845	1.39
2005	60,055,650	2,972,555	3,835,147	66,863,352	3,611,832	63,251,520	66,863,352	4.51
2004	53,988,542	2,007,914	3,594,871	59,591,327	3,471,000	56,120,327	59,592,327	5.39
2003	49,339,012	1,810,691	3,647,737	54,797,440	3,338,999	51,458,441	54,797,440	5.99

(1) Property in the city is reassessed each year by the Canadian County Assessor's Office. Tax rates are per \$1,000 of assessed values.
 (2) The source of property value information is the Canadian County Assessor's Office.
 (3) Voter approval is required to increase property taxes. Under Oklahoma State Statutes a municipality can only levy its property taxes for the repayment of principal and interest on general obligation bond debt or court assessed judgments. Property taxes cannot be used for operations.

**THE CITY OF MUSTANG, OKLAHOMA
 PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 (PER \$1,000 OF ASSESSED VALUE)**

LAST TEN FISCAL YEARS

Table 7

Fiscal Year	Debt Service Fund	Mustang School District	Canadian County	Canadian Valley Vo-Tech	Mustang City Resident
2012	2.91	65.25	16.11	15.60	99.87
2011	1.81	65.17	16.11	15.60	98.69
2010	2.09	66.47	16.11	15.60	100.27
2009	2.40	66.96	16.11	15.60	101.07
2008	4.22	66.80	16.11	15.60	102.73
2007	1.60	67.34	16.11	15.60	100.65
2006	1.39	58.58	16.11	15.60	91.68
2005	4.51	64.40	16.11	15.60	100.62
2004	5.39	65.64	16.11	15.60	102.74
2003	5.99	65.68	16.11	15.60	103.38

Source: Canadian County Assessor's Office.

CITY OF MUSTANG, OKLAHOMA
SALES TAX RATES OF DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Table 6

	<i>Fiscal Year</i>									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
City - General Fund	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
City - Debt Service (2)	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
City - Street Funding (1)	-	-	-	-	-	-	-	-	-	-
Total City of Mustang	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Canadian County	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%
State of Oklahoma	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Total	8.85%	8.85%	8.85%	8.85%	8.85%	8.85%	8.85%	8.85%	8.85%	8.85%

- (1) The voters approved a one-cent sales tax effective October 1, 1996 and ending September 30, 2001 for the purpose of enlarging, improving, and extending the street system.
- (2) The voters approved a one-cent sales tax effective October 1, 2001 and ending July 31, 2030 for the purpose of paying principal and interest on the 1999 MIA Revenue Bonds used to construct and equip a community center and library complex, police complex, sports complex, and aquatic facility.
- (3) The source for sales tax is the City of Mustang Annual Financial Report and the Oklahoma Tax Commission.
- (4) Sales tax is the main operating tax for the City of Mustang. Under State Statutes, the City cannot levy a property tax for operations. All sales tax increases must be approved by the voters.

