



# **CITY OF MUSTANG, OKLAHOMA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

**CITY OF MUSTANG, OKLAHOMA**

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FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2011**

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

**Heather Campbell  
Finance Director**

CITY OF MUSTANG, OKLAHOMA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT  
 For the fiscal year ended June 30, 2011

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# ***Introductory Section***

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# City of Mustang

Mike Rutledge  
City Manager

January 26, 2012

Council-Manager Form of Government

405-376-4521 1501 N. Mustang Road, Mustang, Oklahoma 73064

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, 2011. 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 unqualified ("clean") opinions on the City of Mustang, Oklahoma's, financial statements for the year ended June 30, 2011. 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.

## *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 17,345.

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*

While the national economy stumbled, Mustang fared better than most. Residential building permits fell by 27.5% during the last fiscal year, but the size of the houses being built dramatically increased. The number of commercial building permits issued during FY 2011 matched the previous year, but the number of business licenses dropped by 2.3%. However, the total number of licenses issued was still 5.3% *greater* than the number of licensed issued before the financial collapse of 2008.

The Mustang Public Schools continues to be the area's largest employer with a total of 714 working in City Limits and another 535 active at sites outside our boundaries. 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 26 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.	277	
Tate Publishing	189	
City of Mustang	130	<i>(Includes employees of Severn-Trent)</i>
Lowe's Home Improvement Stores	107	
Oklahoma National Guard Armory	75	
Accurate Drilling Service	67	
Coldwell Banker SELECT Realty	50	
Larry's New Homeland	45	
Security Solutions	35	
Arbor House Assisting Living	35	

In 2010, *Money* magazine ranked Canadian County 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 6%.

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 had a hotelier 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*

Currently, management has 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 has received financing of a low interest loan through the Oklahoma Water Resources Board. The wastewater treatment plant expansion was completed in October 2010.

*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, 2010. This was the seventeenth 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,



Michael Rutledge  
City Manager



Heather Campbell  
Finance Director

*CITY OF MUSTANG, OKLAHOMA*

*LIST OF PRINCIPAL OFFICIALS*

*JUNE 30, 2011*

MAYOR AND CITY COUNCIL

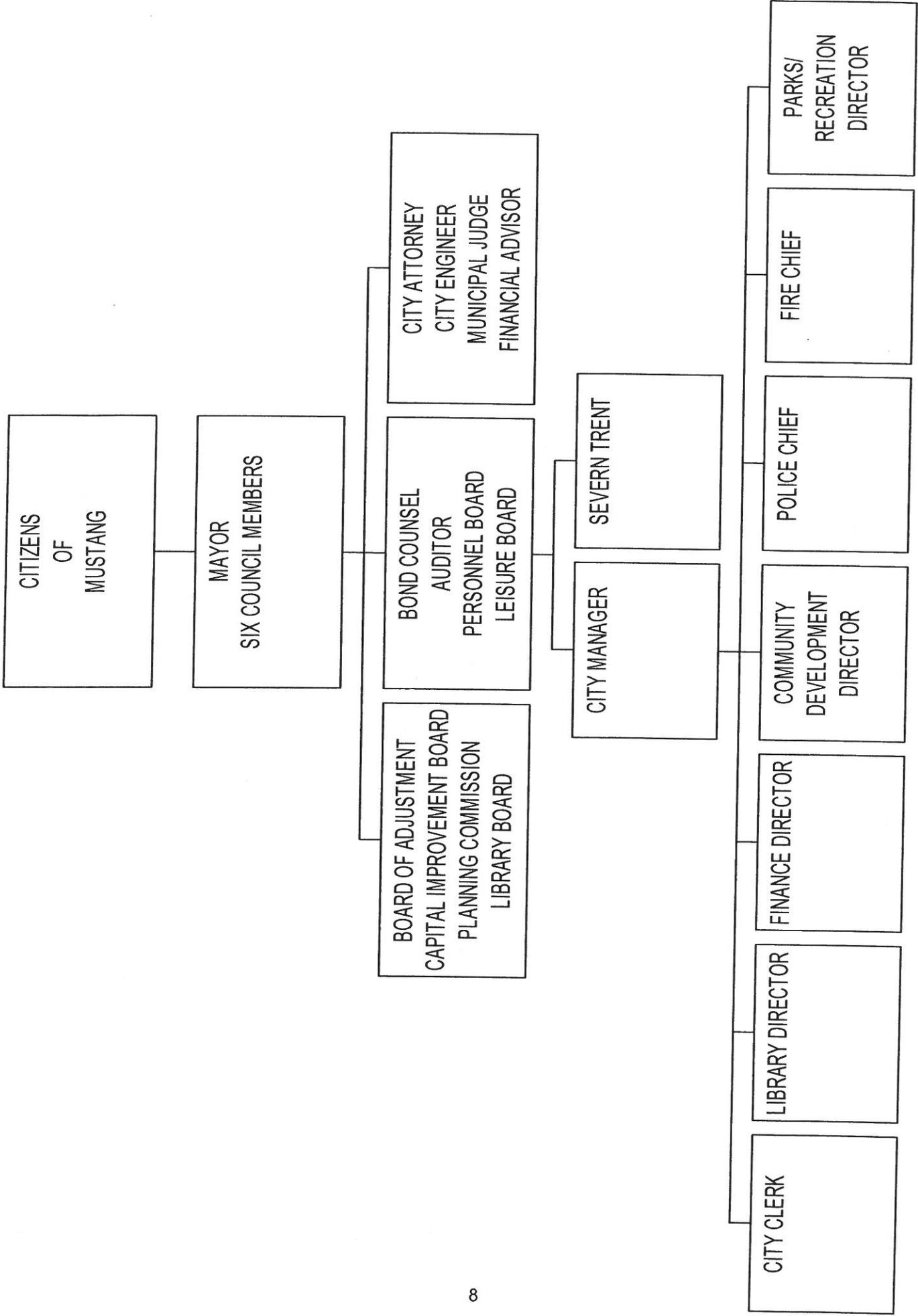
Jeff Landrith  
Jay Adams  
Mark Grubbs  
Ben Green  
Terry Jones  
Linda Hagan  
Don Mount

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  
Heather Campbell  
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, 2010

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.



*Linda C. Davidson*

President

*Jeffrey R. Emer*

Executive Director

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## ***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, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 26, 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.

*Arthur E. Arsonala, P.C.*  
Edmond, Oklahoma  
January 26, 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, 2011. 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 \$1,452,212 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 \$604,724 or 2.0% due mainly to contributed revenue related to improvements to roadways by the Oklahoma Department of Transportation.
- Net assets of the business-type activities increased by \$847,488 or 9.9% due in large part to a rate increase. In the business-type activities, charges for services revenues and expenses experienced a 8.5% increase and 7.7% increase, respectively.
- The City implemented GASB Statement 54-Fund Balance Reporting and Governmental Fund Type Definitions which resulted in the reclassification of some fund types and presentation of fund balance in the new categories of nonspendable, restricted, committed, assigned, and unassigned.

#### **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. Complete financial statements of MEDA, including its MD&A, may be obtained from its Board of Trustees, 1501 N. Mustang Road, Mustang, OK 73064.

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 ten 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, which is considered to be a major fund. Data from the other nine 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, 2011, 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
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$6.8	\$5.7	\$7.9	\$8.2	\$14.7	\$13.9	6%
Capital assets	26.6	26.9	26.0	26.4	52.6	53.3	-1%
<b>Total assets</b>	<b>33.4</b>	<b>32.6</b>	<b>33.9</b>	<b>34.6</b>	<b>67.3</b>	<b>67.2</b>	0%
Long-term debt outstanding	0.6	0.8	24.2	25.2	24.8	26	-5%
Other liabilities	1.6	1.2	0.3	0.9	1.9	2.1	-10%
<b>Total liabilities</b>	<b>2.2</b>	<b>2.0</b>	<b>24.5</b>	<b>26.1</b>	<b>26.7</b>	<b>28.1</b>	-5%
Net Assets							
Invested in capital assets,							
Net of related debt (see Note 3.G.)	26.3	26.4	15.4	15.5	29.0	41.9	-31%
Restricted	1.1	0.3	3.1	2.7	4.2	3.0	40%
Unrestricted	3.8	3.9	(9.1)	(9.7)	7.4	(5.8)	-228%
<b>Total net assets</b>	<b>\$31.2</b>	<b>\$30.6</b>	<b>\$9.4</b>	<b>\$8.5</b>	<b>\$40.6</b>	<b>\$39.1</b>	4%

The above numbers reflect a increase of 1.9% for governmental activities net assets and an increase of

approximately 10.6% for business-type activities net assets. The City's overall financial position improved during fiscal year 2011.

The City's governmental activities net assets increased by \$604,724. The primary reason for the increase was due to donations of capital assets.

The net assets of our business type activities increase by \$847,488 or 9.9%. The primary reason for the increase was due to an operational revenues exceeding expenses and a rate increase.

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 2010-2011
	2011	2010		2011	2010		2011	2010	
<i>Revenues:</i>									
<i>Program Revenues</i>									
Charges for Services	\$1.2	\$1.2	-	\$6.6	\$6.1	8%	\$7.8	\$7.3	7%
Operating Grants and contributions	0.6	0.6	-	-	2.0	-100%	0.6	2.6	-77%
Capital Grants and contributions	0.3	1.2	-75%	-	-	-	0.3	1.2	-75%
<i>General Revenues</i>									
Sales and use taxes	7.7	7.7	-	-	-	-	7.7	7.7	-
Property taxes	0.2	0.2	-	-	-	-	0.2	0.2	-
Other taxes	0.7	0.8	-13%	-	-	-	0.7	0.8	-13%
Other	0.3	0.2	50%	-	0.1	-100%	0.3	0.3	-12%
<b>Total revenues</b>	<b>11.0</b>	<b>11.9</b>	<b>-8%</b>	<b>6.6</b>	<b>8.2</b>	<b>-20%</b>	<b>17.6</b>	<b>20.1</b>	<b>-13%</b>
<i>Expenses:</i>									
Administration	3.1	2.9	7%	-	-	-	3.1	2.9	7%
Culture and recreation	2.2	2.1	5%	-	-	-	2.2	2.1	5%
Community development	0.4	0.4	-	-	-	-	0.4	0.4	-
Public safety	4.5	4.3	5%	-	-	-	4.5	4.3	5%
Streets	0.6	0.6	-	-	-	-	0.6	0.6	-
Water	-	-	-	2.2	2.1	5%	2.2	2.1	5%
Wastewater	-	-	-	1.2	1.1	9%	1.2	1.1	9%
Sanitation	-	-	-	1.0	0.9	11%	1.0	0.9	11%
Ambulance	-	-	-	0.1	0.1	-	0.1	0.1	-
Interest on gov. activities	-	-	-	0.8	0.8	-	0.8	0.8	-
<b>Total expenses</b>	<b>10.8</b>	<b>10.3</b>	<b>5%</b>	<b>5.3</b>	<b>5.0</b>	<b>6%</b>	<b>16.1</b>	<b>15.3</b>	<b>5%</b>
<i>Increase in net assets</i>									
Before transfers	0.2	1.6	-88%	1.3	3.2	-60%	1.5	4.8	-69%
Transfers	0.4	(0.8)	50%	(0.4)	0.8	-150%	-	-	-
<b>Change in net assets</b>	<b>\$0.6</b>	<b>\$0.8</b>	<b>-38%</b>	<b>\$0.9</b>	<b>\$4.0</b>	<b>-210%</b>	<b>\$1.5</b>	<b>\$4.8</b>	<b>-69%</b>

The results of 2011 were shaped largely by the slight rebound in the local economy. Total net assets increased by 3.7% or \$1,452,212. Significant changes were related to:

**Governmental Activities:**

Capital grants and contributions showed a 75% decrease due to a reduction in funding from the Oklahoma Department of Transportation.

**Business-type Activities:**

Operating grants and contributions showed a 100% decrease as ARRA funds received in the prior year were not recurring revenues.

Sanitation expense increased 11% related to a change in contractors and an increase in services offered to citizens, including curbside recycling and hazardous waste disposal.

**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		%
	2011	2010		2011	2010	
Administration	\$3,107	\$2,912	7%	(\$3,107)	(\$2,891)	7%
Culture and Recreation	2,181	2,065	6%	(1,365)	(1,282)	6%
Community Development	407	383	6%	(252)	(218)	16%
Public Safety	4,451	4,273	4%	(3,723)	(3,639)	2%
Streets and Drainage	645	590	9%	(224)	764	-129%
Interest on long-term debt	19	33	-42%	(19)	(33)	-42%
	<u>\$10,810</u>	<u>\$10,256</u>	5%	<u>(\$8,690)</u>	<u>(\$7,299)</u>	19%

Overall, the city's governmental activities' total costs increased 5% over last year and net costs increased by 19%. 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 and drainage.

**Business-type Activities:**

Overall, total cost of services for the city's business-type activities increased 8% 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.

**Business-Type Activities**  
**Table 4**  
**(in Thousands)**

	Total Cost of Services		%	Net Cost of Services		%
	2011	2010		2011	2010	
Water	\$2,213	\$2,055	8%	\$524	\$437	20%
Wastewater	1,216	1,124	8%	345	2,406	-86%
Solid Waste	1,022	947	8%	1,053	974	8%
Ambulance	146	83	76%	53	33	61%
Interest on governmental long-term debt	800	802	0%	(800)	(802)	0%
	<u>\$5,397</u>	<u>\$5,011</u>	8%	<u>\$1,175</u>	<u>\$3,048</u>	-61%

*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 \$666,609 from the prior year. This increase is attributed to a transfer from the MIA to assist with operations and a decrease in the transfer to other funds.

*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 \$524,375. General Fund actual expenditures were below budget by \$1,901,226, due to transfers to other funds being below estimates. Actual revenues were less than budgeted by \$259,766 because transfers in were less than anticipated.

*Capital Asset and Debt Administration*

At the end of June 30, 2011, the city had \$53 million invested in capital assets including police and fire equipment, buildings, park facilities, streets and drainage systems, and water and sewer infrastructure. Additions to capital assets included infrastructure donated by the state, wastewater treatment plant improvements and equipment. 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
	2011	2010	2011	2010	2011	2010	
<i>Non-Depreciable Assets</i>							
Land	\$0.8	\$0.8	\$0.5	\$0.5	\$1.3	\$1.3	0%
Construction-in-progress	0.4	0.1	0.0	5.8	0.4	5.9	-93%
<i>Depreciable Assets</i>							
Buildings	12.0	12.6	9.3	3.2	21.3	15.8	35%
Improvements & Other	0.2	0.2	-	-	0.2	0.2	0%
Equipment	3.1	3.1	0.1	0.1	3.2	3.2	0%
Infrastructure	10.1	10.1	16.1	16.9	26.2	27.0	-3%
<b>Totals</b>	<b>\$26.6</b>	<b>\$26.9</b>	<b>\$26.0</b>	<b>\$26.5</b>	<b>\$52.6</b>	<b>\$53.4</b>	-1%

### Debt Administration

At year-end, the city had \$25,510,134 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
	2011	2010	2011	2010	2011	2010	
General Obligation Bond	\$ 0.3	\$ 0.5	\$ -	\$ -	\$ 0.3	\$ 0.5	-40%
Capital lease obligation	0.1	0.1	-	-	0.1	0.1	0%
Notes Payable	-	-	4.0	3.2	4.0	3.2	25%
Revenue Bonds	-	-	20.9	22.7	20.9	22.7	-8%
Accrued Compensation	0.2	0.2	-	-	0.2	0.2	0%
<b>Totals</b>	<b>\$0.6</b>	<b>\$0.8</b>	<b>\$24.9</b>	<b>\$25.9</b>	<b>\$25.5</b>	<b>\$26.7</b>	-4%

### *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 the opening of the Armory and more inquiries from businesses looking to build or relocate in the city. The city anticipates 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 2011-2012 government-wide budget of \$49.5 million is an increase of .06% over the current year. The City used the Five Year Capital Improvement Plan, which was completed in early 2006 to plan and budget citywide capital and complete construction on the Wastewater Treatment Plant Expansion. The City worked with the Oklahoma Water Resources Board to secure low interest financing for the expansion and rehabilitation of the plant.

