

**TOWN OF MOUNTAIN VIEW**  
Report on the Audit of the  
Financial Statements  
as of and for the twelve months ended  
June 30, 2012

DAVID O. TATE  
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Mangum, Oklahoma 73554

Town of Mountain View, Oklahoma  
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June 30, 2012

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***David O. Tate***

Certified Public Accountant  
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Independent Auditor's Report

To the governing body  
The Town of Mountain View

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mountain View as of and for the twelve months ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Mountain View's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States and "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, management has not recorded all general infrastructure assets, buildings and equipment acquired and/or constructed, in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets, buildings and equipment be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. Further, the presentation of property and equipment in the business-type activities is incomplete. This has resulted in an understatement of property and equipment, accumulated depreciation, expenses, and retained earnings. The amount by which these departures would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In my opinion, because of the adverse effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities or the business-type activities of the Town of Mountain View as of June 30, 2012, the changes in financial position and cash flows, where applicable, for the twelve months then ended.

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major governmental funds and aggregate remaining governmental funds of the Town of Mountain View as of June 30, 2012, and the respective changes in financial position, thereof for the twelve months then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", I have also issued my report dated November 14, 2012, on my consideration of the Town of Mountain View's internal control over financial reporting and on my tests of compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management has elected not to include required supplementary information, management's discussion and analysis and budgetary information, as indicated in Governmental Accounting Standards Board Statement 34.

A handwritten signature in cursive script that reads "David O. Tate". The signature is written in black ink on a light-colored background.

Certified Public Accountant  
November 14, 2012

***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit  
of the Financial Statements Performed in Accordance with "Government Auditing Standards"

To the governing body of the  
Town of Mountain View

I have audited the financial statements of the Town of Mountain View as of and for the year ended June 30, 2012, and have issued my report thereon dated November 14, 2012. The opinion on the government-wide statements was adverse. These financial statements were prepared using the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the Town of Mountain View has not maintained an historical record of general fixed assets nor has a record of fixed assets in the enterprise fund been maintained so consequently, a complete and accurate computation of depreciation expense is also not provided. Further, management has elected not to include required supplementary information, management's discussion and analysis and budgetary information, as indicated in Governmental Accounting Standards Board Statement 34. I conducted my audit in accordance with generally accepted auditing 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 my audit, I considered the Town of Mountain View's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Mountain View's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Mountain View'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 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.

My consideration of the 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above

## Compliance

As part of obtaining reasonable assurance about whether the Town of Mountain View's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards"

This report is intended solely for the information and use of management and granting agencies and/or governments and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D' and 'T'.

Certified Public Accountant  
November 14, 2012

Town of Mountain View, Oklahoma  
Statement of Net Assets-Modified Cash Basis  
June 30, 2012

Primary Government				
	Governmental activities	Business-type activities	Total	
<b>Assets</b>				
Cash and cash equivalents	194,654	212,297	406,951	
Account receivable		177	177	
<b>Restricted assets:</b>				
Cash		16,441	16,441	
Property and equipment, net of accumulated depreciation	65,630	341,667	407,297	
Deposits with third party administ	10,008		10,008	
<b>Total assets</b>	<b>270,292</b>	<b>570,582</b>	<b>840,874</b>	
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	200		200	
Notes payable			-	
<b>Total current liabilities</b>	<b>200</b>	<b>-</b>	<b>200</b>	
<b>Long-term liabilities (Note 3)</b>				
Notes payable			-	
Refundable deposits		16,441	16,441	
<b>Total long-term liabilities</b>	<b>-</b>	<b>16,441</b>	<b>16,441</b>	
<b>Total liabilities</b>	<b>200</b>	<b>16,441</b>	<b>16,641</b>	
<b>Net assets</b>				
Invested in capital assets, net of related debt	65,430	341,667	407,097	
Restricted		16,441	16,441	
Unrestricted	204,662	196,033	400,695	
<b>Total net assets</b>	<b>270,092</b>	<b>554,141</b>	<b>824,233</b>	
<b>Total liabilities and net assets</b>	<b>270,292</b>	<b>570,582</b>	<b>840,874</b>	

See the accompanying notes to the basic financial statements

Town of Mountain View, Oklahoma  
Statement of Activities-Modified Cash Basis  
For the twelve months ended June 30, 2012