CITY OF MUSTANG, OKLAHOMA
 TAXABLE SALES BY CATEGORY

Last Nine Fiscal Years

Table B

Category (2)	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Telecommunications	\$419,697	\$409,248	\$424,427	\$419,417	\$409,255	\$378,973	\$359,145	\$361,130	\$347,996	\$333,782
Public Utilities	502,669	480,904	498,490	479,924	437,829	443,596	416,550	341,765	334,093	305,601
Wholesale Trade	256,710	324,312	303,246	337,262	302,368	195,839	136,944	180,603	152,920	167,132
Retail - Building Materials	1,071,365	997,457	990,134	1,061,405	444,367	551,167	585,333	418,055	346,971	265,363
Retail - General Merchandise	2,907,524	2,726,761	2,715,146	2,826,221	2,727,404	2,548,195	2,521,266	2,227,326	2,107,541	618,190
Retail - Food	404,490	390,997	444,657	426,295	328,066	315,487	313,301	407,631	451,152	651,431
Retail - Automotive	198,607	196,293	194,382	200,178	194,892	187,603	173,216	183,723	161,976	135,798
Retail - Apparel	58,827	58,079	54,386	54,391	50,313	39,676	39,829	35,169	12,615	1,333
Retail - Furniture and Accessories	259,197	227,283	244,852	194,612	225,070	232,014	203,793	185,942	108,875	69,370
Retail - Restaurants	1,101,492	999,813	939,483	864,735	835,673	732,623	683,884	570,883	502,267	421,924
Retail - Miscellaneous	344,419	334,246	317,679	329,200	325,636	299,062	165,298	275,799	179,909	99,163
Services - Personal	42,504	41,873	26,719	31,023	25,486	27,715	30,566	27,034	24,610	20,693
Services - Business	68,141	78,338	90,055	77,509	74,361	98,161	85,834	61,099	55,695	52,798
Services - Automotive Repair	60,038	60,761	52,487	37,008	40,244	37,578	33,634	26,005	30,535	19,565
Amusement & Recreation	4,691	32,171	31,174	54,104	55,905	46,228	48,021	54,064	47,502	36,330
Manufacturing	1,409	130,399	130,595	145,460	240,554	176,395	186,880	168,720	147,675	76,890
All Other Categories	226,026	33,944	75,060	27,909	50,503	102,416	119,311	49,235	40,407	49,994
	<u>\$7,927,806</u>	<u>\$7,522,878</u>	<u>\$7,532,972</u>	<u>\$7,566,653</u>	<u>\$6,767,926</u>	<u>\$6,412,728</u>	<u>\$6,102,805</u>	<u>\$5,574,183</u>	<u>\$5,052,739</u>	<u>\$3,325,357</u>

(1) Information obtained from reports provided by the Oklahoma Tax Commission

(2) Oklahoma State Statutes prohibits the reporting of individual sales tax payers

(3) The retail base began growing in fiscal year 2004 with the opening of a major department store and multiple strip malls

**CITY OF MUSTANG, OKLAHOMA
 PRINCIPAL PROPERTY TAXPAYERS**
 Current Year and Ten Years Ago

Table 10

2012			2003		
Taxpayer	Taxable Assessed Value (1)	Percentage of Total Net Assessed Value	Taxpayer	Taxable Assessed Value (1)	Percentage of Total Net Assessed Value
Oklahoma Gas & Electric Company	\$2,193,557	1.98%	Oklahoma Gas & Electric Company	\$1,803,216	3.77%
Lowe's Home Centers Inc	1,481,263	1.34%	Southwestern Bell Telephone	1,124,691	2.35%
Park Place Apartments	1,110,768	1.00%	Park Place Apartments	923,385	1.93%
Wal-Mart Real Estate Business	910,040	0.82%	Oklahoma Natural Gas Company	403,591	0.84%
Wal-Mart Stores East LP	820,113	0.74%	Mustang Manor, LLC	253,800	0.74%
Lowe's Home Centers Inc	718,298	0.65%	Gary Owens Carpet & Construction, Inc.	229,220	0.62%
Oklahoma Gas & Electric Company	655,681	0.59%	Wal-Mart Store #517	354,917	0.55%
AT&T Mobility LLC	598,128	0.54%	Silver Shopping Center	262,000	0.53%
Roman, Joseph J JR & Jay P Co	550,272	0.50%	Industrial Gasket	297,252	0.48%
Southwestern Bell Telephone	420,220	0.38%	McCasland, E. Leon	212,508	0.44%
TOTAL	\$9,459,340	8.54%	TOTAL	\$5,864,580	12.25%

(1) The source for property value information is the Canadian County Assessor's Office

CITY OF MUSTANG, OKLAHOMA
 PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Table 11

Fiscal Year	Total Tax Levy (1)	Total Tax Collections	Percentage of Levy	Subsequent Years Collections	Amount	Percentage of Levy
2012	\$199,397	\$196,754	98.67%	\$5,403	\$202,157	101.38%
2011	207,480	153,748	74.10%	53,270	207,018	99.78%
2010	213,517	208,051	97.44%	6,021	214,072	100.26%
2009	224,890	224,422	99.79%	8,192	232,614	103.43%
2008	356,141	351,817	98.79%	4,323	356,140	100.00%
2007	119,344	112,930	94.63%	4,301	117,231	98.23%
2006	96,970	92,554	95.45%	6,206	98,760	101.85%
2005	285,342	270,808	94.91%	18,692	289,500	101.46%
2004	302,993	290,753	95.96%	13,830	304,583	100.52%
2003	308,421	296,985	96.29%	14,138	311,123	100.88%