*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,

A handwritten signature in black ink, appearing to read "Heather Campbell". The signature is written in a cursive, flowing style.

Heather Campbell  
Finance Director

## ***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, Oklahoma**  
**Statement of Net Assets**  
**June 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Mustang Economic Development Authority
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$3,343,040	\$1,463,655	\$4,806,695	\$3,950
Investments	1,921,933	1,493,193	3,415,126	-
Restricted - cash and cash equivalents	-	2,385,342	2,385,342	-
Restricted - investments	87,011	1,041,298	1,128,309	-
Interest receivable	869	1,061	1,930	-
Accounts receivable, net	158,041	910,794	1,068,835	-
Due from other governments	1,040,122	8,142	1,048,264	-
Internal balances	39,017	(39,017)	-	-
Other receivable	137,894	-	137,894	-
Inventory	25,752	24,797	50,549	-
Notes Receivable	-	-	-	179,619
Total current assets	<u>6,753,679</u>	<u>7,289,265</u>	<u>14,042,944</u>	<u>183,569</u>
Noncurrent Assets:				
Note receivable	-	-	-	361,381
Capital assets:				
Land and construction in progress	1,239,631	481,775	1,721,406	-
Depreciable buildings, property, and equipment, net	25,405,288	25,479,715	50,885,003	-
Unamortized bond issuance cost	5,621	714,879	720,500	-
Total noncurrent assets	<u>26,650,540</u>	<u>26,676,369</u>	<u>53,326,909</u>	<u>361,381</u>
Total assets	<u>33,404,219</u>	<u>33,965,634</u>	<u>67,369,853</u>	<u>544,950</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	821,267	142,080	963,347	380
Accrued interest payable	5,138	33,146	38,284	-
Accrued liabilities	162,689	140,516	303,205	-
Claims payable	359,994	-	359,994	-
Amounts held in escrow	49,565	-	49,565	-
Current portion of long-term obligations	317,204	2,195,705	2,512,909	179,619
Total current liabilities	<u>1,715,857</u>	<u>2,511,447</u>	<u>4,227,304</u>	<u>179,999</u>
Noncurrent liabilities:				
Other post employment benefit obligation	156,968	-	156,968	-
Noncurrent portion of long-term obligations	284,537	22,046,203	22,330,740	361,381
Total non-current liabilities	<u>441,505</u>	<u>22,046,203</u>	<u>22,487,708</u>	<u>361,381</u>
Total liabilities	<u>2,157,362</u>	<u>24,557,650</u>	<u>26,715,012</u>	<u>541,380</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt (see note 3.G concerning total column)	26,279,118	15,414,609	29,016,833	-
Restricted by:				
Statutory requirements	894	-	894	-
Enabling legislation	132,112	3,121,391	3,253,503	-
External contracts	1,021,119	-	1,021,119	-
Unrestricted (see note 3.G)	3,813,614	(9,128,016)	7,362,492	3,570
Total net assets	<u>\$31,246,857</u>	<u>\$9,407,984</u>	<u>\$40,654,841</u>	<u>\$3,570</u>

See accompanying notes to the basic financial statements.

**City of Mustang, Oklahoma**  
**Statement of Activities**  
**For the fiscal year ended June 30, 2011**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-Type Activities	Total	
		Operating Grants and Contributions	Capital Grants and Contributions				
<b>Primary Government:</b>							
Administration	\$ 3,107,036	\$ -	\$ -	\$ (3,107,036)	-	\$(3,107,036)	-
Economic development (payment to MEDA)	1,200	-	-	(1,200)	-	(1,200)	-
Culture and recreation	2,181,178	-	-	(1,364,367)	-	(1,364,367)	-
Community development	407,014	31,036	-	(252,183)	-	(252,183)	-
Public safety	4,451,242	438,034	-	(3,723,133)	-	(3,723,133)	-
Streets and drainage	643,834	129,597	290,899	(223,338)	-	(223,338)	-
Interest on long-term debt	19,238	-	-	(19,238)	-	(19,238)	-
Total governmental activities	10,810,742	1,230,681	290,599	(8,690,495)	-	(8,690,495)	-
<b>Business-type activities:</b>							
Water operations	2,213,351	-	-	-	\$524,057	524,057	-
Wastewater operations	1,215,719	-	-	-	345,298	345,298	-
Solid waste operations	1,022,186	-	-	-	1,053,286	1,053,286	-
Ambulance assessments	146,429	-	-	-	52,787	52,787	-
General government	800,094	-	-	-	(800,094)	(800,094)	-
Total business-type activities	5,397,779	-	-	-	1,175,334	1,175,334	-
<b>Total primary government</b>	<b>\$16,208,521</b>	<b>\$7,803,794</b>	<b>\$290,599</b>	<b>(8,690,495)</b>	<b>1,175,334</b>	<b>(7,515,161)</b>	
<b>Component Units:</b>							
Economic development	\$32,822	\$31,521	-	-	-	(\$1,301)	(\$1,301)
<b>Total component units</b>	<b>\$32,822</b>	<b>\$31,521</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(\$1,301)</b>	<b>(\$1,301)</b>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes				7,717,051	-	7,717,051	-
Franchise and public service taxes				854,056	-	854,056	-
E-911 taxes				7,024	-	7,024	-
Intergovernmental revenue not restricted to specific programs				153,400	-	153,400	-
Investment income				38,653	46,661	85,294	18
Payment from City of Mustang				-	-	-	1,200
Miscellaneous				136,481	14,067	150,548	-
Transfers - Internal activity				388,574	(388,574)	-	-
Total general revenues and transfers				9,295,219	(327,846)	8,967,373	1,218
Change in net assets				604,724	847,488	1,452,212	(83)
Net assets - beginning				30,642,133	8,560,496	39,202,629	3,653
Net assets - ending				\$31,246,857	\$9,407,984	\$40,654,841	\$3,570

See accompanying notes to the basic financial statements

**City of Mustang, Oklahoma**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$1,743,178	\$1,429,763	\$3,172,941
Investments	937,299	677,206	1,614,505
Receivables:			
Accrued interest receivable	522	168	690
Due from other funds	40,213	30,823	71,036
Due from other governments	1,029,470	10,652	1,040,122
Court fines receivable, net of allowance of \$94,830	158,041	-	158,041
Other receivables	137,894	-	137,894
Inventory	25,752	-	25,752
 Total assets	 <u>\$4,072,369</u>	 <u>\$2,148,612</u>	 <u>\$6,220,981</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts payable	\$485,267	\$336,144	\$821,411
Due to other funds	6,881	25,138	32,019
Accrued liabilities	162,545	-	162,545
Amounts held in escrow	49,565	-	49,565
Deferred revenue	109,788	12,038	121,826
 Total liabilities	 <u>814,046</u>	 <u>373,320</u>	 <u>1,187,366</u>
Fund Balances:			
Nonspendable	25,752	-	25,752
Restricted	27,576	1,126,549	1,154,125
Assigned	12,780	648,743	661,523
Unassigned	3,192,215	-	3,192,215
 Total fund balances	 <u>3,258,323</u>	 <u>1,775,292</u>	 <u>5,033,615</u>
 Total liabilities and fund balances	 <u>\$4,072,369</u>	 <u>\$2,148,612</u>	 <u>\$6,220,981</u>

See accompanying notes to the basic financial statements.

**City of Mustang, Oklahoma**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2011**

<b>Fund balances of governmental funds</b>	<b>\$5,033,615</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of 39,201,711	26,644,919
Unamortized bond issuance costs are not financial resources and, therefore, are not reported in the funds	5,621
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Court fines receivable, net of allowance for doubtful accounts of \$94,830	109,788
Ad valorm taxes receivable	12,038
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 assets.	204,723
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Other post employment benefit obligation	(156,968)
Accrued interest payable	(5,138)
Capital lease payable	(131,422)
General obligation bonds payable	(240,000)
Accrued compensated absences	(230,319)
Net assets of governmental activities	<b>\$31,246,857</b>

See accompanying notes to the basic financial statements

**City of Mustang, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the fiscal year ended June 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$8,368,674	\$203,182	\$8,571,856
Intergovernmental	739,802	28,419	768,221
Charges for services	720,049	-	720,049
Fines and forfeitures	224,487	46,597	271,084
Licenses and permits	149,841	7,460	157,301
Investment income	18,643	14,315	32,958
Miscellaneous	229,819	758	230,577
 Total Revenues	 <u>10,451,315</u>	 <u>300,731</u>	 <u>10,752,046</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Administration	2,413,187	-	2,413,187
Culture and recreation	1,879,426	-	1,879,426
Community development	360,715	-	360,715
Public safety	4,091,831	4,910	4,096,741
Streets and drainage	154,470	-	154,470
Capital outlay	113,566	821,582	935,148
<b>Debt service:</b>			
Principal retirement	-	300,574	300,574
Interest and fiscal charges	-	24,415	24,415
 Total Expenditures	 <u>9,013,195</u>	 <u>1,151,481</u>	 <u>10,164,676</u>
Excess (deficiency) of revenues over expenditures	1,438,120	(850,750)	587,370
<b>Other Financing Sources (Uses):</b>			
Transfers in	6,772,723	1,160,085	7,932,808
Transfers out	(7,544,234)	-	(7,544,234)
Capital lease proceeds	-	124,040	124,040
Total Other Financing Sources (Uses)	<u>(771,511)</u>	<u>1,284,125</u>	<u>512,614</u>
Net change in fund balances	666,609	433,375	1,099,984
Fund balances - beginning	2,591,714	1,341,917	3,933,631
Fund balances - ending	<u>\$3,258,323</u>	<u>\$1,775,292</u>	<u>\$5,033,615</u>

See accompanying notes to the basic financial statements

**City of Mustang, Oklahoma**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the fiscal year ended June 30, 2011**

Net change in fund balances - total governmental funds	\$1,099,984
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	969,106
Depreciation expense	(1,531,938)
	(562,832)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Donated capital assets	262,480
Deferred revenue	(7,348)
	255,132
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Capital lease principal payments	60,574
General obligation bond principal payments	240,000
Debt proceeds	(124,040)
	176,534
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued interest payable	(2,378)
Accrued compensated absences	847
Other post employment benefit obligation	(78,484)
Amortization expense	(6,746)
	(86,761)
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	(277,333)
	(277,333)
Change in net assets of governmental activities	\$604,724

See accompanying notes to the basic financial statements

**City of Mustang, Oklahoma**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	<u>MIA</u> <u>Enterprise Fund</u>	<u>Governmental</u> <u>Activities -</u> <u>Internal</u> <u>Service Fund</u>
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$1,463,655	\$170,099
Restricted cash and cash equivalents	2,385,342	-
Investments	1,493,193	394,439
Restricted investments	1,041,298	-
Interest receivable	1,061	179
Accounts receivable, net	910,794	-
Due from other funds	6,881	-
Due from other governments	8,142	-
Inventory	24,797	-
Total current assets	<u>7,335,163</u>	<u>564,717</u>
Noncurrent Assets:		
Land and construction in progress	481,775	-
Other capital assets, net	25,479,715	-
Unamortized bond issue costs	714,879	-
Total noncurrent assets	<u>26,676,369</u>	<u>-</u>
Total assets	<u>34,011,532</u>	<u>564,717</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable	141,200	-
Claims payable	-	359,994
Due to other funds	45,898	-
Accrued interest payable	173,662	-
Refundable deposits	31,205	-
Notes payable	329,500	-
Revenue bonds payable	1,835,000	-
Total current liabilities	<u>2,556,465</u>	<u>359,994</u>
Noncurrent liabilities:		
Deposits subject to refund	272,929	-
Revenue bonds payable, net	18,100,261	-
Notes payable	3,673,893	-
Total noncurrent liabilities	<u>22,047,083</u>	<u>-</u>
Total liabilities	<u>24,603,548</u>	<u>359,994</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt (note 3.G)	15,414,609	-
Restricted for:		
Debt service	3,121,391	-
Unrestricted	(9,128,016)	204,723
Total net assets	<u>\$9,407,984</u>	<u>\$204,723</u>

See accompanying notes to the basic financial statements

**City of Mustang, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2011**

	<u>MIA</u>	<u>Governmental</u>
	<u>Enterprise Fund</u>	<u>Activites -</u>
		<u>Internal</u>
		<u>Service Fund</u>
Operating Revenues:		
Charges for services:		
Water charges (net of \$11,246 bad debt allowance)	\$2,665,017	-
Sewer charges (net of \$6,235 bad debt allowance)	1,464,560	-
Installations and connections	42,955	-
Penalties (net of \$506 bad debt allowance)	117,177	-
Sanitation charges (net of \$7,430 bad debt allowance)	2,030,400	-
Ambulance assessment (net of \$860 bad debt allowance)	199,216	-
Sewer impact fees	47,000	-
Workers compensation fees	-	\$112,892
Other	20,857	14,040
Total operating revenues	6,587,182	126,932
Operating Expenses:		
Cost of goods sold	344,875	-
Operations and maintenance	2,832,661	33,206
Claims expense	-	376,738
Depreciation	891,969	-
Amortization	76,904	-
Total operating expenses	4,146,409	409,944
Operating income (loss)	2,440,773	(283,012)
Non-Operating Revenues (Expenses):		
Investment income	46,661	5,679
Miscellaneous	(751)	-
Interest expense and fiscal charges	(1,250,621)	-
Total non-operating revenues (expenses)	(1,204,711)	5,679
Net income (loss) before contributions and transfers	1,236,062	(277,333)
Transfers in	7,150,758	-
Transfers out	(7,539,332)	-
Change in net assets	847,488	(277,333)
Total net assets - beginning	8,560,496	482,056
Total net assets - ending	\$9,407,984	\$204,723

See accompanying notes to the basic financial statements

**City of Mustang, Oklahoma**  
**Statement Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2011**

	<u>MIA</u> <u>Enterprise Fund</u>	<u>Governmental</u> <u>Activities -</u> <u>Internal</u> <u>Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$6,458,965	\$126,932
Payments to suppliers	(3,689,102)	(33,206)
Payments to claimants	-	(161,151)
Receipts of customer meter deposits	53,435	-
Customer meter deposits refunded or applied	(47,805)	-
Due to other funds	43,903	-
Due from other funds	(6,881)	-
Net Cash Provided by (Used in) Operating Activities	<u>2,812,515</u>	<u>(67,425)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	7,150,758	-
Transfers to other funds	(7,539,332)	-
Principal paid on non-capital debt	(985,000)	-
Interest and fiscal agent fees paid on non-capital debt	(681,597)	-
Net Cash Provided by (Used in) Noncapital and Related Financing Activities	<u>(2,055,171)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(498,557)	-
Proceeds from issuance of capital debt	1,008,190	-
Principal paid on capital debt	(1,043,600)	-
Interest and fiscal agent fees paid on capital debt	(472,813)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,006,780)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(45,688)	(5,738)
Interest and dividends	46,736	5,737
Net Cash Provided by (Used in) Investing Activities	<u>1,048</u>	<u>(1)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(248,388)	(67,426)
Balances - beginning of the year	4,097,385	237,525
Balances - end of the year	<u>\$3,848,997</u>	<u>\$170,099</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$2,440,773	(\$283,012)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	891,969	-
Amortization expense	76,904	-
Other non operating revenues	(751)	-
Expense of construction in progress	82,139	-
Change in assets and liabilities:		
Receivables, net	(129,593)	-
Due from other governments	2,127	-
Due from other funds	(6,881)	-
Inventory	4,719	-
Accounts payables	(598,424)	215,587
Customer meter deposits payable	5,630	-
Due to other funds	43,903	-
Net Cash Provided by (Used in) Operating Activities	<u>\$2,812,515</u>	<u>(\$67,425)</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.