Functions/programs	Expenses	Program revenues	Net (expense) revenue and changes in net assets			Total
			Charges for services	Operating grants	Governmental activities	
Primary government						
Governmental activities						
Public safety	102,503	20,589	7,093	(74,821)		(74,821)
General government	192,031	9,212	3,090	(179,729)		(179,729)
Total governmental ac	294,534	29,801	10,183	(254,550)		(254,550)
Business-type activities						
Utility services	312,658	357,858			45,200	45,200
Total business-type a	312,658	357,858	-		45,200	45,200
Total primary governme	607,192	387,659	10,183	(254,550)	45,200	(209,350)
General revenues						
Taxes:						
Sales, use and tobacco				158,935		158,935
Payments in lieu of taxes				2,247		2,247
Alcoholic beverage/gasoline excise/commercial motor vehicle				17,839		17,839
Cemetery lot sales				731		731
Franchise				10,779		10,779
Investment income				271	86	357
Donations				632		632
Recoveries				10,997		10,997
Transfers, internal activity				15,498	(15,498)	-
Other				20,144		20,144
Total general revenues				238,073	(15,412)	222,661
Change in net assets				(16,477)	29,788	13,311
Net assets, July 1, 2011				286,569	524,353	810,922
Net assets, June 30, 2012				270,092	554,141	824,233
See the accompanying notes to the basic financial statements						

Town of Mountain View, Oklahoma						
Balance Sheet-Modified Cash Basis						
Governmental Funds						
June 30, 2012						
	General fund	Cemetery fund	Street and alley fund	Other governmental funds	Total	
<b>Assets</b>						
Cash and cash equivalents	128,140	19,448	40,472	6,594	194,654	
Deposits with third party administr	10,008				10,008	
Due from other funds					-	
<b>Total assets</b>	<b>138,148</b>	<b>19,448</b>	<b>40,472</b>	<b>6,594</b>	<b>204,662</b>	
<b>Liabilities and Fund Balances</b>						
<b>Current liabilities:</b>						
Notes payable					-	
Accounts payable				200	200	
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>200</b>	
<b>Long-term liabilities:</b>						
Notes payable					-	
<b>Total long-term liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>200</b>	
<b>Fund balances:</b>						
Restricted					-	
Unrestricted	138,148	19,448	40,472	6,394	204,462	
<b>Total fund balance</b>	<b>138,148</b>	<b>19,448</b>	<b>40,472</b>	<b>6,394</b>	<b>204,462</b>	
<b>Total liabilities and fund balance</b>	<b>138,148</b>	<b>19,448</b>	<b>40,472</b>	<b>6,594</b>	<b>204,662</b>	
<b>Reconciliation to Statement of Net Assets:</b>						
Amounts reported for governmental activities in the statement of net assets are different because:						
Amounts expended for capital outlays will not be financial resources and, therefore, are not reported in the funds						
Capital assets used in governmental activities of \$98,680 net of accumulated depreciation of \$33,050 are not financial resources and are not reported in the funds						
					65,630	
<b>Net assets of governmental activities</b>					<b>270,092</b>	
See the accompanying notes to the basic financial statements						

Town of Mountain View, Oklahoma  
Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Modified Cash Basis-Governmental Funds  
For the twelve months ended June 30, 2012

	General fund	Cemetery fund	Street and alley fund	Other governmental funds	Total
<b>Revenues:</b>					
Taxes	178,775		11,025		189,800
Intergovernmental grants	7,093			3,090	10,183
Charges for services	9,212	4,500	940		14,652
Lot sales		731			731
Investment income	52	219			271
Municipal court fines and forfeiture	20,589				20,589
Contributions/donations		545		87	632
Insurance proceeds	(958)				(958)
Restitution	10,997				10,997
Other	15,640			22	15,662
<b>Total revenues</b>	<b>241,400</b>	<b>5,995</b>	<b>11,965</b>	<b>3,199</b>	<b>262,559</b>
<b>Expenditures:</b>					
<b>Public safety:</b>					
Personal services	78,816				78,816
Maintenance/operation	19,080				19,080
Capital outlay	2,680				2,680
<b>Total public safety expenditures</b>	<b>100,576</b>				<b>100,576</b>
<b>General government:</b>					
Personal services	78,874		15,554	10,804	105,232
Maintenance/operation	75,491	7,115		2,855	85,461
Capital outlay	-				-
<b>Total general government expend</b>	<b>154,365</b>	<b>7,115</b>	<b>15,554</b>	<b>13,659</b>	<b>190,693</b>
<b>Total expenditures</b>	<b>254,941</b>	<b>7,115</b>	<b>15,554</b>	<b>13,659</b>	<b>291,269</b>
<b>Excess (deficiency) of revenues over expenditures and changes in net assets</b>	<b>(13,541)</b>	<b>(1,120)</b>	<b>(3,589)</b>	<b>(10,460)</b>	<b>(28,710)</b>
<b>Other financing sources (uses):</b>					
Operating transfers in	24,099		4,537	11,915	40,551
Operating transfers (out)		(25,052)			(25,052)
<b>Total other financing sources (uses)</b>	<b>24,099</b>	<b>(25,052)</b>	<b>4,537</b>	<b>11,915</b>	<b>15,499</b>
<b>Net changes in net assets</b>	<b>10,558</b>	<b>(26,172)</b>	<b>948</b>	<b>1,455</b>	<b>(13,211)</b>
<b>Fund balances, July 1, 2011</b>	<b>127,590</b>	<b>45,620</b>	<b>39,524</b>	<b>4,939</b>	<b>217,673</b>
<b>Fund balances, June 30, 2012</b>	<b>138,148</b>	<b>19,448</b>	<b>40,472</b>	<b>6,394</b>	<b>204,462</b>
See the accompanying notes to the basic financial statements					