(1) From the City of Mustang Sinking Fund Estimate of Needs for each fiscal year
 Note: Total % of levy collected exceeds 100% due to the collection of taxes from subsequent years

CITY OF MUSTANG, OKLAHOMA
 RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS

Table 12

GOVERNMENTAL ACTIVITIES

FISCAL YEAR	GENERAL OBLIGATION BONDS	JUDGMENT FUNDING BONDS	COMPENSATED ABSENCES	CAPITAL LEASE OBLIGATIONS	NOTE PAYABLE OTC
2012	\$3,600,000	-	\$252,793	\$168,582	-
2011	240,000	-	230,319	131,422	-
2010	480,000	-	231,166	67,956	-
2009	720,000	-	230,090	83,856	-
2008	960,000	210,000	233,390	-	-
2007	960,000	415,000	201,773	-	-
2006	-	620,000	189,110	-	-
2005	175,000	825,000	169,704	\$170,116	-
2004	350,000	1,030,000	166,923	256,697	-
2003	525,000	1,235,000	154,331	312,027	\$74,581

BUSINESS TYPE ACTIVITIES

FISCAL YEAR	REVENUE BONDS	MEDA REVENUE NOTE	NOTE PAYABLE
2012	\$19,070,000	\$361,381	\$3,739,793
2011	20,905,000	541,000	4,003,393
2010	22,670,000	709,261	3,258,803
2009	25,290,000	866,266	140,419
2008	26,810,000	1,025,862	-
2007	28,215,000	1,152,238	-
2006	29,265,000	1,281,809	-
2005	29,090,000	1,403,187	-
2004	29,541,290	1,516,889	-
2003	30,124,247	1,623,402	-

FISCAL YEAR	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
2012	\$27,192,549	7.1%	\$1,511
2011	\$27,297,246	7.3%	\$1,569
2010	\$26,051,134	7.0%	\$1,460
2009	\$27,417,186	7.4%	\$1,547
2008	\$27,330,631	7.6%	\$1,583
2007	\$29,239,252	8.5%	\$1,779
2006	\$30,944,011	9.1%	\$1,898
2005	\$31,355,919	9.7%	\$2,023
2004	\$31,833,007	11.6%	\$2,420
2003	\$32,861,799	12.0%	\$2,498

(1) Personal income and population data are available on Table 17.

CITY OF MUSTANG, OKLAHOMA
 RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING,
 LAST TEN FISCAL YEARS Table 13

Fiscal Year	General Bonded Debt Outstanding			Restricted Debt Service Funds	Net Bonded Debt
	General Obligation Bonds	Judgment Funding Bonds	Total		
	2012	\$3,600,000	-		
2011	240,000	-	240,000	87,011	152,989
2010	480,000	-	480,000	364,139	115,861
2009	720,000	-	720,000	163,299	556,701
2008	960,000	210,000	1,170,000	427,551	742,449
2007	960,000	415,000	1,375,000	329,941	1,045,059
2006	-	620,000	620,000	345,221	274,779
2005	175,000	825,000	1,000,000	387,247	612,753
2004	350,000	1,030,000	1,380,000	624,457	755,543
2003	525,000	1,235,000	1,760,000	678,284	1,081,716

Fiscal Year	Percentage of Actual Taxable Value of Property (2)	Ratio of Net Bonded Debt to Assessed Value (2)	Estimated Population (1)	Bonded Debt Per Capita	Net Bonded Debt Per Capita
2012	3.19%	3.15%	17,395	\$206.96	\$206.31
2011	0.23%	0.14%	17,395	13.80	8.79
2010	0.47%	0.11%	17,260	27.81	6.71
2009	0.73%	0.59%	17,260	41.71	32.25
2008	1.33%	0.88%	16,300	71.78	45.55
2007	1.74%	1.40%	16,300	84.36	64.11
2006	0.85%	0.40%	15,500	40.00	17.73
2005	1.50%	0.97%	13,156	76.01	46.58
2004	2.32%	1.35%	13,156	104.90	57.43
2003	3.21%	2.10%	13,156	133.78	82.22

(1) Information obtained from the US Census Bureau and the Oklahoma Department of Commerce.

(2) Property tax values are located in Table 6.