Complete financial statements of the discretely presented component unit can be obtained by contacting the Administrative office of the Mustang Economic Development Authority, 1501 N. Mustang Road, Mustang, Oklahoma 73064.

### **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 two capital project funds, the city Capital Improvement Fund and the 2007 General Obligation Bond Project Fund. Neither is considered a major funds.

#### *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.

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## 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, 2011, 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 mature, 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.

## 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 1999 and 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, 2011, 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, 2011, the City’s net assessed valuation of taxable property was \$106,319,101. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2011 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 notes provided financing for governmental capital assets. The bonds are payable from pledged sales tax revenues and are payable through 2022. The total principal and interest payable for the remainder of the life of these bonds is \$18,090,653. Pledged sales taxes received in the current year were

\$1,867,371. Debt service payments of \$1,748,395 for the current fiscal year were 94% 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 \$8,671,179. 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 \$1,152,382 which was 12.1% of pledged net utility and sales tax revenues of \$9,563,146.

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 will provide 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 \$5,568,018. The bond is payable from the above-mentioned utility net revenues. Debt service payments of \$343,792 for the current fiscal year were 3.5% of pledged revenues.

The city has pledged future ad valorem taxes to repay \$960,000 of the 2007 General Obligation Bonds. Proceeds from the bonds provided financing for the purchase of the three fire apparatus. The bonds are payable thru 2012. 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 \$248,280. Pledged ad valorem taxes received in the current year were \$203,182. Debt service payments of \$256,560 for the current fiscal year were 126% of the pledged ad valorem taxes. 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:

1. 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.

2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds is not eliminated in the statement of activities.
3. Primary government and component unit activity and balances - resource flows between the primary government (the City and 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, 2010, 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, 2011, 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, 2011.

### *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, 2011.

## **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 \$10,413,078 at June 30, 2010, 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 four financial institutions. Deposits in excess of available collateral and FDIC insurance totaled \$510,213.

Total bank deposits of \$3,950 of the discretely presented component units were insured with Federal Deposit Insurance Corporation Insurance.

As of June 30, 2011, 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	\$5,756,810	n/a	\$5,756,810	-	-	-
Money Market Accounts	1,435,227	n/a	1,435,227	-	-	-
Certificates of Deposit	4,543,435	n/a	-	\$4,543,435	-	-
	<u>\$11,735,472</u>		<u>\$7,192,037</u>	<u>\$4,543,435</u>	<u>-</u>	<u>-</u>
Reconciliation to Statement of Net Assets:						
Cash and cash equivalents	\$4,806,695					
Restricted - cash and cash equivalents	2,385,342					
Investments	3,415,126					
Restricted - investments	1,128,309					
	<u>\$11,735,472</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, 2011, is as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable	\$263,402	\$918,493	\$1,181,895
Allowance for uncollectible accounts	(105,361)	(7,699)	(113,060)
Net Accounts Receivable	<u>\$158,041</u>	<u>\$910,794</u>	<u>\$1,068,835</u>

### 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, 2011 were as follows:

	Cash and Cash Equivalents	Investments	Totals
Governmental Activities:			
Debt Service	-	\$87,011	\$87,011
Business-Type Activities:			
Deposits Subject to Refund	\$15,587	\$289,662	\$305,249
Debt Service	<u>2,369,755</u>	<u>751,636</u>	<u>3,121,391</u>
Total Business-type Activities:	<u>\$2,385,342</u>	<u>\$1,041,298</u>	<u>\$3,426,640</u>
Total Restricted Assets	<u>\$2,385,342</u>	<u>\$1,128,309</u>	<u>\$3,513,651</u>

**3.D. CAPITAL ASSETS**

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

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2011</u>
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$826,708	-	-	\$826,708
Construction-in-progress	85,611	\$778,880	\$451,568	412,923
Total Capital assets not being depreciated	<u>912,319</u>	<u>778,880</u>	<u>451,568</u>	<u>1,239,631</u>
Depreciable assets				
Buildings	16,684,848	-	-	16,684,848
Other improvements	409,905	16,860	-	426,765
Machinery and equipment	8,249,436	419,830	-	8,669,266
Infrastructure	38,358,535	467,583	-	38,826,118
Total depreciable assets	<u>63,702,724</u>	<u>904,273</u>	<u>-</u>	<u>64,606,997</u>
Less accumulated depreciation:				
Buildings	4,148,560	502,411	-	4,650,971
Other improvements	173,867	21,339	-	195,206
Machinery and equipment	5,091,437	523,496	-	5,614,933
Infrastructure	28,255,907	484,692	-	28,740,599
Total accumulated depreciation	<u>37,669,771</u>	<u>1,531,938</u>	<u>-</u>	<u>39,201,709</u>
Net depreciable assets	<u>26,032,953</u>	<u>(627,665)</u>	<u>-</u>	<u>25,405,288</u>
Governmental activities capital assets, net	<u>\$26,945,272</u>	<u>\$151,215</u>	<u>\$451,568</u>	<u>\$26,644,919</u>

Business Type Activities:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2011</u>
<i>Business -type Activities:</i>				
Capital assets not being depreciated:				
Land	\$452,326	-	-	\$452,326
Construction-in-progress	<u>5,870,259</u>	<u>\$475,548</u>	<u>\$6,316,358</u>	<u>29,449</u>
Total Capital assets not being depreciated	<u>6,322,585</u>	<u>475,548</u>	<u>6,316,358</u>	<u>481,775</u>
Depreciable Assets:				
Buildings	5,063,114	6,234,219	-	11,297,333
Other improvements	33,396	-	-	33,396
Machinery and equipment	568,271	23,009	-	591,280
Utility Property	<u>28,960,918</u>	<u>-</u>	<u>-</u>	<u>28,960,918</u>
Total depreciable assets	<u>34,625,699</u>	<u>6,257,228</u>	<u>-</u>	<u>40,882,927</u>
Less accumulated depreciation:				
Buildings	1,870,279	173,995	-	2,044,274
Other improvements	13,249	1,112	-	14,361
Machinery and equipment	479,001	20,137	-	499,138
Infrastructure	<u>12,148,714</u>	<u>696,725</u>	<u>-</u>	<u>12,845,439</u>
Total accumulated depreciation	<u>14,511,243</u>	<u>891,969</u>	<u>-</u>	<u>15,403,212</u>
Net depreciable assets	<u>20,114,456</u>	<u>5,365,259</u>	<u>-</u>	<u>25,479,715</u>
Business-type activities capital assets, net	<u>\$26,437,041</u>	<u>\$5,840,807</u>	<u>\$6,316,358</u>	<u>\$25,961,490</u>

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

Primary Government:

Governmental Activities:

Administration	\$400,835
Culture and Recreation	299,387
Community Development	16,958
Public Safety	348,176
Streets and Drainage	<u>466,582</u>
Total depreciation expense for governmental activities	<u>\$1,531,938</u>

Business-Type Activities:

Water	\$455,016
Wastewater	436,304
Sanitation	<u>649</u>
Total depreciation expense for business-type activities	<u>\$891,969</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, 2011, the governmental activities long-term debt consisted of the following:

General Obligation Bonds:

\$960,000 General Obligation Bonds of 2007, due in five annual installments of \$240,000, first payment due May 2009 final payment due May 1, 2012, with interest rates of 3.40% to 4.9%, to be repaid from a property tax levy. Current portion \$240,000	<u>\$240,000</u>
Current portion	<u>\$240,000</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 \$15,627, non-current portion \$35,968.	\$51,595
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\$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 \$38,545, non-current portion \$41,282.	<u>79,827</u>
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Total Capital Lease Outstanding	<u>\$131,422</u>
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Current portion	\$54,172
Non-current portion	<u>77,250</u>
Total Capital Lease Payable	<u>\$131,422</u>

Accrued Compensated Absences:

Current portion	\$23,032
Non-current portion	<u>207,287</u>
Total Accrued Compensated Absences	<u>\$230,319</u>

*Business-Type Activities:*

As of June 30, 2011, 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, interest rate of 2.310% and administrative fee of .5%, final maturity June 2029. Current portion \$329,500, non-current portion \$3,673,893.	<u>\$4,003,393</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 \$820,000, non-current \$3,745,000	\$4,565,000
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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, 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 \$1,015,000, non-current \$12,970,000.	<u>\$13,985,000</u>
Total Revenue Bonds Outstanding	\$20,905,000
Unaccreted bond premium	318,746
Unamortized loss on refunding	(1,250,691)
Unamortized bond discount	<u>(37,794)</u>
Net Revenue Bonds Payable	<u>\$19,935,261</u>
Current portion	\$1,835,000
Non-current portion	<u>18,100,261</u>
Total Revenue Bonds Payable	<u>\$19,935,261</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 \$206,033. Interest expense related to the 1999 and 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 \$800,094.

*Component Unit Debt*

At June 30, 2011, 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>\$541,000</u>
Current portion	\$179,619
Non-current portion	<u>361,381</u>
Total Component Unit Debt	<u>\$541,000</u>

*Changes in Long-Term Debt*

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

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$480,000	-	\$240,000	\$240,000	\$240,000
Capital Lease Payable	67,956	\$124,040	60,574	131,422	54,172
Accrued Compensated Absences	231,166	261,104	261,951	230,319	23,032
<b>Total Governmental Activities</b>	<b>\$779,122</b>	<b>\$385,144</b>	<b>\$562,525</b>	<b>\$601,741</b>	<b>\$317,204</b>
<b>Business Type Activities:</b>					
Notes payable	\$3,258,803	\$1,008,190	\$263,600	\$4,003,393	329,500
Revenue Bonds Payable	22,670,000	-	1,765,000	20,905,000	\$1,835,000
<b>Total Business Type Activities</b>	<b>\$25,928,803</b>	<b>\$1,008,190</b>	<b>\$2,028,600</b>	<b>\$24,908,393</b>	<b>\$2,164,500</b>
<b>Component Unit - MEDA:</b>					
Revenue Bond	\$709,261	-	\$168,261	\$541,000	\$179,619

*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, 2011 are as follows:

Year Ending June 30,	Governmental Activities					
	General Obligation Bonds		Capital Lease			
	Principal	Interest	Principal	Interest		
2012	\$240,000	\$8,280	\$54,172	\$8,814		
2013	-	-	59,013	3,972		
2014	-	-	18,237	333		
<b>Total</b>	<b>\$240,000</b>	<b>\$8,280</b>	<b>\$131,422</b>	<b>\$13,119</b>		
Year Ending June 30,	Business Type Activities				Component Unit	
	Revenue Bonds		Note Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$1,835,000	\$1,022,984	\$329,500	\$133,518	\$179,619	\$30,107
2013	1,920,000	939,280	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	-	-
2017-2021	9,295,000	1,613,918	1,647,500	401,186	-	-
2022-2026	1,545,000	38,625	1,031,400	248,958	-	-
2027-2030	-	-	-	-	-	-
<b>Total</b>	<b>\$20,905,000</b>	<b>\$5,856,832</b>	<b>\$4,326,400</b>	<b>\$1,241,618</b>	<b>\$541,000</b>	<b>\$53,223</b>
Amount to be drawn			323,007			
Amount outstanding			<u>\$4,003,393</u>			

**3.F. INTERFUND TRANSACTION AND BALANCES**

Interfund receivable and payable balances reported in the fund financial statements at June 30, 2011 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>	
* General Fund	Debt service	25,138	Negavite cash	
* General Fund	* MIA	15,075	Posting error	
* MIA	* General Fund	6,881	Posting error	
Street Improvement	* MIA	11,933	Accrual of June activity	
Capital Improvement	* MIA	16,895	Correction of deposit	
Park Improvement Fund	* MIA	1,995	Correction of deposit	
Total		<u>\$ 77,917</u>		
Reconciliation to Fund Financial Statements:		Due From	Due To	Net Internal
		Other Funds	Other Funds	Balances
Governmental Funds		\$ 71,036	\$ 32,019	\$ 39,017
Proprietary Funds		6,881	45,898	(39,017)
Total		<u>\$ 77,917</u>	<u>\$ 77,917</u>	<u>\$ -</u>

\* Fund is a major fund

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

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
* General Fund	* MIA	\$ 7,150,762	Pledged sales tax - bond indenture
* General Fund	Streets and Drainage	320,000	Budgeted annual operating transfer
* General Fund	Capital Project	73,472	Budgeted annual operating transfer
* MIA	* General Fund	3,038,000	Budgeted annual operating transfer
* MIA	* General Fund	3,734,723	Pledged sales tax - bond indenture
* MIA	Streets and Drainage	142,131	Sanitation franchise fees
* MIA	Capital Project	201,109	Budgeted annual operating transfer
* MIA	Capital Project	423,369	Sales tax per ordinance
		<u>\$ 15,083,566</u>	

\* Represents major fund

Reconciliation to Fund Financial Statements:	<u>Transfers in</u>	<u>Transfers out</u>	<u>Total</u>
Governmental Funds	\$ 7,932,808	\$ 7,544,234	\$ 388,574
Proprietary Funds	7,150,758	7,539,332	(388,574)
Total	<u>\$ 15,083,566</u>	<u>\$ 15,083,566</u>	<u>-</u>

MEDA received \$1,200 from the General Fund for operations.