Town of Mountain View, Oklahoma  
Statement of Net Assets-Modified Cash Basis  
Proprietary Fund  
June 30, 2012

	Mountain View Public Works Authority <u>Enterprise fund</u>
Assets	
Current assets	
Cash and cash equivalents	212,297
Account receivable	177
Restricted assets:	
Cash and cash equivalents	<u>16,441</u>
Total current assets	<u>228,915</u>
Noncurrent assets	
Property and equipment net of accumulated depreciation	<u>341,667</u>
Total noncurrent assets	<u>341,667</u>
Total assets	<u><u>570,582</u></u>
Liabilities	
Current liabilities	
Due to general fund	
Notes payable-current portion	<u>-</u>
Total current liabilities	<u>-</u>
Noncurrent liabilities	
Refundable deposits	16,441
Notes payable	<u>-</u>
Total noncurrent liabilities	<u>16,441</u>
Total liabilities	<u>16,441</u>
See the accompanying notes to the basic financial statements	



Town of Mountain View, Oklahoma  
Statement of Revenues, Expenses, and  
Changes in Net Assets-Modified Cash  
Basis-Proprietary Fund  
For the twelve months ended June 30, 2012

	Mountain View Public Works Authority Enterprise fund
Operating revenues:	
Utility services	358,651
Cost of utility services	49,564
Gross margin on utility services	309,087
Intergovernmental revenues	
Total operating revenues	309,087
Operating expenses:	
Repairs/maintenance	7,839
Depreciation	28,171
Salaries/wages/taxes/fringe benefits	78,416
Utilities	21,114
Supplies	19,709
Fuel	16,389
Insurance	6,413
Administration	
Fees	4,471
Other	81,048
Total operating expenses	263,570
Net operating income (loss)	45,517
Non-operating revenues (expenses):	
Operating transfers in (out)	(15,498)
Investment income	86
Interest expense	(317)
Total non-operating revenues (expenses)	(15,729)
Net income (loss) and change in net assets	29,788
Net assets, July 1, 2011	524,353
Net assets, June 30, 2012	554,141
See the accompanying notes to the basic financial statements	

Town of Mountain View, Oklahoma  
Statement of Cash Flows-Modified Cash Basis  
Proprietary Fund  
For the twelve months ended June 30, 2012

	Mountain View Public Works Authority <u>Enterprise fund</u>
Cash flows from operating activities	
Receipts from customers/others	358,651
Payments to suppliers	(206,547)
Payments to employees	(78,416)
	<u>73,688</u>
Net cash provided by (used in) operating activities	73,688
Cash flows from capital and related activities:	
Operating transfers in (out)	(15,498)
Principal paid on notes payable	(30,253)
Interest paid	(317)
Purchases of capital assets/work in progress	<u>          </u>
Net cash provided by (used in) capital and related financing activities	(46,068)
Cash flows from investing activities:	
Interest earned	<u>86</u>
Net cash flows provided by (used in) investing activities	86
Net increase (decrease) in cash and cash equivalents	27,706
Balance, July 1, 2011	<u>201,032</u>
Balance, June 30, 2012	<u><u>228,738</u></u>
See the accompanying notes to the basic financial statements	



Town of Mountain View, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2012

Note 1-Significant Accounting Policies:

- A. **Summary of Significant Accounting Policies.**  
As discussed further in Note 1. D., these financial statements are presented on a modified cash basis of accounting. This modified cash basis differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.
- B. **Financial Reporting Entity.**  
The Town's financial reporting entity is composed of the following:  
Primary government: Town of Mountain View  
Blended component units: Mountain View Public Works Authority

In determining the financial reporting entity, the Town of Mountain View complies with the provisions of Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity".