CITY OF MUSTANG, OKLAHOMA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2012

Table 14

<u>Entity</u>	<u>Net General Bonded Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Mustang</u>	<u>Amount Applicable to City of Mustang</u>
Mustang Public Schools	\$31,755,000	33.60%	\$10,669,680
City of Mustang	\$3,600,000	100.00%	\$3,600,000
Total Direct and Overlapping Debt	\$35,355,000		\$14,269,680

(1) Debt outstanding provided by each entity.

(2) All debt on this schedule is repaid with property taxes.

CITY OF MUSTANG, OKLAHOMA
MUSTANG IMPROVEMENT AUTHORITY
PLEGGED-REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

Table 15

<u>Fiscal Year</u>	<u>Gross Revenue (including pledged sales tax)</u>	<u>Direct Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Bond Indenture Requirement (3)</u>		
				<u>Average Annual Debt Service</u>	<u>Calculated Coverage</u>	<u>Required Coverage</u>
2012	\$12,369,125	\$2,127,447	\$10,241,678	\$3,166,263	3.23	1.25
2011	11,534,128	1,970,982	9,563,146	3,178,283	3.01	1.25
2010	11,573,094	1,700,878	9,872,216	2,772,351	3.56	1.25
2009	11,174,760	2,718,336	8,456,424	2,772,351	3.05	1.25
2008	10,183,341	1,798,686	8,384,655	2,727,413	3.07	1.25
2007	9,719,426	1,617,954	8,101,472	3,302,823	2.45	1.25
2006	9,625,001	2,160,195	7,464,806	1,955,400	3.82	1.25
2005	8,563,088	1,424,175	7,138,913	2,743,351	2.60	1.25
2004	7,967,158	1,281,443	6,685,715	2,743,351	2.44	1.25
2003	5,794,670	1,491,449	4,303,221	2,743,351	1.57	1.25

(1) Direct operating expenses exclude amortization, depreciation and bad debt expenses.

(2) Gross revenues included pledged revenues of water, sewer and sales tax.

(3) The MIA Revenue Bond Indentures require a coverage requirement of 1.25 times annually using the average annual debt service over the life of the bond issues.

**CITY OF MUSTANG, OKLAHOMA
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS**

Table 16

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net assessed valuation	<u>\$112,921,191</u>	<u>\$106,319,101</u>	<u>\$102,391,791</u>	<u>\$93,764,110</u>	<u>\$84,224,856</u>
Debt limit (1)	11,292,119	10,631,910	10,239,179	9,376,411	8,422,486
Applicable bonds outstanding:					
2012 General Obligation Bonds	3,600,000	-	-	-	-
2007 General Obligation Bonds	-	240,000	480,000	720,000	960,000
1989 General Obligation Bonds (2)	-	-	-	-	-
Total Debt Outstanding	<u>3,600,000</u>	<u>240,000</u>	<u>480,000</u>	<u>720,000</u>	<u>960,000</u>
Legal debt margin	<u>\$7,692,119</u>	<u>\$10,391,910</u>	<u>\$9,759,179</u>	<u>\$8,656,411</u>	<u>\$7,462,486</u>

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net assessed valuation	<u>\$74,784,038</u>	<u>\$69,532,513</u>	<u>\$63,251,520</u>	<u>\$56,120,327</u>	<u>\$51,458,441</u>
Debt limit (1)	7,478,404	6,953,251	6,325,152	5,612,033	5,145,844
Applicable bonds outstanding:					
2012 General Obligation Bonds	-	-	-	-	-
2007 General Obligation Bonds	960,000	-	-	-	-
1989 General Obligation Bonds (2)	-	-	175,000	350,000	525,000
Total Debt Outstanding	<u>960,000</u>	<u>-</u>	<u>175,000</u>	<u>350,000</u>	<u>525,000</u>
Legal debt margin	<u>\$6,518,404</u>	<u>\$6,953,251</u>	<u>\$6,150,152</u>	<u>\$5,262,033</u>	<u>\$4,620,844</u>

(1) Article 10, Section 26 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation of property.

(2) The 1989 General Obligation Bonds final maturity was on July 1, 2005.