**3.G. FUND BALANCES AND NET ASSETS**

*Government Wide Financial Statements:*

Net Asset Restrictions at June 30, 2011 were as follows:

Fund	Restricted By	Amount
Debt Service	Enabling legislation	\$ 60,487
Park Improvements	Enabling legislation	\$ 56,440
Traffic Enforcement	Enabling legislation	15,185
		<u>\$ 132,112</u>
Jail operations	Statutory requirements	\$ 894
		<u>\$ 894</u>
Library	External	\$ 26,682
Street improvements	External	446,626
Capital improvements	External	547,811
		<u>\$ 1,021,119</u>

*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 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 \$12,676,894, therefore explaining why this amount does not total across.

*Fund Level Financial Statements:*

	General Fund	Other Governmental Fund	Total
Fund Balance:			
Nonspendable:			
Inventory	\$ 25,752	\$ -	\$ 25,752
Restricted For:			
Police operations	-	15,185	15,185
Library operations	26,682	-	26,682
Park improvements	-	56,440	56,440
Debt Service	-	60,487	60,487
Capital improvements	-	547,811	547,811
Street improvements	-	446,626	446,626
Jail operations	894	-	894
Sub-total restricted	<u>27,576</u>	<u>1,126,549</u>	<u>1,154,125</u>
Assigned for:			
Capital improvements	8,907	279,165	288,072
Library operations	3,873	-	3,873
Park improvements	-	42,300	42,300
Street improvements	-	327,202	327,202
Police operations	-	76	76
Sub-total assigned	<u>12,780</u>	<u>648,743</u>	<u>661,523</u>
Unassigned:	3,192,215	-	3,192,215
TOTAL FUND BALANCE	<u>\$ 3,258,323</u>	<u>\$ 1,775,292</u>	<u>\$ 5,033,615</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. 63<sup>rd</sup>, 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 \$114,057 and \$224,290, 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:

<u>Fiscal Year</u>	<u>Oklahoma Police Pension and Retirement System</u>		<u>Oklahoma Firefighter’s Pension and Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$118,788	100%	\$97,529	100%
2010	128,933	100%	105,535	100%
2011	133,321	100%	115,571	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 14.70 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 2011 the city's annual pension cost of \$238,065 was equal to the city's required contributions. The General Fund is used to liquidate net pension obligations.

**Three-Year Trend Information**

<b><u>Fiscal Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
June 30, 2009	\$196,751	100%	\$0
June 30, 2010	\$216,468	100%	\$0
June 30, 2011	\$238,065	100%	\$0

The required contribution was determined as part of the July 1, 2010, 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) and 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, 2011 the most recent actuarial valuation date, the plan was 72.2 percent funded. The actuarial accrued liability for benefits was \$4,618,060, and the actuarial value of assets was \$3,426,895, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,191,165. The covered payroll (annual payroll of active employees covered by the plan) was \$1,602,132 and the ratio of the UAAL to the covered payroll at 74.3 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 2011, the actuarially expected City contribution in the form of net age adjustment was \$10,874 to the Plan.

Plan members receiving benefits contributed \$4,689 of the total premiums, through their payment of the full determined premium in FY 2011.

*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 to for the year ended June 30, 2011:

Normal Cost	\$	53,742
Amortization of Actuarial Accrued Liability (AAL)		35,616
Annual OPEB cost (expense)		89,358
Expected net benefits during the year		(10,874)
Increase in net OPEB obligation		78,484
Net OPEB obligation - beginning of year		78,484
Net OPEB obligation - end of year	\$	156,968

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$89,358	12.2%	\$78,484
6/30/11	\$89,358	12.2%	\$156,968

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, 2009, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$594,047, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$594,047. The covered payroll (annual payroll of active employees covered by the plan) was \$1,604,614 million, and the ratio of the UAAL to the covered payroll was 37 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, 2009, 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 7 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 reductions 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 General Fund with participating departments charged through and 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, 2009 through June 30, 2011, was as follows:

<i>Claims Liability Analysis:</i>	
Claim liability, June 30, 2009	\$122,481
Claims and changes in estimates	105,633
Claims payments	<u>(83,707)</u>
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	<u><u>\$359,994</u></u>
Assets available to pay claims at June 30, 2011	<u><u>\$546,717</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, 2011 of \$546,717 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 2010-2011, the City paid \$1,856,313 in privatization fees, including overages for repair and maintenance. In addition, the sanitation services are privatized. Total fees related to sanitation privatization were \$1,000,218.

*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 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, of \$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 and 2011. 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).

## ***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, 2000	\$1,499,586	\$1,578,698	\$79,112	95.0%	\$856,293	9.2%
January 1, 2001	\$1,385,928	\$1,665,418	\$279,490	83.2%	\$918,829	30.4%
January 1, 2002	\$1,193,144	\$1,494,017	\$300,873	79.9%	\$790,072	38.1%
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	72.2%	\$1,602,132	74.3%

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		
<b>Beginning Budgetary Fund Balance:</b>	\$ 1,216,000	\$ 1,216,000	\$ 2,435,591	1,219,591
<b>Resources (inflows):</b>				
<b>Taxes:</b>				
Sales tax	7,924,095	7,469,445	7,458,028	(11,417)
Use tax	270,000	270,000	259,023	(10,977)
Franchise tax	631,000	631,000	651,623	20,623
<b>Total Taxes</b>	<b>8,825,095</b>	<b>8,370,445</b>	<b>8,368,674</b>	<b>(1,771)</b>
<b>License and Permits:</b>				
Occupational licenses	55,000	55,000	54,975	(25)
Construction permits	90,000	90,000	73,722	(16,278)
Animal license	500	500	313	(187)
Inspection fees	5,000	5,000	1,350	(3,650)
Other permits and licenses	18,850	18,850	19,481	631
<b>Total Licenses and Permits</b>	<b>169,350</b>	<b>169,350</b>	<b>149,841</b>	<b>(19,509)</b>
<b>Intergovernmental:</b>				
Alcoholic beverage tax	45,000	45,000	48,955	3,955
Tobacco tax	100,000	100,000	104,445	4,445
Grants	18,360	13,504	116,809	103,305
Gasoline excise tax	32,000	32,000	35,480	3,480
Commercial vehicle fee	93,300	93,300	94,117	817
911 communication fee	7,545	7,545	7,024	(521)
<b>Total Intergovernmental</b>	<b>296,205</b>	<b>291,349</b>	<b>406,830</b>	<b>115,481</b>
<b>Charges for Services:</b>				
Aquatic charges	158,000	158,000	180,305	22,305
Aquatic concessions	35,000	35,000	34,221	(779)
Recreational programs	30,500	30,500	32,292	1,792
Ball concessions	106,000	106,000	81,210	(24,790)
Ball league and gate fees	100,000	100,000	58,871	(41,129)
Aerobic fees	25,000	25,000	21,158	(3,842)
Room rentals	60,000	60,000	60,894	894
After school programs and camps	105,000	105,000	119,471	14,471
Memberships	140,000	140,000	131,627	(8,373)
<b>Total Charges for Services</b>	<b>759,500</b>	<b>759,500</b>	<b>720,049</b>	<b>(39,451)</b>
<b>Fines and Forfeitures</b>	<b>186,200</b>	<b>186,200</b>	<b>224,487</b>	<b>38,287</b>
<b>Miscellaneous:</b>				
Donations	-	532	13,166	12,634
Miscellaneous	162,494	106,599	204,387	97,788
<b>Total Miscellaneous</b>	<b>162,494</b>	<b>107,131</b>	<b>217,553</b>	<b>110,422</b>
<b>Investment Income:</b>	<b>20,000</b>	<b>20,000</b>	<b>18,177</b>	<b>(1,823)</b>
<b>Other Financial Sources:</b>				
Transfers In	7,234,125	7,234,125	6,772,723	(461,402)
<b>Total Other Financing Sources</b>	<b>7,234,125</b>	<b>7,234,125</b>	<b>6,772,723</b>	<b>(461,402)</b>
<b>Amounts available for appropriation</b>	<b>\$ 18,868,969</b>	<b>\$ 18,354,100</b>	<b>\$ 19,313,925</b>	<b>\$ 959,825</b>

(continued)

## BUDGETARY COMPARISON SCHEDULE

### GENERAL FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (outflows):				
ADMINISTRATION:				
Mayor/Council	203,600	217,735	159,603	58,132
City Manager	538,691	534,323	482,774	51,549
Finance	435,767	435,767	384,488	51,279
General Government	<u>1,473,610</u>	<u>1,513,762</u>	<u>1,422,861</u>	<u>90,901</u>
TOTAL ADMINISTRATION	<u>2,651,668</u>	<u>2,701,587</u>	<u>2,449,726</u>	<u>251,861</u>
CULTURE AND RECREATION:				
Library	369,067	395,753	375,504	20,249
Ball Complex	301,704	276,704	243,680	33,024
Aquatic	200,574	223,208	211,605	11,603
Town Center	261,016	259,016	258,083	933
Parks	<u>807,306</u>	<u>852,152</u>	<u>848,663</u>	<u>3,489</u>
TOTAL CULTURE AND RECREATION	<u>1,939,667</u>	<u>2,006,833</u>	<u>1,937,535</u>	<u>69,298</u>
COMMUNITY DEVELOPMENT:	<u>473,716</u>	<u>403,610</u>	<u>360,844</u>	<u>42,766</u>
PUBLIC SAFETY:				
Police	2,459,311	2,434,231	2,315,025	119,206
Fire	<u>1,473,657</u>	<u>1,495,578</u>	<u>1,436,384</u>	<u>59,194</u>
TOTAL PUBLIC SAFETY	<u>3,932,968</u>	<u>3,929,809</u>	<u>3,751,409</u>	<u>178,400</u>
STREET:	<u>155,000</u>	<u>155,000</u>	<u>154,470</u>	<u>530</u>
OTHER FINANCING USES:				
Transfers to other funds	<u>8,422,050</u>	<u>8,902,605</u>	<u>7,544,234</u>	<u>1,358,371</u>
Total Charges to Appropriations	<u>17,575,069</u>	<u>18,099,444</u>	<u>16,198,218</u>	<u>1,901,226</u>
ENDING BUDGETARY FUND BALANCE	<u>\$ 1,293,900</u>	<u>\$ 254,656</u>	<u>\$ 3,115,707</u>	<u>\$ 2,861,051</u>

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

	<b>General Fund</b>
<b>Sources/inflows of resources</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$19,313,925
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.	(2,435,591)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(6,772,723)
Payments to police and fire pension systems made by the State of Oklahoma are revenues for financial reporting purpose but not budgetary purposes	332,972
The activity of the municipal court fund are not inflows of budgetary resources but are revenues for financial reporting purposes.	(5,181)
Account combined with the General Fund due to the implementation of GASB Statement 54 are revenues for financial reporting purposes but not budgetary purposes	17,913
	<u>\$10,451,315</u>
<i>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	
<b>Uses/outflows of resources</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$16,198,218
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	332,972
Account combined with the General Fund due to the implementation of GASB Statement 54 are expenditures for financial reporting purposes but not budgetary purposes	18,789
Other expenditures	7,450
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(7,544,234)
	<u>\$9,013,195</u>
<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.

*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 \$704,000 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
Actuarial accrued liability - AAL (a)	\$594,047
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$594,047
Funded ratio (b)/(a)	0%
Covered payroll (c)	\$1,604,614
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	37%

Three year trend information is not available.

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## ***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
- Combining Schedules – Enterprise Fund Accounts
- Schedule of Federal Awards
- Schedule of Revenue Bond Coverage

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CITY OF MUSTANG, OKLAHOMA  
 COMBINING BALANCE SHEET  
 GENERAL FUND ACCOUNTS  
 JUNE 30, 2011

	GENERAL FUND	GENERAL RESERVE	HEALTH REIMBURSEMENT	LIBRARY	TOTAL GENERAL FUND
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$1,707,418	\$8,907	-	\$26,853	\$1,743,178
Investments	926,592	-	-	10,707	937,299
Receivables:					
Accrued interest receivable	506	-	-	16	522
Due from other funds	40,213	-	-	-	40,213
Due from other funds interaccount	2,593	-	-	-	2,593
Due from other governments	1,029,470	-	-	-	1,029,470
Court fines receivable, net of allowance of \$	158,041	-	-	-	158,041
Other receivable	137,894	-	-	-	137,894
Inventory	25,752	-	-	-	25,752
Total Assets	<u>\$4,028,479</u>	<u>\$8,907</u>	<u>-</u>	<u>\$37,576</u>	<u>\$4,074,962</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$480,672	-	-	\$4,595	\$485,267
Accrued liabilities	162,545	-	-	-	162,545
Due to other funds	6,881	-	-	-	6,881
Due to other funds interaccount	-	-	167	2,426	2,593
Deferred revenue	109,788	-	-	-	109,788
Amounts held in escrow	49,565	-	-	-	49,565
Total Liabilities	<u>809,451</u>	<u>-</u>	<u>167</u>	<u>7,021</u>	<u>816,639</u>
<b><u>FUND BALANCES</u></b>					
Fund balances:					
Nonspendable	25,752	-	-	-	25,752
Restricted	894	-	-	26,682	27,576
Assigned	-	8,907	-	3,873	12,780
Unassigned	3,192,382	-	(167)	-	3,192,215
Total fund balances	<u>3,219,028</u>	<u>8,907</u>	<u>(\$167)</u>	<u>30,555</u>	<u>3,258,323</u>
Total Liabilities and Fund Balances	<u>\$4,028,479</u>	<u>\$8,907</u>	<u>-</u>	<u>\$37,576</u>	<u>\$4,074,962</u>

CITY OF MUSTANG, OKLAHOMA  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GENERAL FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GENERAL FUND	GENERAL RESERVE	HEALTH REIMBURSEMENT	LIBRARY	
<b>Revenues:</b>					
Taxes	\$8,368,674	-	-	-	\$8,368,674
Ingovernmental	738,153	-	-	\$1,649	739,802
License and permits	149,841	-	-	-	149,841
Charges for services	720,049	-	-	-	720,049
Fines and forfeitures	220,955	-	-	3,532	224,487
Investment income	18,177	\$56	\$69	341	18,643
Miscellaneous	217,553	-	-	12,266	229,819
Total Revenues	<u>10,433,402</u>	<u>56</u>	<u>69</u>	<u>17,788</u>	<u>10,451,315</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Administration	2,413,187	-	-	-	2,413,187
Culture and recreation	1,865,362	-	-	14,064	1,879,426
Public safety	4,091,831	-	-	-	4,091,831
Community development	360,715	-	-	-	360,715
Streets and drainage	154,470	-	-	-	154,470
Capital outlay	108,841	4,725	-	-	113,566
Total Expenditures	<u>8,994,406</u>	<u>4,725</u>	<u>-</u>	<u>14,064</u>	<u>9,013,195</u>
Excess (deficiency) of revenues over expenditures	1,438,996	(4,669)	69	3,724	1,438,120
<b>Other Financing Sources (Uses):</b>					
Transfers in	6,772,723	-	-	-	6,772,723
Transfers in - interaccount	109,125	-	-	-	109,125
Transfers out	(7,544,234)	-	-	-	(7,544,234)
Transfers out interaccount	-	-	(109,125)	-	(109,125)
Total Other Financing Sources (Uses)	<u>(662,386)</u>	<u>-</u>	<u>(109,125)</u>	<u>-</u>	<u>(771,511)</u>
Net change in fund balances	776,610	(4,669)	(109,056)	3,724	666,609
Fund balances - beginning	2,442,418	13,576	108,889	26,831	2,591,714
Fund balances - ending	<u>\$3,219,028</u>	<u>\$8,907</u>	<u>(167)</u>	<u>\$30,555</u>	<u>\$3,258,323</u>