**Blended Component Unit.**

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component units' governing bodies are the same or substantially the same as the governing body of the primary government, or the component unit provides services entirely to the primary government. The component units' funds are blended into those of the Town of Mountain View by appropriate fund type to constitute the primary government presentation. The blended component unit is the Mountain View Public Works Authority. The fund is included in the Mountain View Public Works Authority Enterprise Fund.

The component units do not issue separately audited component unit financial statements.

- C. **Basis of Presentation**

**Government-Wide Financial Statements**

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include funds of the reporting entity except for fiduciary funds. 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.

Town of Mountain View, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2012

## Note 1-Significant Accounting Policies (continued):

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town of Mountain View presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town 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.

The funds of the financial reporting entity are described below:

**Governmental Funds****General Fund**

The general fund is the primary operating fund of the Town 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.

**Cemetery Fund**

The cemetery fund is used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes (cemetery maintenance or expansion) or designated to finance particular functions or activities.

**Street and Alley Fund**

The other fund included in the governmental funds is the street and alley fund. This fund is used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes (maintenance of streets and alleys) or designated to finance particular functions or activities.

Town of Mountain View, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2012

Note 1-Significant Accounting Policies (continued):

**Proprietary Funds**

Enterprise fund.

Enterprise funds are used to account for business-like activities provided to the general public. 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 Mountain View Public Works Authority to account for activities of the public trust in providing water, wastewater, and sanitation services to the public.

D. Measurement Focus and Basis of Accounting.

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

Measurement focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

1. All governmental funds used a “current financial resources” measurement 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 resources at the end of the period.
2. The proprietary funds utilize an “economic resources” measurement focus. 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. Proprietary fund equity is classified as net assets.

Town of Mountain View, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2012

Note 1-Significant Accounting Policies (continued):

Basis of accounting

The government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, proprietary fund statements, and the similar discretely presented component unit statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting.

E. Assets, Liabilities, and Equity

Cash and cash equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

Investments

If investments were classified in the financial statements, they would consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments, when applicable, are carried at cost, which approximates fair value.

Capital assets

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Town of Mountain View, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2012

Note 1-Significant Accounting Policies (continued):

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions 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. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture, and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

Management has not recorded all general infrastructure assets, buildings and equipment acquired and/or constructed, in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets, buildings and equipment be capitalized and depreciated, which would increase the assets, net assets, and expenses of the government activities. However, most of these assets would be fully depreciated and while the net effect on the assets, net assets, and expenses of the government activities is not known, it is not expected to be material.

Fund Financial Statements

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Equity Classification

Government-Wide 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 improvements of those assets.

Town of Mountain View, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2012

Note 1-Significant Accounting Policies (continued):

2. Restricted net assets-Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets-All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

Fund Financial Statements

Government fund equity is classified as fund balance. Proprietary fund equity is classified the same as in government-wide statements.

F. Revenues, Expenditures, and Expenses

Program revenues

In the Statement of Activities, modified cash basis revenues are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General government	Taxes and other revenue
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All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating revenue and expenses

Operating revenues and expenses for proprietary funds and the similar discretely presented component units (if applicable) result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Town of Mountain View, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2012

## Note 1-Significant Accounting Policies (continued):

## G. 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 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.

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 is reported as transfers in and out.

## Government-wide financial statements

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 residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities-Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Town of Mountain View, Oklahoma  
Notes to the Basic Financial Statements  
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Note 1-Significant Accounting Policies (continued):

3. Primary government and component unit activity and balances-Resource flows between the primary government (the Town and Municipal Authority) and the discretely-presented component unit, if any, are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

H. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2-Stewardship, Compliance, and Accountability

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

Note 3-Detail Notes-Transaction Classes/Accounts:

A. Cash and investments

Custodial credit risk-deposits

The table presented below is designed to disclose the level of custodial risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2012. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

Category 1	Insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name
Category 2	Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
Category 3	Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agency but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