CITY OF MUSTANG, OKLAHOMA
DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN CALENDAR YEARS

Table 17

Year	Population (1)	Personal Income	Per Capita Personal Income (1) (4)	Median Age (1) (4)
2011	18,002	\$381,347,755	\$21,554	35.7
2010	17,395	373,859,650	21,554	34.3
2009	17,843	372,204,980	20,860	34.3
2008	17,727	369,785,220	20,860	34.3
2007	17,260	360,043,600	20,860	34.3
2006	16,440	342,938,400	20,860	34.3
2005	16,300	340,018,000	20,860	34.3
2004	15,500	323,330,000	20,860	34.3
2003	13,156	274,434,160	20,860	34.3
2002	13,156	274,434,160	20,860	34.3

Year	Education Level in Years of Schooling (1) (4) (5)	School Enrollment (2)	Unemployment Rate (3)
2011	90%	9,293	4.9%
2010	90%	8,644	4.6%
2009	90%	8,724	5.8%
2008	90%	8,350	4.8%
2007	90%	8,150	4.2%
2006	90%	7,955	3.7%
2005	90%	7,048	4.6%
2004	90%	7,461	3.6%
2003	90%	6,714	5.5%
2002	90%	6,569	3.7%

- (1) Information obtained from the U.S. Census Bureau and the Oklahoma Department of Commerce.
 (2) Information obtained from the Superintendent's Office the Mustang Public School District.
 (3) Information obtained from the Oklahoma Employment Security Commission, for the Oklahoma City metropolitan area.
 (4) The City of Mustang is considered part of the Oklahoma City Metropolitan Statistical Area. The most recent data available for the City of Mustang relates to the 1990 and 2000 census. Estimates from the Oklahoma Department of Commerce have been used when available. Data from 1996-1999 relates to the 1990 census. Data from 2000-2007 relates to the 2000 census.
 (5) Represents the percent of the population 25 years and older who are high school graduates or higher.

CITY OF MUSTANG, OKLAHOMA
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND THREE YEARS

Table 18

	2012			2011		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (1)
<i>Employer.</i>						
Mustang Public Schools	1000	1	27.00%	714	1	19.26%
Wal-Mart Super Center	315	2	8.50%	277	2	7.48%
Tate Publishing	220	3	5.94%	189	3	5.10%
City of Mustang	135	4	3.64%	130	4	3.51%
Lowe's Home Improvement	112	5	3.02%	107	5	2.89%
Oklahoma National Guard Am	-	-	0.00%	75	6	2.02%
Accurate Drilling	67	6	1.81%	67	7	1.81%
All American Bank	49	7	1.32%	-	-	0.00%
Coldwell Banker Select	45	8	1.21%	50	8	1.35%
Larry's New Homeland	0	0	0.00%	45	9	1.21%
Security Solutions	40	9	1.08%	35	10	0.94%
Wilson Ophthalmic Corp	40	10	1.08%	-	-	0.00%
Arbor House Assisted Living	-	-	0.00%	35	11	0.94%
Total	2,023			1,724		

	2010			2009		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (1)
<i>Employer.</i>						
Mustang Public Schools	900	1	24.30%	994	1	26.84%
Wal-Mart Super Center	277	2	7.48%	345	2	9.31%
Lowe's	189	3	5.10%	144	3	3.89%
City of Mustang	135	4	3.64%	130	4	3.51%
Tate Publishing	107	5	2.89%	120	5	3.24%
Larry's Homeland	50	6	1.35%	40	6	1.08%
Security Solutions	38	7	1.03%	38	7	1.03%
Coldwell Banker	35	8	0.94%	25	8	0.67%
Wilson Ophthalmic	20	10	0.54%	20	10	0.54%
Industrial Gasket Mfg	28	9	0.76%	28	9	0.76%
Total	1,779			1,884		

Source: Mustang Chamber of Commerce and the Oklahoma Department of Commerce

(1) Because the City of Mustang is bedroom community to Oklahoma City, the majority of our residents leave the City for full-time employment. Due to this fact, statistics related to employment have not been maintained in the past.