CITY OF MUSTANG, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND ACCOUNTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL RESERVE			HEALTH REIMBURSEMENT			LIBRARY		
	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive (Negative)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive (Negative)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Investment income	-	\$56	\$56	-	-	69.00	\$6,100	\$6,100	\$1,649
Miscellaneous	-	-	-	-	-	-	4,380	300	(2,568)
Total Revenues	-	-	56	-	-	69	10,480	6,400	11,388
Expenditures:									
Current:									
Administration	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	10,180	14,305	241
Community Development	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	-	-
Capital outlay	5,000	5,000	4,725	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Total Expenditures	5,000	5,000	4,725	-	-	-	10,180	14,305	241
Revenues over (under) expenditures	(5,000)	(5,000)	331	-	-	69	300	(7,905)	11,629
Other Financing Sources (Uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(109,125)	(109,125)	(109,125)	-	-	-
Total Other Financing Sources (Uses)	-	-	-	(109,125)	(109,125)	(109,125)	-	-	-
Revenues and other sources over (under) expenditures and other uses	(5,000)	(5,000)	331	(109,125)	(109,125)	69	300	(7,905)	11,629
Fund Balance - beginning of year	10,200	10,200	3,376	109,125	109,125	(236)	26,950	26,950	(119)
Fund Balance - end of year	5,200	5,200	\$3,707	-	-	(\$167)	27,250	\$19,045	\$11,510

CITY OF MUSTANG, OKLAHOMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	SPECIAL REVENUE		DEBT SERVICE		CAPITAL PROJECTS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	TRAFFIC ENFORCEMENT	PARK IMPROVEMENTS	STREET IMPROVEMENT	SINKING FUND	CAPITAL IMPROVEMENT	2007 GO BOND PROJECT		
<b>ASSETS</b>								
Cash and cash equivalents	\$15,261	\$63,832	\$723,062	-	\$627,608	-	\$1,429,763	
Investments	-	32,903	374,902	\$87,011	182,390	-	677,206	
Receivables:								
Accrued interest receivable	-	10	75	-	83	-	168	
Due from other funds	-	1,995	11,933	-	16,895	-	30,823	
Due from other governments	-	-	-	10,652	-	-	10,652	
Total Assets	\$15,261	\$98,740	\$1,109,972	\$97,663	\$826,976	-	\$2,148,612	
<b>LIABILITIES</b>								
Accounts payable	-	-	\$336,144	-	-	-	\$336,144	
Due to other funds	-	-	-	\$25,138	-	-	25,138	
Deferred revenue	-	-	-	12,038	-	-	12,038	
Total Liabilities	-	-	336,144	37,176	-	-	373,320	
<b>FUND BALANCES</b>								
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	
Restricted	15,185	56,440	446,626	60,487	547,811	-	1,126,549	
Assigned	76	42,300	327,202	-	279,165	-	648,743	
Unassigned	-	-	-	-	-	-	-	
Total fund balances	15,261	98,740	773,828	60,487	826,976	-	1,775,292	
Total Liabilities and Fund Balances	\$15,261	\$98,740	\$1,109,972	\$97,663	\$826,976	-	\$2,148,612	

CITY OF MUSTANG, OKLAHOMA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE			DEBT SERVICE		CAPITAL PROJECTS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	TRAFFIC ENFORCEMENT	PARK IMPROVEMENTS	STREET IMPROVEMENT	SINKING FUND	CAPITAL IMPROVEMENT	2007 GO BOND PROJECT		
Revenues:								
Taxes	-	-	-	\$203,182	-	-	-	\$203,182
Ingovernmental	-	-	\$28,419	-	-	-	-	28,419
License and permits	-	\$7,460	-	-	-	-	-	7,460
Fines and forfeitures	\$9,307	37,290	-	-	-	-	-	46,597
Investment income	76	651	7,190	1,814	\$4,584	-	-	14,315
Miscellaneous	750	-	8	-	-	-	-	758
Total Revenues	10,133	45,401	35,617	204,996	4,584	-	-	300,731
Expenditures:								
Current:								
Police	4,906	-	-	-	-	-	-	4,906
Fire	-	-	-	-	-	\$4	-	4
Capital outlay	-	7,685	518,190	-	295,707	-	-	821,582
Debt service:								
Principal retirement	-	-	-	240,000	60,574	-	-	300,574
Interest and fiscal charges	-	-	-	16,860	7,555	-	-	24,415
Total Expenditures	4,906	7,685	518,190	256,860	363,836	4	-	1,151,481
Excess (deficiency) of revenues over expenditures	5,227	37,716	(482,573)	(51,864)	(359,252)	(4)	-	(850,750)
Other Financing Sources (Uses):								
Capital lease proceeds	-	-	-	-	124,040	-	-	124,040
Transfers in	-	-	462,135	-	697,950	-	-	1,160,085
Total Other Financing Sources (Uses)	-	-	462,135	-	821,990	-	-	1,284,125
Net change in fund balances	5,227	37,716	(20,438)	(51,864)	462,738	(4)	-	433,375
Fund balances - beginning	10,034	61,024	794,266	112,351	364,238	4	-	1,341,917
Fund balances - ending	\$15,261	\$98,740	\$773,828	\$60,487	\$826,976	-	-	\$1,775,292

CITY OF MUSTANG, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE - TRAFFIC ENFORCEMENT FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Fines and forfeitures	\$10,300	\$10,300	\$9,307	(\$993)
Investment income	-	-	76	76
Miscellaneous	-	-	750	750
Total Revenues	<u>10,300</u>	<u>10,300</u>	<u>10,133</u>	<u>(167)</u>
Expenditures:				
Current:				
Administration	-	-	-	-
Culture and Recreation	-	-	-	-
Community Development	-	-	-	-
Public safety	10,300	10,300	4,906	5,394
Streets	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total Expenditures	<u>10,300</u>	<u>10,300</u>	<u>4,906</u>	<u>5,394</u>
Revenues over (under) expenditures	-	-	5,227	5,227
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	-	-	5,227	5,227
Fund Balance - beginning of year	8,670	13,670	10,034	(3,636)
Fund Balance - end of year	<u>8,670</u>	<u>13,670</u>	<u>\$15,261</u>	<u>\$1,591</u>

CITY OF MUSTANG, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	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:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Fines and forfeitures	\$44,800	\$44,800	\$44,750	(\$50)	-	28,419	28,419	-
Investment income	700	700	651	(49)	\$7,000	\$7,190	\$190	-
Miscellaneous	-	-	-	-	-	70,697	8	(70,689)
<b>Total Revenues</b>	<b>45,500</b>	<b>45,500</b>	<b>45,401</b>	<b>(99)</b>	<b>7,000</b>	<b>77,697</b>	<b>35,617</b>	<b>(42,080)</b>
Expenditures:								
Current:								
Administration	-	-	-	-	-	-	-	-
Culture and Recreation	9,000	9,000	7,635	1,315	-	-	-	-
Community Development	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Streets	-	-	-	-	499,500	604,381	518,190	86,191
Capital outlay	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>9,000</b>	<b>9,000</b>	<b>7,685</b>	<b>1,315</b>	<b>499,500</b>	<b>604,381</b>	<b>518,190</b>	<b>86,191</b>
Revenues over (under) expenditures	36,500	36,500	37,716	1,216	(492,500)	(526,684)	(482,573)	44,111
Other Financing Sources (Uses):								
Transfers in	-	-	-	-	455,000	455,000	462,135	7,135
Transfers out	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>455,000</b>	<b>455,000</b>	<b>462,135</b>	<b>7,135</b>
Revenues and other sources over (under) expenditures and other uses	36,500	36,500	37,716	1,216	(37,500)	(71,684)	(20,438)	51,246
Fund Balance - beginning of year	65,000	65,000	61,024	(3,976)	451,800	379,773	794,266	414,493
<b>Fund Balance - end of year</b>	<b>\$101,500</b>	<b>\$101,500</b>	<b>\$98,740</b>	<b>(\$2,760)</b>	<b>414,300</b>	<b>\$308,089</b>	<b>\$773,828</b>	<b>\$465,739</b>

CITY OF MUSTANG, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	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	\$207,180	\$207,180	\$203,182	(\$3,998)	-	-	-	-
Intergovernmental	-	-	-	-	\$38,000	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment income	-	-	1,814	1,814	3,000	\$3,000	\$4,584	\$1,584
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>207,180</b>	<b>207,180</b>	<b>204,996</b>	<b>(2,184)</b>	<b>41,000</b>	<b>3,000</b>	<b>4,584</b>	<b>1,584</b>
Expenditures:								
Current:								
Administration	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	\$389,570	\$324,466	295,707	28,759
Debt service	258,380	258,380	256,860	1,520	-	68,129	68,129	-
<b>Total Expenditures</b>	<b>258,380</b>	<b>258,380</b>	<b>256,860</b>	<b>1,520</b>	<b>389,570</b>	<b>392,595</b>	<b>363,836</b>	<b>28,759</b>
Revenues over (under) expenditures	(51,200)	(51,200)	(51,864)	(664)	(348,570)	(389,595)	(359,252)	30,343
Other Financing Sources (Uses):								
Capital lease proceeds	-	-	-	-	-	-	124,040	124,040
Transfers in	-	-	-	-	657,226	657,226	697,950	40,724
Transfers out	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>657,226</b>	<b>657,226</b>	<b>821,990</b>	<b>164,764</b>
Revenues and other sources over (under) expenditures and other uses	(51,200)	(51,200)	(51,864)	(664)	308,656	267,631	462,738	195,107
Fund Balance - beginning of year	110,920	110,920	112,351	1,431	350,532	895,340	364,238	(531,102)
<b>Fund Balance - end of year</b>	<b>\$59,720</b>	<b>\$59,720</b>	<b>\$60,487</b>	<b>\$767</b>	<b>659,188</b>	<b>\$1,162,971</b>	<b>\$826,976</b>	<b>(\$335,995)</b>

**CITY OF MUSTANG, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
**COMBINING SCHEDULE ACCOUNTS OF THE MIA**  
**JUNE 30, 2011**

	ACCOUNTS OF THE MIA						TOTAL MUSTANG IMPROVEMENT AUTHORITY
	MUSTANG IMPROVEMENT AUTHORITY (MIA)	1999 AND 2006 BOND FUND	MIA RESERVE FUND	1998 REVENUE BOND FUND	SEWER IMPACT FUND	UTILITY DEPOSITS	
<b>ASSETS:</b>							
<b>Current Assets:</b>							
Cash and cash equivalents	\$895,370	-	\$50,547	-	\$517,738	-	\$1,463,655
Restricted cash and cash equivalents	-	\$1,676,711	-	\$693,044	-	\$15,587	2,385,342
Investments	810,054	-	-	-	683,139	-	1,493,193
Restricted investments	-	751,636	-	-	-	289,662	1,041,298
Interest receivable	850	45	166	-	-	-	1,061
Accounts receivable, net	910,794	-	-	-	-	-	910,794
Due from other governments	8,142	-	-	-	-	-	8,142
Due from other funds	6,881	-	-	-	-	-	6,881
Inventory	24,797	-	-	-	-	-	24,797
Total current assets	<u>2,656,888</u>	<u>2,428,392</u>	<u>50,713</u>	<u>693,044</u>	<u>1,200,877</u>	<u>305,249</u>	<u>7,335,163</u>
<b>Noncurrent Assets:</b>							
Land and construction in progress	481,775	-	-	-	-	-	481,775
Other capital assets, net	25,479,715	-	-	-	-	-	25,479,715
Unamortized bond issue costs	125,792	376,161	-	212,926	-	-	714,879
Total noncurrent assets	<u>26,087,282</u>	<u>376,161</u>	<u>-</u>	<u>212,926</u>	<u>-</u>	<u>-</u>	<u>26,676,369</u>
Total assets	<u>28,744,170</u>	<u>2,804,553</u>	<u>50,713</u>	<u>905,970</u>	<u>1,200,877</u>	<u>305,249</u>	<u>34,011,532</u>
<b>LIABILITIES:</b>							
<b>Current Liabilities:</b>							
Accounts payable	141,200	-	-	-	-	-	141,200
Due to other funds	27,008	-	16,895	-	-	1,995	45,898
Accrued interest payable	-	107,442	-	33,074	33,146	-	173,662
Refundable deposits	880	-	-	-	-	30,325	31,205
Notes payable	329,500	-	-	-	-	-	329,500
Revenue bonds payable	-	1,015,000	-	820,000	-	-	1,835,000
Total current liabilities	<u>498,588</u>	<u>1,122,442</u>	<u>16,895</u>	<u>853,074</u>	<u>33,146</u>	<u>32,320</u>	<u>2,556,465</u>
<b>Noncurrent liabilities:</b>							
Deposits subject to refund	-	-	-	-	-	272,929	272,929
Revenue bonds payable, net	-	12,038,055	-	6,062,206	-	-	18,100,261
Notes payable	3,673,893	-	-	-	-	-	3,673,893
Total noncurrent liabilities	<u>3,673,893</u>	<u>12,038,055</u>	<u>-</u>	<u>6,062,206</u>	<u>-</u>	<u>272,929</u>	<u>22,047,083</u>
Total liabilities	<u>4,172,481</u>	<u>13,160,497</u>	<u>16,895</u>	<u>6,915,280</u>	<u>33,146</u>	<u>305,249</u>	<u>24,603,548</u>
<b>NET ASSETS:</b>							
Invested in capital assets, net of related debt	22,083,889	-	-	(6,669,280)	-	-	15,414,609
Restricted for Debt service	-	2,428,347	-	693,044	-	-	3,121,391
Unrestricted	2,487,800	(12,784,291)	33,818	(33,074)	1,167,731	-	(9,128,016)
Total net assets	<u>\$24,571,689</u>	<u>(\$10,355,944)</u>	<u>\$33,818</u>	<u>(\$6,009,310)</u>	<u>\$1,167,731</u>	<u>-</u>	<u>\$9,407,984</u>