Town of Mountain View, Oklahoma  
Notes to the Basic Financial Statements  
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Note 3-Detail Notes-Transaction Classes/Accounts (continued):

Primary government

Type of deposits	Total bank balance	Custodial risk category		
		1	2	3
Insured deposits	468,147	350,453	117,694	
Uninsured deposits:				
Collateralized				
Uncollateralized	-			-
<b>Total deposits</b>	<b>468,147</b>	<b>350,453</b>	<b>117,694</b>	<b>-</b>
Total carrying value:				
Petty cash	450			
<b>Total</b>	<b>468,597</b>			
Reconciliation to Government-Wide Statement of Net Assets:				
Cash and cash equivalents	423,392			
Investments	-			
<b>Total</b>	<b>423,392</b>			

Investments and custodial credit risk

Investments are limited by state law 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 is 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 limitations, 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 Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

Town of Mountain View, Oklahoma  
Notes to the Basic Financial Statements  
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Note 3-Detail Notes-Transaction Classes/Accounts (continued):

B. Restricted assets

The amounts reported as restricted assets are composed of amounts held by the Mountain View Public Works Authority for utility deposits (refunded upon termination of service or applied to the final bill) of \$16,441.

C. Capital assets

A summary of the capital assets and the related accumulated depreciation at June 30, 2012 follows:

Description	Balance			Balance June 30, 2012
	July 1, 2011	Additions	Retirements	
<b>Government activities:</b>				
Police cruisers/equipment	42,500	2,680		45,180
Buildings	53,500			53,500
Total property and equipment	96,000	2,680	-	98,680
Accumulated depreciation	27,105	5,945		33,050
Total governmental activities- property and equipment	68,895	(3,265)	-	65,630
<b>Business-type activities:</b>				
Vehicles	57,783			57,783
Equipment	154,500	5,500		160,000
Water/sewer distribution	791,436			791,436
Total property and equipment	1,003,719	5,500	-	1,009,219
Accumulated depreciation	639,381	28,171		667,552
Total business-type activities- property and equipment	364,338	(22,671)	-	341,667

For the twelve months ended June 30, 2012, the sum of \$5,945 was charged against equity in the governmental activities and \$28,171 was charged against equity in the business-type activities.

D. Long-term debt.

Refundable deposits:  
Refundable deposits reported as a liability within the statement of net assets are composed of the following:

Utility deposits	\$15,324
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Town of Mountain View, Oklahoma  
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Note 4-Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages these various risks of loss by purchasing commercial insurance. In so doing, each incidence may have a nominal deductible amount that is uninsured, but no material risk of loss is retained.

Note 5-Intergovernmental revenues:

The intergovernmental revenues reported in the financial statements consist of the following:

		Amount received	Amount expended
	Name of grant		
	Oklahoma Department of Libraries	3,090	3,090
	Department of Public Safety	2,680	2,680
	Oklahoma Department of Agriculture	4,413	4,413
	Total	10,183	10,183

Note 6-Deposits with third party administrator:

Funds held by the Oklahoma Municipal Assurance Group consist of:

Escrow funds-Typically past refunds or interest earnings left on deposit with the administrator to be disbursed upon instruction by the governing body.

Rate stabilization reserve-Reserves developed under the premium modification guidelines to be applied against future premium increases.

Loss fund-That portion of premium to pay claims.

The Oklahoma Municipal Assurance Group Workers' Compensation Plan became effective October 1, 1984. The purpose of the plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. A plan year normally begins on July 1 in any year and ends on June 30 of the following calendar year. The plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owned for benefits provided to the municipality or its employees.

Town of Mountain View, Oklahoma  
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Note 6-Deposits with third party administrator (continued):

A municipality may apply and enter into agreement with the plan to participate in the coverages and services that the plan offers as outlined above. Upon acceptance into the plan, a participant has the responsibility to pay fees set by the plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, a participant in the plan is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have a right to the return of any loss funds set aside for claims, which have not been paid out as benefits.

The amount shown in the financial statements reflect the funds being held by the group for the Town of Mountain View. These funds represent both current and past plan year participation with the loss fund balances in respect to the Town of Mountain View's workers' compensation retention. CompSource Oklahoma provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of CompSource Oklahoma to honor its obligation could result in losses to the plan. However, Oklahoma Municipal Assurance Group's evaluation of the financial condition of CompSource Oklahoma indicates that CompSource Oklahoma is presently financially sound and will be able to meet its contractual obligations.