CITY OF MUSTANG, OKLAHOMA
FULL-TIME EQUIVALENT CITY OF MUSTANG EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Table 19

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Administration:										
City Manager	5	4	4	4	4	4	4	4	3	3
Finance	6	5	5	5	5	5	5	5	5	5
Community Development	6	5	5	5	7	6	6	6	6	5
Culture and Recreation:										
Parks	5	6	6	6	6	6	5	5	5	5
Library	5	5	5	5	3	3	3	3	3	3
Town Center Complex	1	1	1	1	1	1	1	1	2	2
Public Safety:										
Police										
Officers	20	19	19	19	19	18	19	19	18	17
Dispatch	5	5	5	5	5	5	5	5	5	5
Administration	5	3	3	3	3	3	3	3	3	3
Fire										
Firefighters	15	15	15	15	15	16	12	11	10	8
Administration	2	2	2	2	2	2	2	2	2	2
Total	75	70	70	70	70	69	65	64	62	58

Note. Information provide by City of Mustang Human Resources.

CITY OF MUSTANG, OKLAHOMA
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Table 20

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police (2)										
Arrests	698 [†]	908	805	358	307	310 [†]	291	363	281	323
Total Citations	3,840	2,820	3,418	2,818	3,798	2,777	2,950	3,636	3,004	2,823
Total Incident Reports	2,384	1,900	1,000	1,689	1,449	1,573	1,615	1,358	1,291	1,147
Fire										
Medical Alarms	1,063	1,085	990	930	890	889	810	745	683	598
Total Alarms	1,843	1,958	1,897	1,782	1,820	1,820	1,822	1,641	1,256	999
Average Response Time	5	4.25	5.25	3.46	3.50	3.38	3.45	3.50	3.26	4.06
Culture and Recreation (2)										
Town Center Memberships	4,074	2,784	2,566	4,525	3,740	42,321	41,652	58,523	50,827	48,889
Park Permits	1,441	1,361	1,376	1,412	1,346	1,272	1,330	1,479	(1)	(1)
Conference Center Room Rentals	1,896	1,854	1,871	1,845	1,849	1,723	1,741	1,451	1,048	870
Senior Center Lunch Participants	8,424	11,128	10,942	9,129	11,145	10,645	10,284	9,303	11,018	9,903
Aquatic Center Attendance	34,498	36,749	37,421	33,451	39,493	23,968	21,348	24,248	24,003	17,000
Sports (Adult and Youth) League participants	32,461	33,584	33,512	35,248	36,140	22,421	23,075	20,111	19,874	(1)
Library										
Age of library collections										
0 to 5 years	6%	30%	30%	30%	30%	34%	34%	34%	34%	16%
6 to 10 years	61%	28%	28%	28%	28%	15%	15%	15%	15%	22%
11 to 25 years	27%	22%	22%	22%	22%	36%	36%	36%	15%	58%
26 or more years	6%	11%	11%	11%	11%	15%	15%	15%	15%	58%
Volumes in collection	58,415	48,587	48,002	43,717	48,470	39,859	38,754	34,763	33,408	29,345
Cultural/educational program	278	283	354	325	313	308	298	277	80	205
Cultural/educational attendance	15,130	14,820	16,484	14,103	14,872	13,990	11,903	11,130	2,999	8,617
Total volumes borrowed	215,091	218,489	198,412	175,307	164,826	163,997	148,455	138,698	120,442	83,224
Membership	32,079	29,240	28,196	23,636	19,735	22,378	19,714	17,103	18,770	13,828
Water										
New Connections	82	122	91	114	193	311	268	257	238	38
Average daily consumption (in million gallons per day)	1.75	1.53	1.58	1.58	1.58	1.58	1.53	1.53	1.38	1.43
Wastewater										
Average effluent flow in mgd	1.35	2.00	2.00	1.807	1.18	1.81	1.18	1.4	1.12	1.01
Streets										
Cubic yards of street panels replaced	11,05	97.8	89.5	90.25	158	33.74	111.25	(1)	(1)	(1)
Cubic feet of potholes patched	4,293	329	473	584.3	107.25	115.8	388.7	7.9	5.9	(1)
Community Development										
Commercial Construction Permits	7	2	1	9	9	13	13	11	21	18
Commercial construction cost	\$2,307,000	\$700,000	\$600,000	\$4,437,000	\$10,289,800	\$9,029,000	\$12,781,000	\$3,608,000	\$6,380,000	\$13,508,300
Residential Construction Permits	39	49	96	81	141	201	301	248	256	172
Residential construction cost	\$11,662,778	\$9,804,875	\$11,924,721	\$9,951,418	\$22,590,400	\$38,067,812	\$45,838,513	\$33,856,530	\$37,341,771	\$28,444,856
Stormwater Management										
Construction erosion inspections	618	17	28	26	150	675	20	19	31	21
Stormwater permits issued	48	9	14	17	150	218	8	(1)	(1)	(1)
Occupation and Licenses										
Occupation licenses	587	521	506	597	553	355	357	358	341	285
Business licenses	354	350	341	377	333	332	309	318	313	241