CITY OF MUSTANG, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
COMBINING SCHEDULE ACCOUNTS OF THE MIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	ACCOUNTS OF THE MIA						TOTAL MUSTANG IMPROVEMENT AUTHORITY
	MUSTANG IMPROVEMENT AUTHORITY (MIA)	1999 AND 2006 BOND FUND	MIA RESERVE FUND	1998 REVENUE BOND FUND	SEWER IMPACT FUND	UTILITY DEPOSITS	
Operating Revenues:							
Charges for services:							
Water charges (net of \$11,246 bad debt allowance)	\$2,665,017	-	-	-	-	-	\$2,665,017
Sewer charges (net of \$6,235 bad debt allowance)	1,464,560	-	-	-	-	-	1,464,560
Installations and connections	42,955	-	-	-	-	-	42,955
Penalties (net of \$506 bad debt allowance)	117,177	-	-	-	-	-	117,177
Sanitation charges (net of \$7,430 bad debt allowance)	2,030,400	-	-	-	-	-	2,030,400
Ambulance assessment (net of \$860 bad debt allowance)	199,216	-	-	-	-	-	199,216
Sewer impact fees	-	-	-	-	\$47,000	-	47,000
Other	20,857	-	-	-	-	-	20,857
Total operating revenues	<u>6,540,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,000</u>	<u>-</u>	<u>6,587,182</u>
Operating Expenses:							
Cost of goods sold	344,875	-	-	-	-	-	344,875
Operations and maintenance	2,832,540	\$121	-	-	-	-	2,832,661
Depreciation	891,969	-	-	-	-	-	891,969
Amortization	7,021	36,699	-	\$33,184	-	-	76,904
Total operating expenses	<u>4,076,405</u>	<u>36,820</u>	<u>-</u>	<u>33,184</u>	<u>-</u>	<u>-</u>	<u>4,146,409</u>
Operating income	2,463,777	(36,820)	-	(33,184)	47,000	-	2,440,773
Non-Operating Revenues (Expenses):							
Investment income	18,936	14,867	166	52	12,640	-	46,661
Miscellaneous	(751)	-	-	-	-	-	(751)
Interest expense and fiscal charges	(60,859)	(763,395)	-	(372,382)	(53,985)	-	(1,250,621)
Total non-operating revenues (expenses)	<u>(42,674)</u>	<u>(748,528)</u>	<u>166</u>	<u>(372,330)</u>	<u>(41,345)</u>	<u>-</u>	<u>(1,204,711)</u>
Net income (loss) before contributions and transfers	2,421,103	(785,348)	166	(405,514)	5,655	-	1,236,062
Transfers in - interaccount	131,800	1,867,361	16,951	1,331,317	205,000	-	3,552,429
Transfers out - interaccount	(3,420,629)	-	-	-	(131,800)	-	(3,552,429)
Transfers in	7,150,758	-	-	-	-	-	7,150,758
Transfers out	(7,539,332)	-	-	-	-	-	(7,539,332)
Change in net assets	(1,256,300)	1,082,013	17,117	925,803	78,855	-	847,488
Total net assets - beginning	25,827,989	(11,437,957)	16,701	(6,935,113)	1,088,876	-	8,560,496
Total net assets - ending	<u>\$24,571,689</u>	<u>(\$10,355,944)</u>	<u>\$33,818</u>	<u>(\$6,009,310)</u>	<u>\$1,167,731</u>	<u>-</u>	<u>\$9,407,984</u>

STATEMENT OF CASH FLOWS  
COMBINING SCHEDULE ACCOUNTS OF THE MIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	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	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers	\$6,411,965	-	-	-	\$47,000	-	\$6,458,965
Payments to suppliers	(3,767,142)	(\$121)	-	-	(3,978)	-	(3,771,241)
Receipts of customer meter deposits	-	-	-	-	-	\$53,435	53,435
Customer meter deposits refunded or applied	-	-	-	-	-	(47,805)	(47,805)
Due to other funds	27,008	-	\$16,895	-	-	-	43,903
Due from other funds	(6,881)	-	-	-	-	-	(6,881)
Net Cash Provided by (Used in) Operating Activities	2,664,950	(121)	16,895	-	43,022	5,630	2,730,376
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers from other funds - interaccount	131,800	1,867,361	16,951	1,331,317	205,000	-	3,552,429
Transfers to other funds - interaccount	(3,420,629)	-	-	-	(131,800)	-	(3,552,429)
Transfers from other funds	7,150,758	-	-	-	-	-	7,150,758
Transfers to other funds	(7,539,332)	-	-	-	-	-	(7,539,332)
Principal paid on non-capital debt	-	(985,000)	-	-	-	-	(985,000)
Interest and fiscal agent fees paid on non-capital debt	-	(681,597)	-	-	-	-	(681,597)
Net Cash Provided by (Used in) Noncapital and Related Financing Activities	(3,677,403)	200,764	16,951	1,331,317	73,200	-	(2,055,171)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Purchases of capital assets	(498,557)	-	-	-	-	-	(498,557)
Proceeds from issuance of capital debt	1,008,190	-	-	-	-	-	1,008,190
Principal paid on capital debt	(263,600)	-	-	(780,000)	-	-	(1,043,600)
Interest and fiscal agent fees paid on capital debt	(60,859)	-	-	(372,739)	(39,215)	-	(472,813)
Expense of construction in progress	82,139	-	-	-	-	-	82,139
Net Cash Provided by (Used in) Capital and Related Financing Activities	267,313	-	-	(1,152,739)	(39,215.00)	-	(924,641)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of investments	(14,211)	(13,825)	-	-	(12,641)	(5,011)	(45,688)
Interest and dividends	19,221	14,823	-	52	12,640	-	46,736
Net Cash Provided by (Used in) Investing Activities	5,010	998	-	52	(1,00)	(5,011)	1,048
Net Increase (Decrease) in Cash and Cash Equivalents	(740,130)	201,641	33,846	178,630	77,006	619	(248,388)
Balances - beginning of the year	1,635,500	1,475,070	16,701	514,414	440,732	14,968	4,097,385
Balances - end of the year	\$895,370	\$1,676,711	\$50,547	\$693,044	\$517,738	\$15,587	\$3,848,997
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>							
Operating income (loss)	\$2,463,777	(\$36,820)	-	(\$33,184)	\$47,000	-	\$2,440,773
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	891,969	-	-	-	-	-	891,969
Amortization expense	7,021	36,699	-	33,184	-	-	76,904
Other non-operating revenues	(751)	-	-	-	-	-	(751)
Change in assets and liabilities:							
Receivables, net	(129,593)	-	-	-	-	-	(129,593)
Due from other governments	2,127	-	-	-	-	-	2,127
Due from other funds	(6,881)	-	-	-	-	-	(6,881)
Inventory	4,719	-	-	-	-	-	4,719
Accounts payables	(594,446)	-	-	-	(3,978)	-	(598,424)
Customer meter deposits payable	-	-	-	-	-	\$5,630	5,630
Due to other funds	27,008	-	16,895	-	-	-	43,903
Net Cash Provided by (Used in) Operating Activities	\$2,664,950	(\$121)	\$16,895	-	\$43,022	\$5,630	\$2,730,376

**SCHEDULE OF REVENUE BOND DEBT SERVICE COVERAGE**

Gross Revenue Available for Debt Service:	
Operating revenues (3)	\$4,336,709
Interest revenues	46,661
Sales tax revenues (2)	<u>7,150,758</u>
Total Gross Revenues Available	\$11,534,128
Authority Operating Expenses (1)	<u>1,970,982</u>
Net Revenues Available for Debt Service	<u><u>\$9,563,146</u></u>
Average Annual Debt Service Requirements for Term:	
06 Utility System Refunding Revenue Bonds	\$1,298,250
99 Utility System Revenue Bonds	271,000
98 A Refunding Revenue Bonds	1,042,969
98 B Refunding Revenue Bonds	160,132
OWRB Loan	<u>405,932</u>
Total average annual Debt Service	<u><u>\$3,178,283</u></u>
Computed Coverage	<u><u>3.01</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***

## *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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Governmental Activities:</b>										
Invested in Capital Assets, Net of Related Debt Restricted for: (by):	\$ 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	\$ 1,878,044
Statutory requirements	894	-	-	-	-	-	-	-	-	-
Enabling legislation	132,112	-	-	-	-	-	-	-	-	-
External Contracts	1,021,119	-	-	-	-	-	-	-	-	-
Streets	-	364,139	156,311	427,551	305,456	981,871	241,927	248,726	423,349	568,482
Debt Service	-	-	-	549,457	932,632	309,693	1,015,619	821,249	753,566	1,051,948
Other purposes	-	-	-	3,041,248	2,335,305	4,175,764	1,345,011	465,881	342,900	10,500
Unrestricted	3,813,614	3,880,679	3,794,572	3,041,248	2,335,305	4,175,764	1,345,011	1,461,857	430,493	356,611
<b>Total Governmental Activities Net Assets</b>	<b>31,246,857</b>	<b>30,642,133</b>	<b>29,861,027</b>	<b>30,455,016</b>	<b>30,013,733</b>	<b>14,244,609</b>	<b>11,741,161</b>	<b>9,410,439</b>	<b>9,129,636</b>	<b>3,865,585</b>
<b>Business-type Activities:</b>										
Invested in Capital Assets, Net of Related Debt Restricted for:	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	7,656,320
Debt Service	3,121,391	2,727,295	3,148,041	2,367,241	1,851,388	684,183	757,808	618,580	703,191	761,538
Unrestricted	(9,128,016)	(9,688,721)	(11,097,352)	(11,966,502)	(12,430,614)	(2,944,563)	(2,285,356)	(2,308,828)	(1,912,075)	(956,586)
<b>Total Business-type Activities Net Assets</b>	<b>9,407,984</b>	<b>8,560,496</b>	<b>4,632,295</b>	<b>2,423,479</b>	<b>541,847</b>	<b>14,228,249</b>	<b>12,082,574</b>	<b>11,243,263</b>	<b>10,135,708</b>	<b>9,574,444</b>
<b>Primary Government:</b>										
Invested in Capital Assets, Net of Related Debt (See Note 3.G) Restricted for:	29,016,833	26,599,393	22,205,917	21,870,022	20,257,078	19,376,754	17,657,005	14,728,581	14,699,770	9,734,364
Statutory requirements	894	-	-	-	-	-	-	-	-	-
Enabling legislation	3,253,503	-	-	-	-	-	-	-	-	-
External Contracts	1,021,119	-	-	-	-	-	-	-	-	-
Streets	-	3,091,434	3,304,352	2,794,792	2,156,844	1,666,054	241,927	248,726	423,349	568,482
Debt Service	-	-	-	549,457	932,632	309,693	1,773,427	1,438,829	1,456,757	1,813,486
Other purposes	7,362,492	9,511,802	8,963,053	7,664,224	7,209,026	7,120,327	3,630,367	465,881	342,900	10,500
Unrestricted	-	-	-	-	-	-	-	-	-	-
<b>Total Primary Government Net Assets (3)</b>	<b>\$ 40,654,841</b>	<b>\$ 39,202,629</b>	<b>\$ 34,493,322</b>	<b>\$ 32,878,495</b>	<b>\$ 30,555,580</b>	<b>\$ 28,472,858</b>	<b>\$ 23,823,735</b>	<b>\$ 20,653,702</b>	<b>\$ 19,265,344</b>	<b>\$ 13,440,029</b>

(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.

Table 2  
page 1 of 2

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002 (3)
<b>Expenses (2)</b>										
<b>Governmental Activities:</b>										
Administration	\$3,108,236	\$2,911,942	\$2,891,857	\$2,513,297	\$2,473,980	\$2,321,757	\$2,219,320	\$1,998,081	\$2,189,491	\$2,151,872
Culture and recreation:	2,181,178	2,065,297	1,983,127	1,903,695	1,719,152	1,625,695	1,688,442	1,642,936	1,216,261	1,675,877
Community Development	407,014	382,505	483,396	477,895	396,151	395,905	406,658	381,614	359,532	327,644
Public safety	4,451,242	4,273,023	3,998,709	3,391,056	3,080,662	2,923,658	2,805,222	2,554,541	2,384,823	2,324,789
Streets and Drainage	643,834	590,070	564,688	527,609	531,542	445,568	379,719	1,533,124	1,308,442	580,718
Interest on long-term debt	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	10,810,742	10,256,115	9,959,457	8,860,362	8,227,537	8,634,813	8,534,235	9,184,244	8,566,472	6,960,900
<b>Business-type activities:</b>										
Water operations	2,213,351	2,054,925	2,183,491	2,082,783	2,004,214	1,863,397	1,851,291	1,928,647	1,537,489	1,545,371
Wastewater operations	1,215,719	1,123,620	1,186,490	1,414,648	1,145,960	1,054,790	1,033,814	1,016,030	1,059,151	1,020,812
Solid waste operations	1,022,166	947,369	827,364	900,433	743,463	663,525	616,790	517,759	467,228	480,387
Ambulance	146,429	82,956	105,560	94,040	88,760	94,149	85,300	-	-	-
Interest on general long-term debt for governmental act.	800,094	801,953	841,161	850,330	916,304	-	-	-	-	-
Total business-type activities expenses	5,397,779	5,010,823	5,144,066	5,342,234	4,898,701	3,675,861	3,587,195	3,462,436	3,063,868	3,046,570
Total primary government expenses	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	10,007,470
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services										
Administration	-	-	608	16,847	27,739	3,535	104,987	3,293	27,594	4,562
Culture and recreation:	785,775	766,004	800,071	881,343	803,989	800,147	726,371	684,048	621,628	293,012
Community Development	154,831	165,139	163,421	290,601	302,134	391,566	331,684	359,004	309,889	160,790
Public safety	290,075	252,754	239,315	271,275	263,963	283,547	244,190	199,036	214,868	185,143
Streets and Drainage	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	598,667	548,450	461,428	322,771	237,089	212,896	213,987	255,700	354,419	561,411
Capital Grants and Contributions	290,899	1,228,430	365,756	446,530	475,789	1,758,271	1,563,011	846,857	911,641	32,317
Total governmental activities program revenues	2,120,247	2,956,777	2,030,599	2,229,367	2,110,703	3,449,952	3,184,430	2,347,938	2,440,039	1,257,235
<b>Business-type Activities:</b>										
Water operations	2,737,408	2,492,376	2,203,362	2,025,663	1,881,091	2,283,327	1,813,618	1,834,432	1,562,292	1,331,371
Wastewater operations	1,561,017	1,529,786	1,374,055	1,439,643	1,425,472	1,316,916	1,230,967	1,205,073	1,056,505	1,127,614
Solid waste operations	2,075,472	1,921,128	1,631,293	1,538,158	1,445,061	1,445,985	1,384,294	1,384,294	1,252,138	1,009,042
Ambulance	199,216	115,802	114,310	110,904	107,222	102,252	98,661	-	-	-
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	6,573,113	8,059,092	5,648,366	5,616,991	5,401,071	6,620,922	5,302,796	5,370,322	4,609,881	68,918
Total business-type activities program revenues	8,693,360	11,015,869	7,578,965	7,846,358	7,511,774	10,070,874	8,487,226	7,716,260	7,049,920	4,794,180