(1) Ten years of data was not available but will be accumulated over time. Significant amount of operating statistics were lost when the roof was torn off of City Hall in a storm and the building destroyed. Records stored in the basement were a total loss.

(2) Information is based upon a calendar year.

CITY OF MUSTANG, OKLAHOMA
 CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Table 21

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	1	1	1	1	1	1	1	1	1	1
Streets										
Street (miles)	85.03	85.03	85.03	85.03	85.03	84.28	12.88	8.5	5.85	4.69
Traffic Signals	9	8	8	8	7	7	7	7	7	7
Parks and Recreation										
Acreage	198.94	198.94	198.94	198.94	212	212	214	214	214	214
Playgrounds	8	8	8	7	7	7	7	7	7	7
Baseball/softball diamonds	12	12	12	12	15	15	15	15	15	15
Soccer/football fields	4	4	4	4	11	11	11	11	11	-
Walking Trails (miles)	3.6	3.6	3.6	3.6	2	2	2	2	2	2
Water										
Water mains (miles)	121.03	121.03	121.03	120.28	120.28	119.61	117.72	115.07	108.36	104.9
Fire hydrants	838	809	809	804	804	797	725	712	688	681
Storage capacity (millions of gallons)	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35
Water wells	12	12	12	12	12	12	12	12	12	12
Booster Stations	3	3	3	3	3	3	3	2	2	2
Wastewater										
Sanitary sewer lines (miles)	85.7	85.7	85.7	85.7	85.7	83.3	81.54	77.14	70.32	65.16
Treatment capacity (millions of gallons per day)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Lift stations	6	6	6	6	6	6	6	6	5	4

Source: Internal city documents.



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

The Honorable Mayor and Members of the City Council of the
City of Mustang, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mustang, Oklahoma (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 12-1 and 12-2.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orledge & Associates, P.C.

Edmond, Oklahoma

December 14, 2012

CITY OF MUSTANG, OKLAHOMA

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Finding 12-1; Deposits with Financial Institutions

Criteria: Oklahoma state statutes require that all uninsured deposits of municipal funds in financial institutions must be secured by the financial institution with acceptable collateral.

Condition: As of June 30, 2012, deposits totaling approximately \$647,000 were not insured or collateralized as required by state law.

Cause: Near year end, the City received a large deposit from the issuance of debt. It is our understanding that efforts were made by City personnel to ensure that these proceeds would be collateralized by the financial institution prior to the actual deposit. However, that collateralization did not occur and the City was temporarily exposed to custodial risk.

Effect: Because of the failure to adequately collateralize its deposits, the City was exposed to potential losses resulting from custodial credit risk up to \$647,000 as of June 30, 2012.

Recommendation: We recommend that the City have procedures in place to ensure that all applicable deposits are adequately insured or collateralized throughout the year.

City's Response: Under new financial management, internal controls have been put in place to ensure that all deposits are secured acceptable collateral.

Finding 12-2 Account Reconciliations

Criteria: The City should establish and monitor appropriate controls to ensure timely and accurate reporting of the City's activities throughout the year.

Condition: During the year ended June 30, 2012, the City had not performed timely reconciliations on its accounts.

Cause: During the year, the City experienced turnover in its key accounting positions. This turnover was caused, in large part, due to the City seeking to improve its accounting and reporting processes through changes in personnel.

Effect: Outside consultants were brought in by the City near and subsequent to year end to aid in the reconciliation and reporting processes, and to assist in various pre-audit matters. However, key accounts were not reconciled throughout the year which can lead to increased exposure to errors or fraud not being detected in a timely manner.

Recommendation: We recommend that the City establish and monitor its control procedures to ensure timely accounting and reporting throughout the period.

City's Response: Under new financial management, the City is performing all reconciliations on its accounts in a timely manner.