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002 (3)
<b>Net (Expenses) Revenues (4)</b>										
<i>Governmental Activities</i>										
<i>Business-type Activities</i>										
Total Primary Government Net (Expenses)	(\$8,690,495)	(\$7,299,338)	(\$7,928,858)	(\$6,630,985)	(\$6,116,834)	(\$5,184,861)	(\$5,349,805)	(\$6,836,306)	(\$6,126,433)	(\$5,703,665)
	1,175,334	3,048,269	404,300	274,757	502,370	2,945,061	1,715,601	1,907,886	1,546,013	490,375
	(7,515,161)	(4,251,069)	(7,524,558)	(6,356,238)	(5,614,464)	(2,239,800)	(3,634,204)	(4,928,420)	(4,580,420)	(5,213,290)
<b>General Revenues and Other Changes in Net Assets</b>										
<i>Governmental Activities:</i>										
Taxes:										
Sales and Use taxes (6)	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	3,376,560
Franchise and public service taxes	854,056	647,140	617,738	573,365	537,065	524,324	440,704	436,227	389,887	416,201
E-911 taxes	7,024	7,090	7,785	7,544	7,024	5,179	5,484	5,501	4,824	5,052
Intergovernmental revenue	153,400	365,017	377,459	486,307	253,080	229,635	363,778	340,573	355,824	33,627
Investment Income	38,633	38,668	75,661	135,620	95,696	77,010	51,483	40,141	78,621	493,974
Miscellaneous	136,481	108,799	80,370	37,565	33,587	27,411	245,798	198,394	88,553	740,417
Transfers - Internal Activity	388,574	(807,029)	(1,672,272)	(1,150,990)	(670,002)	853,576	990,431	846,152	1,061,820	1,986,558
Total Governmental Activities	9,295,219	8,080,446	7,355,585	7,072,278	6,796,629	7,688,309	7,775,116	7,117,109	5,805,092	7,054,609
<i>Business-type Activities:</i>										
Intergovernmental revenue			34,050	283,482						
Investment Income	46,661	56,532	77,809	125,413	108,665	44,679	38,409	24,984	73,777	132,512
Miscellaneous	14,067	16,371	20,385	36,890	27,301	9,511	75,732	20,837	3,294	391,985
Transfers - Internal Activity	(388,574)	807,029	1,672,272	1,150,990	670,002	(853,576)	(990,431)	(846,152)	(1,061,820)	(1,986,558)
Total Business-type Activities	(327,846)	879,932	1,804,516	1,606,775	805,968	(799,386)	(876,290)	(800,331)	(984,749)	(1,462,061)
Total Primary Government	8,967,373	8,960,378	9,160,101	8,679,053	7,602,597	6,888,923	6,898,826	6,316,778	4,820,343	5,592,548
<b>Change in Net Assets</b>										
<i>Governmental Activities</i>										
<i>Business-type Activities</i>										
Total Primary Government (5)	604,724	781,108	(573,273)	441,283	679,795	2,503,448	2,425,311	280,803	5,264,051	1,350,944
	847,488	3,928,201	2,208,816	1,881,532	1,308,338	2,145,675	839,311	1,107,555	561,264	(971,686)
	\$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	\$379,258

(1) This schedule reports using the accrual basis of accounting.  
(2) Expenses include allocated indirect expense.  
(3) The City implemented GASB 34, the new reporting standard, in fiscal year 2002.  
(4) 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.  
(5) See Table 1 for ending net asset balances for reported years.  
(6) 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									
	2011 (4)	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>General Fund:</b>										
Reserved for:										
Nonspendable	25,752	-	-	-	-	-	-	-	-	-
Restricted	27,576	-	-	-	-	-	-	-	-	-
Assigned	12,780	-	-	-	-	-	-	-	-	-
Risk Management	-	-	-	\$377,445	\$293,332	\$293,665	\$331,988	\$324,070	\$310,299	\$395,602
Encumbrances	-	-	-	-	-	-	-	-	-	16,692
Specific Programs	-	-	-	-	-	-	-	7,521	-	10,500
Contracts payable	-	-	-	-	-	-	-	-	-	-
Accrued Compensated Absences	-	231,166	230,090	233,390	201,773	94,589	94,589	-	-	-
Inventories	-	19,068	21,265	14,292	27,352	16,028	19,070	15,354	2,842	5,425
Debt Service	-	-	-	-	-	-	-	821,249	-	-
Encumbrance	-	1,056,000	1,408,600	1,760,000	-	-	-	-	-	-
Unreserved/Unassigned	3,192,215	1,136,184	633,156	590,199	2,260,610	1,680,682	1,315,289	555,139	1,120,029	996,056
Total General Fund	3,258,323	2,442,418	2,293,111	2,975,326	2,763,067	2,274,074	1,930,640	1,723,333	1,433,170	1,424,275
<b>Other Governmental Funds:</b>										
Reserved for:										
Restricted	1,126,549	-	-	-	-	-	-	-	-	-
Assigned	648,743	-	-	-	-	-	-	-	-	-
Encumbrances	-	-	-	-	-	-	-	-	-	-
Specific Programs	-	216,880	269,142	686,411	1,025,584	494,619	1,383,802	2,010,361	926	601,850
Debt Service	-	112,351	163,299	427,551	330,886	981,871	1,284,211	1,090,671	32,147	-
Unreserved/Unassigned	-	-	-	-	-	-	-	-	1,033,232	599,280
Unreserved, reported in:									179,512	1,724,915
Special revenue funds	-	915,143	661,449	1,056,773	811,149	376,254	14,771	16,243	1,599,592	601,642
Debt Service Fund	-	-	-	-	-	-	-	-	-	-
Capital project funds	-	246,839	200,052	91,859	70,999	85,375	47,972	53,826	54,209	732,831
Total Other Governmental Funds	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	4,305,797
Total Governmental Funds	5,033,615	3,933,631	3,587,053	5,237,920	5,021,685	4,212,193	4,661,396	\$4,894,434	\$4,332,788	\$5,730,072

(1) This schedule reports using the modified accrual basis of accounting.  
(2) The City implemented GASB 34, the new reporting standard, in the fiscal year 2002.  
(3) See Table 4 for changes in fund balances from year to year.  
(4) 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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues:</b>										
Taxes (3)	\$8,571,856	\$8,581,973	\$8,713,651	\$7,897,457	\$7,194,475	\$6,591,495	\$6,407,642	\$5,990,931	\$4,525,317	\$3,793,558
Intergovernmental	768,221	705,041	701,359	485,010	375,386	352,407	296,576	243,141	417,562	538,950
Charges for services	720,049	697,413	713,631	824,131	749,386	744,765	811,127	740,603	616,162	273,242
Fines and forfeitures	271,084	233,265	258,666	230,220	221,991	235,180	209,729	179,748	173,418	148,994
Licenses and permits	157,301	165,139	164,029	293,721	310,421	394,551	335,858	362,298	313,929	164,634
Investment income	15,065	38,668	75,661	135,620	95,696	77,010	51,483	40,141	78,621	493,974
Miscellaneous	248,470	194,834	178,099	167,735	194,391	185,328	367,734	223,639	266,359	244,610
<b>Total Revenues</b>	<b>10,752,046</b>	<b>10,616,333</b>	<b>10,805,096</b>	<b>10,033,894</b>	<b>9,141,746</b>	<b>8,580,736</b>	<b>8,480,149</b>	<b>7,780,501</b>	<b>6,391,388</b>	<b>5,857,962</b>
<b>Expenditures:</b>										
<b>Current:</b>										
Administration	2,413,187	2,477,639	2,493,152	2,127,488	2,045,313	1,894,938	1,795,807	1,682,948	1,824,810	2,062,054
Culture and recreation (4)	1,879,426	1,869,874	1,767,030	1,688,775	1,513,282	1,505,215	1,439,099	1,429,369	1,089,134	736,827
Community development	360,715	360,587	481,226	462,236	386,063	386,021	399,987	373,215	353,109	320,510
Public safety	4,096,741	3,860,578	3,748,433	3,152,986	2,829,558	2,655,014	2,604,651	2,294,655	2,107,862	1,884,875
Streets and drainage	154,470	153,130	153,366	151,067	178,825	137,551	116,190	132,745	123,770	112,540
Capital outlay	935,148	467,124	1,349,901	829,557	774,999	1,058,505	1,686,438	428,723	1,253,589	8,687,359
Debt service:										
Bond issuance cost	-	-	-	-	33,728	565,772	-	-	-	-
Principal retirement	300,574	255,901	451,245	205,000	205,000	730,116	618,485	644,911	982,947	483,660
Interest and fiscal charges	24,415	27,892	41,640	49,560	21,330	1,080,080	1,044,961	1,078,441	1,115,250	1,148,552
<b>Total Expenditures</b>	<b>10,164,676</b>	<b>9,462,725</b>	<b>10,485,993</b>	<b>8,666,669</b>	<b>7,988,098</b>	<b>10,013,212</b>	<b>9,705,618</b>	<b>8,065,007</b>	<b>8,850,471</b>	<b>15,436,377</b>
Excess of revenues over(under) expenditures	587,370	1,153,608	319,103	1,367,225	1,153,648	(1,432,476)	(1,225,469)	(284,506)	(2,459,103)	(9,778,415)
<b>Other Financing Sources (Uses):</b>										
Transfers in	7,932,808	7,212,830	6,396,594	5,872,229	6,105,868	7,184,678	6,852,042	5,849,899	4,464,454	4,622,480
Transfers out	(7,544,234)	(8,019,859)	(8,068,866)	(7,023,219)	(6,775,970)	(6,331,102)	(5,861,611)	(5,003,747)	(3,402,634)	(2,637,122)
Capital Lease/bond proceeds	124,040	-	85,101	-	960,000	16,885,000	-	-	-	110,043
Payment to refunded bond escrow agent	-	-	-	-	-	(16,885,000)	-	-	-	-
Premium on sale of bonds	-	-	-	-	-	479,415	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>512,614</b>	<b>(807,029)</b>	<b>(1,587,171)</b>	<b>(1,150,990)</b>	<b>289,998</b>	<b>1,332,991</b>	<b>990,431</b>	<b>846,152</b>	<b>1,061,820</b>	<b>672,216</b>
<b>Net change in fund balances</b>	<b>\$1,099,984</b>	<b>\$346,579</b>	<b>(\$1,268,068)</b>	<b>\$216,235</b>	<b>\$1,443,646</b>	<b>(\$99,485)</b>	<b>(\$235,038)</b>	<b>\$561,646</b>	<b>(\$1,397,283)</b>	<b>(\$7,010,798)</b>
Debt Service as a Percentage of Non-Capital Expenditures	3.53%	3.15%	5.39%	3.25%	3.14%	20.22%	20.74%	22.57%	27.62%	24.18%

(1) This schedule reports using the modified accrual basis of accounting.  
(2) The City implemented GASB 34, the new reporting standard, in fiscal year 2002.  
(3) See Table 5 for additional tax detail.  
(4) The City opened a softball complex and community center with athletic facility in August 2002.

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

**Table 5**

<b>Fiscal Year</b>	<b>Ad Valorem Tax (3)</b>	<b>Sales Tax (2)</b>	<b>Alcoholic Beverage Tax</b>	<b>Franchise Tax</b>	<b>Commercial Vehicle Tax</b>
2002	335,848	2,928,232	33,827	416,201	94,727
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

<b>Fiscal Year</b>	<b>Fuel Tax</b>	<b>Use Tax</b>	<b>Telephone Tax</b>	<b>Tobacco Tax</b>	<b>Totals</b>
2002	24,259	70,659	5,052	-	3,908,805
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

- (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
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	4,033,768	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
2002	45,612,856	1,906,204	3,549,148	51,068,208	3,205,965	47,862,243	51,068,208	6.83

(1) Property in the city is reassessed each year by the Canadian County Assessors 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 a 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**

<b>Fiscal Year</b>	<b>Debt Service Fund</b>	<b>Mustang School District</b>	<b>Canadian County</b>	<b>Canadian Valley Vo-Tech</b>	<b>Mustang City Resident</b>
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
2002	6.83	66.07	16.11	15.60	104.61

Source: Canadian County Assessor's Office.

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

**Table 8**

	<i>Fiscal Year</i>									
	<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>	<u>2002</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)	-	-	-	-	-	-	-	-	-	-
<b>Total City of Mustang</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>
Canadian County	35.00%	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%
<b>Total</b>	<b>43.50%</b>	<b>8.85%</b>								

- (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 9**

Category (2)	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Telecommunications	\$409,248	\$424,427	\$419,417	\$409,255	\$378,973	\$359,145	\$361,130	\$347,996	\$333,782	\$300,546
Public Utilities	480,904	498,490	479,924	437,829	443,596	416,550	341,765	334,093	305,601	276,921
Wholesale Trade	324,312	303,246	337,262	302,368	195,839	136,944	180,603	152,920	167,132	47,630
Retail - Building Materials	997,457	990,134	1,061,405	444,367	551,167	585,333	418,055	346,971	265,363	275,746
Retail - General Merchandise	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	497,730
Retail - Food	390,997	444,657	426,295	328,066	315,487	313,301	407,631	451,152	651,431	649,843
Retail - Automotive	196,293	194,382	200,178	194,892	187,603	173,216	183,723	161,976	135,798	124,940
Retail - Apparel	58,079	54,386	54,391	50,313	39,676	39,829	35,169	12,615	1,333	1,206
Retail - Furniture and Accessories	227,283	244,852	194,612	225,070	232,014	203,793	185,942	108,875	69,370	61,443
Retail - Restaurants	999,813	939,483	864,735	835,673	732,623	683,884	570,883	502,267	421,924	378,235
Retail - Miscellaneous	334,246	317,679	329,200	325,636	299,062	165,298	275,799	179,909	99,163	220,954
Services - Personal	41,873	26,719	31,023	25,486	27,715	30,566	27,034	24,610	20,693	27,424
Services - Business	78,338	90,055	77,509	74,361	98,161	85,834	61,099	55,695	52,798	37,612
Services - Automotive Repair	60,761	52,487	37,008	40,244	37,578	33,634	26,005	30,535	19,565	23,445
Amusement & Recreation	32,171	31,174	54,104	55,905	46,228	48,021	54,064	47,502	36,330	22,728
Manufacturing	130,399	130,595	145,460	240,554	176,395	186,880	168,720	147,675	76,890	78,341
All Other Categories (5)	33,944	75,060	27,909	50,503	102,416	119,311	49,235	40,407	49,994	(61,502)
	<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>	<u>\$2,963,242</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) Ten years of data is not available, but will be accumulated over time.  
 (4) The retail base began growing in fiscal year 2004 with the opening of a major department store and multiple strip malls.  
 (5) In FY 2002, the City was required to reimburse another City for a mispayment of taxes, causing the miscellaneous category to be negative.

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

**Table 10**

2011			2002		
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	\$1,786,467	1.61%	Oklahoma Gas & Electric Company	\$1,803,216	3.77%
Lowe's Home Centers Inc	942,763	0.85%	Southwestern Bell Telephone	1,124,691	2.35%
Park Place Apartments	923,385	0.83%	Park Place Apartments	923,385	1.93%
Lowe's Home Centers Inc	378,555	0.34%	Oklahoma Natural Gas Company	403,591	0.84%
Wal-Mart Real Estate Business	253,800	0.23%	Mustang Manor, LLC	253,800	0.74%
Wal-Mart Stores East LP	244,670	0.22%	Gary Owens Carpet & Construction, Inc.	229,220	0.62%
Oklahoma Nat/Gas Co	228,573	0.21%	Wal-Mart Store #517	354,917	0.55%
Southwestern Bell Tele LP	228,459	0.21%	Silver Shopping Center	262,000	0.53%
Roman, Joseph J JR & Jay P Co	213,445	0.19%	Industrial Gasket	297,252	0.48%
Greens at Pebble Creek	212,508	0.19%	McCasland, E. Leon	212,508	0.44%
<b>TOTAL</b>	<b>\$5,412,625</b>	<b>4.89%</b>	<b>TOTAL</b>	<b>\$5,864,580</b>	<b>12.25%</b>

(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
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%
2002	326,941	325,886	99.68%	13,038	338,924	103.67%

(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
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
2002	700,000	1,440,000	133,857	366,467	213,088

BUSINESS TYPE ACTIVITIES			
FISCAL YEAR	REVENUE BONDS	MEDA REVENUE NOTE	NOTE PAYABLE
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	-
2002	30,957,203	1,723,179	-

FISCAL YEAR	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
2011	\$26,051,134	7.0%	\$1,498
2010	\$27,417,186	7.4%	\$1,537
2009	\$27,330,631	7.4%	\$1,542
2008	\$29,239,252	8.1%	\$1,694
2007	\$30,944,011	9.0%	\$1,882
2006	\$31,355,919	9.2%	\$1,924
2005	\$31,833,007	9.8%	\$2,054
2004	\$32,861,799	12.0%	\$2,498
2003	\$34,048,588	12.4%	\$2,588
2002	\$35,533,794	12.9%	\$2,701

(1) The City implemented GASB 34 in Fiscal Year 2002.  
 (2) 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	Judgment Funding	Total		
	Bonds	Bonds			
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
2002	700,000	1,440,000	2,140,000	745,482	1,394,518

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
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
2002	4.19%	2.91%	13,156	162.66	106.00

(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, 2011*

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	\$26,485,000	33.60%	\$8,898,960
City of Mustang	\$240,000	100.00%	\$240,000
Total Direct and Overlapping Debt	<u>\$26,725,000</u>		<u>\$9,138,960</u>

(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**  
**PLEDGED-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>
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
2002	5,111,218	1,487,032	3,624,186	2,743,351	1.32	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.

(4) The 1999 Revenue Bonds were issued in August 1999.

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

**Table 16**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net assessed valuation	<u>\$106,319,101</u>	<u>\$102,391,791</u>	<u>\$93,764,110</u>	<u>\$84,224,856</u>	<u>\$74,784,038</u>
Debt limit (1)	10,631,910	10,239,179	9,376,411	8,422,486	7,478,404
Applicable bonds outstanding:					
2007 General Obligation Bonds	240,000	480,000	720,000	960,000	960,000
1989 General Obligation Bonds (2)	-	-	-	-	-
Total Debt Outstanding	<u>240,000</u>	<u>480,000</u>	<u>720,000</u>	<u>960,000</u>	<u>960,000</u>
Legal debt margin	<u>\$10,391,910</u>	<u>\$9,759,179</u>	<u>\$8,656,411</u>	<u>\$7,462,486</u>	<u>\$6,518,404</u>
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net assessed valuation	<u>\$69,532,513</u>	<u>\$63,251,520</u>	<u>\$56,120,327</u>	<u>\$51,458,441</u>	<u>\$47,862,243</u>
Debt limit (1)	6,953,251	6,325,152	5,612,033	5,145,844	4,786,224
Applicable bonds outstanding:					
2007 General Obligation Bonds (3)	-	-	-	-	-
1989 General Obligation Bonds (2)	-	<u>175,000</u>	<u>350,000</u>	<u>525,000</u>	<u>700,000</u>
Total Debt Outstanding	-	<u>175,000</u>	<u>350,000</u>	<u>525,000</u>	<u>700,000</u>
Legal debt margin	<u>\$6,953,251</u>	<u>\$6,150,152</u>	<u>\$5,262,033</u>	<u>\$4,620,844</u>	<u>\$4,086,224</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)
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
2001	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)
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%
2001	90%	6,727	3.5%

(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**

Employer:	2011			2010		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
			City Employment (1)			City Employment (1)
Mustang Public Schools	714	1	19.28%	900	1	24.30%
Wal-Mart Super Center	277	2	7.48%	277	2	7.48%
Tate Publishing	189	3	5.10%	107	3	2.89%
City of Mustang	130	4	3.51%	135	4	3.64%
Lowe's Home Improvement	107	5	2.89%	189	5	5.10%
Oklahoma National Guard Arr	75	6	2.02%	67	6	1.81%
Accurate Drilling	67	7	1.81%	45	7	1.21%
Coldwell Banker Select	50	8	1.35%	35	8	0.94%
Larry's New Homeland	45	9	1.21%	50	9	1.35%
Security Solutions	35	10	0.94%	26	10	0.70%
Arbor House Assisted Living	35	11	0.94%	17	11	0.46%
<b>Total</b>	<b>1,724</b>			<b>1,848</b>		

Employer:	2009			2008		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
			City Employment (1)			City Employment (1)
Mustang Public Schools	994	1	26.84%	800	1	21.60%
Wal-Mart Super Center	345	2	9.31%	335	2	9.04%
Lowe's	144	3	3.89%	130	3	3.51%
City of Mustang	130	4	3.51%	50	4	1.35%
Tate Publishing	120	5	3.24%	87	5	2.35%
Larry's Homeland	40	6	1.08%	45	6	1.21%
Security Solutions	38	7	1.03%	52	7	1.40%
Coldwell Banker	25	8	0.67%	38	8	1.03%
Wilson Ophthalmic	20	10	0.54%	33	9	0.57%
Industrial Gasket Mfg	28	9	0.76%	21	10	0.89%
<b>Total</b>	<b>1,884</b>			<b>1,591</b>		

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. During the past five years, the City has seen the most growth in commercial and retail development. The Chamber began keeping employment statistics in 2006.

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

**Table 19**

Function/Program	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Administration:</b>										
City Manager	4	4	4	4	4	4	4	3	3	5
Finance	5	5	5	5	5	5	5	5	5	5
Community Development	5	5	5	7	6	6	6	6	5	5
<b>Culture and Recreation:</b>										
Parks	6	6	6	6	6	5	5	5	5	5
Library	5	5	5	3	3	3	3	3	3	3
Town Center Complex	1	1	1	1	1	1	1	2	2	-
<b>Public Safety:</b>										
<b>Police</b>										
Officers	19	19	19	19	18	19	19	18	17	17
Dispatch	5	5	5	5	5	5	5	5	5	5
Administration	3	3	3	3	3	3	3	3	3	3
<b>Fire</b>										
Firefighters	15	15	15	15	16	12	11	10	8	6
Administration	2	2	2	2	2	2	2	2	2	2
<b>Total</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>69</b>	<b>65</b>	<b>64</b>	<b>62</b>	<b>58</b>	<b>56</b>

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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Police (2)</b>										
Arrests	908	605	356	307	310	291	363	281	323	216
Total Citations	2,820	3,416	2,816	3,798	2,777	2,950	3,036	3,004	2,883	3,043
Total Incident Reports	1,900	1,090	1,689	1,449	1,573	1,615	1,356	1,251	1,147	1,090
<b>Fire</b>										
Medical Alarms	1,085	950	930	889	889	810	748	683	598	523
Total Alarms	1,958	1,697	1,782	1,820	1,820	1,622	1,641	1,256	869	900
Average Response Time	4.25	5.25	3.46	3.50	3.36	3.45	3.50	3.26	4.08	4.03
<b>Culture and Recreation (2)</b>										
Town Center Memberships	2,784	2,568	4,525	3,740	42,321	41,652	58,523	50,827	48,689	(3)
Park Permits	1,361	1,376	1,412	1,346	1,272	1,330	1,479	(1)	(1)	(1)
Conference Center Room Rentals	1,854	1,271	1,848	1,849	1,723	1,741	1,451	1,046	679	147
Senior Center Lunch Participants	11,128	10,942	9,126	11,143	10,645	10,264	9,303	11,016	9,903	10,213
Aquatic Center Attendance	36,749	37,421	33,451	39,493	23,988	21,348	24,248	24,003	17,000	(1)
Sports (Adult and Youth) League participants	33,584	33,512	35,248	36,140	22,421	23,075	20,111	19,874	(1)	(1)
<b>Library</b>										
Age of library collections										
0 to 5 years	39%	39%	39%	39%	34%	34%	34%	34%	10%	16%
6 to 10 years	28%	28%	28%	28%	15%	15%	15%	15%	22%	22%
11 to 25 years	22%	22%	22%	22%	36%	36%	36%	15%	58%	58%
26 or more years	11%	11%	11%	11%	15%	15%	15%	15%	58%	58%
Volumes in collection										
Cultural/educational program	283	354	325	313	306	296	277	60	205	131
Cultural/educational attendance	14,820	16,484	14,103	14,872	13,990	11,903	11,130	2,999	8,617	5,324
Total volumes borrowed	216,489	196,412	175,307	164,828	163,997	146,455	138,666	120,442	83,224	47,360
Membership	29,240	26,196	23,036	16,735	22,376	19,714	17,103	16,770	13,828	9,925
<b>Water</b>										
New Connections	122	91	114	103	311	268	257	236	36	(1)
Average daily consumption (in million gallons per day)	1.53	1.58	1.58	1.58	1.56	1.53	1.53	1.38	1.43	1.36
<b>Wastewater</b>										
Average effluent flow in mgd	2.00	2.00	1.607	1.16	1.61	1.16	1.4	1.12	1.01	(1)
<b>Streets</b>										
Cubic yards of street panels replaced	67.6	89.5	90.25	156	33.74	111.25	(1)	(1)	(1)	(1)
Cubic feet of potholes patched	329	473	594.3	107.25	115.8	388.7	7.9	5.9	(1)	(1)
<b>Community Development</b>										
Commercial Construction Permits										
Commercial construction cost	\$700,000	\$900,000	\$4,437,000	\$10,269,800	\$6,029,000	\$12,781,000	\$3,608,000	\$8,380,000	\$13,508,308	\$5,153,000
Residential Construction Permits	49	69	61	141	201	301	246	256	172	172
Residential construction cost	\$9,804,675	\$11,924,721	\$9,951,416	\$22,580,400	\$38,067,812	\$45,838,513	\$33,656,530	\$37,341,771	\$28,444,656	\$21,687,240
Stormwater management										
Construction erosion inspections	17	28	26	150	675	20	19	31	21	23
Stormwater permits issued	9	14	17	150	218	6	(1)	(1)	(1)	(1)
Occupation and Business										
Occupation licenses	521	506	567	553	356	357	358	341	285	269
Business licenses	350	341	377	333	332	309	316	313	241	223

(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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Public Safety</b>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	1	1	1	1	1	1	1	1	1	1
<b>Streets</b>										
Street (miles)	85.03	85.03	85.03	85.03	84.28	14.58	10.2	7.55	6.39	1.7
Traffic Signals	8	8	8	7	7	7	7	7	7	7
<b>Parks and Recreation</b>										
Acreage	198.94	198.94	198.94	212	212	214	214	214	214	214
Playgrounds	8	8	7	7	7	7	7	7	7	7
Baseball/softball diamonds	12	12	12	15	15	15	15	15	15	15
Soccer/football fields	4	4	4	11	11	11	11	11	-	-
Walking Trails (miles)	3.6	3.6	3.6	2	2	2	2	2	2	2
<b>Water</b>										
Water mains (miles)	121.03	121.03	120.28	120.28	119.61	117.72	115.07	108.36	104.9	102.74
Fire hydrants	809	809	804	804	797	725	712	688	681	679
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	2	2	2	2
<b>Wastewater</b>										
Sanitary sewer lines (miles)	85.7	85.7	85.7	85.7	83.3	81.54	77.14	70.32	65.16	62.64
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	5	4	4

(1) Data was not available

Source: Internal city documents.

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**CITY OF MUSTANG, OKLAHOMA**  
**SINGLE AUDIT REPORTS**  
**AND SUPPLEMENTARY SCHEDULES**

**June 30, 2011**

CITY OF MUSTANG, OKLAHOMA

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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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 26, 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 and questioned costs as item 11-1.

We noted certain matters that we reported to management of the City in a separate letter dated January 26, 2012.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

*Wedge & Associates, P.C.*  
Edmond, Oklahoma  
January 26, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Mustang, Oklahoma (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness over internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

#### Schedule of Expenditure of Federal Awards

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 as of and for the year ended June 30, 2011, and have issued our report thereon dated January 26, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling 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 basic financial statements taken as a whole.

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.

*Arlidge & Associates, P.C.*

Edmond, Oklahoma

January 26, 2012

**CITY OF MUSTANG, OKLAHOMA  
SCHEDULE OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Federal/State Grantor/Pass Through Agency/Grantor/Program Title</b>	<b>Federal CFDA#</b>	<b>Grant #</b>	<b>Contract Amount</b>	<b>Contract Expenditures</b>
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Assistance for Firefighters Grant	97.044	EMW-2006-FF-03565	\$ 310,500	\$24,659
Non Profit Security Program	97.008	150.017	25,640	25,640
Disaster Grants Public Assistance	97.036	1678	28,121	28,121
Disaster Grants Public Assistance	97.036	HMPG 1678	<u>39,199</u>	<u>39,199</u>
Total US Department of Homeland Security			<u>403,460</u>	<u>117,619</u>
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>				
Passed Through Oklahoma Water Resources Board:				
Capitalization Grants For Clean Water				
State Revolving Loans	66.458	ORF-08-0002	<u>518,450</u>	<u>518,450</u>
Total Environmental Protection Agency			<u>518,450</u>	<u>518,450</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$921,910</u></u>	<u><u>\$636,069</u></u>

CITY OF MUSTANG, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Significant deficiency(ies) identified  
not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted?  X  yes \_\_\_\_\_ no

**Federal Awards**

Internal Control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Reportable condition(s) identified  
not considered to be material weakness(es)? \_\_\_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required  
to be reported in accordance with  
OMB Circular A-133, Section .510(a)? \_\_\_\_\_ yes  X  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

CITY OF MUSTANG, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

Internal Control Findings

None

Compliance Findings

11-1

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None

CITY OF MUSTANG, OKLAHOMA

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

**Finding 11-1; 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, 2011, deposits totaling approximately \$510,000 were not insured or collateralized as required by state law.

**Cause:** Controls were not in place to ensure that deposits at the City's financial institutions were fully insured or collateralized, or to monitor or update agreements, as applicable, with the financial institutions on an on-going basis.

**Effect:** Because of the failure to adequately collateralize its deposits, the City was exposed to potential losses resulting from custodial credit risk up to \$510,000 as of June 30, 2011.

**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:** The City has implemented internal controls to track and monitor pledged collateral by the lending institutions. Monthly reports will be obtained by the City's finance department and entered into the database as a comparative to all investments. An updated communication letter has been sent to each lending institution, requesting monthly monitoring reports and verifying contact information.

CITY OF MUSTANG, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR FINDINGS  
For Prior Year Ended June 30, 2010

There were no audit findings for the year ended June 30, 2010, that requires a preparation of a summary of prior audit findings.