

**TOWN OF MOUNTAIN PARK
MOUNTAIN PARK, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2011**

TOWN OF MOUNTAIN PARK
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For the fiscal year ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Town Council
Town of Mountain Park
Mountain Park, Oklahoma 73559

Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the Town of Mountain Park, Oklahoma 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 Town of Mt Park, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

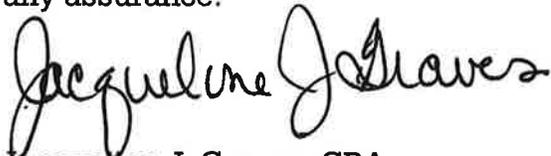
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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, the Town of Mountain Park, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, management has not recorded general infrastructure assets, 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 be capitalized and depreciated, which would increase the assets, net assets, and expenses. The amount which this departure would affect the assets, net assets, and expenses is not reasonably determinable.

In my opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities and business-type activities of the Town of Mountain Park, Oklahoma, as of June 30, 2011, or the changes in financial position thereof for the year then ended.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-7 and 25 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. I 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 inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Jacqueline J. Graves".

Jacqueline J. Graves, CPA
Snyder, Oklahoma
November 23, 2011

TOWN OF MOUNTAIN PARK, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

The management of the Town of Mountain Park, Oklahoma is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the Town's financial condition and activities as of and for the year ended June 30, 2011. Management of the Town is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The Town reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the Town's total net assets increased by \$16,276.
- At June 30, 2011, the Town's governmental funds reported combined ending fund balances on a modified cash basis of (\$209,389). Of this amount, \$25,877 is available to meet the government's ongoing needs.
- At the end of fiscal year 2011, unreserved fund balance on a modified cash basis for the General Fund was \$5,452.

ABOUT THE TOWN

The Town of Mountain Park is governed by a three-member board of trustees elected by the citizens at large.

The Town provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority, certain utility services including water, wastewater, and sanitation.

The Town's Financial Reporting Entity

This annual report includes all activities for which the Town of Mountain Park City Council is financially accountable.

The activities, defined as the Town's financial reporting entity, are operated within separate legal entities that make up the primary government.

The Town's financial reporting entity includes the following separate legal entities:

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- **The Town of Mountain Park** – an incorporated City that operates the public safety, streets and public works, culture and recreation, and administrative activities of the Town
- **The Mountain Park Public Works Authority** – public trust created pursuant to Title 60 O.S. § 176 to operate the water, sewer, and sanitation services of the Town, with the Mayor and City Council members serving as the chairman and board of trustees

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Town of Mountain Park (Town), and the Mountain Park Public Works Authority (PWA). Included in this report are government-wide statements for each of the two categories of activities – governmental and business-type.

The government-wide financial statements present the complete financial picture of the Town from the economic resources measurement focus as applicable to the modified cash basis of accounting. These statements do not include all assets of the Town, but do include all liabilities (including long-term debt), resulting from modified cash basis transactions. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions to ask about the Town's finances is, "Has the Town's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the Town's sales tax base, the condition of the Town's roads, and quality of service to assess the overall health of the Town. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those Town assets and liabilities resulting from cash transactions; and the fact that certain vital historical information was not reasonably obtainable for proper preparation of these statements.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities: *Governmental activities* – Most of the Town's basic services are

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reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the Town charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The Town’s water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the Town’s Most Significant Funds – Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the Town’s most significant (major) funds – not the Town as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town’s two kinds of funds – *governmental and proprietary* – use different accounting approaches.

Governmental funds – All of the Town’s basic services are reported in governmental funds, which focus on how much money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds should report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town’s general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements should be explained in a reconciliation following each governmental fund financial statement.

Proprietary funds – The Town operates one proprietary fund, the Mountain Park Public Works Authority (major fund). When the Town, through the PWA, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds should be reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets should be capitalized and depreciated and principal payments on long-term debt recorded as a reduction to the liability.

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Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 16-25 of this report.

THE TOWN AS A WHOLE

**The Town of Mountain Park's Net Assets (Modified Cash Basis)
 June 30, 2011**

	Governmental Activities	Business-type Activities	Total
Beginning net assets	\$ 8,993	\$ (234,658)	\$ (225,665)
Increase (Decrease)	\$ 1,081	\$ 15,195	\$ 16,276
Ending net assets	\$ 10,074	\$ (219,463)	\$ (209,389)

Following is a summary of net assets reported on a modified cash basis for the Town of Mountain Park.

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**The Town of Mountain Park's Revenues, Expenses and Changes in Net Assets
(Modified Cash Basis)
Year Ended June 30, 2011**

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for Services	\$ 2,132	\$ 175,863	\$ 177,995
Grants & Contributions	5,648	-	5,648
General Revenues:			
Sales Tax	11,023		11,023
Other Taxes	17,462		17,462
Other General Revenues	2,533	20,956	23,489
Total Revenues	\$ 38,798	\$ 196,819	\$ 235,617
Program Expenses:			
General Government	\$ 26,111		\$ 26,111
Street and Alley	2,340		2,340
Fire Department	8,333		8,333
Senior Citizens Center	1,251		1,251
PWA		181,306	181,306
Total Expenses	38,035	181,306	\$ 219,341
Excess (Deficiency)	\$ 763	\$ 15,513	\$ 16,276
Net Transfers	318	(318)	-
Increase/(Decrease)	1,081	15,195	16,276
Beginning Net Assets	8,993	(234,658)	(225,665)
Ending Net Assets	\$ 10,074	\$ (219,463)	\$ (209,389)

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Statement of Net Assets (Modified Cash Basis) - June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$9,646	\$15,803	\$25,449
Fixed assets	\$2,500		\$2,500
Other assets	\$745		\$745
 Total assets	 <u>12,891</u>	 <u>15,803</u>	 <u>28,694</u>
LIABILITIES:			
Other current liabilities	1,610	(374)	1,236
Notes payable - current portion	0	23,266	23,266
Notes payable - noncurrent portion	0	235,885	235,885
 Total liabilities	 <u>1,610</u>	 <u>258,777</u>	 <u>260,387</u>
NET ASSETS:			
Invested in capital assets, net of related debt	0	(235,266)	(235,266)
Unrestricted	10,074	15,803	25,877
 Total net assets	 <u>\$10,074</u>	 <u>(\$219,463)</u>	 <u>(\$209,389)</u>

See accompanying notes to these financial statements.

Statement of Activities (Modified Cash Basis) - Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental activities:						
General government	\$26,111	\$2,132		(\$23,979)		(\$23,979)
Street and alley	\$2,340			(2,340)		(2,340)
Fire department	\$8,333		5,648	(2,685)		(2,685)
Senior citizens center	\$1,251	0	0	(1,251)		(1,251)
Total governmental activities	<u>38,035</u>	<u>2,132</u>	<u>5,648</u>	<u>(30,255)</u>	<u>0</u>	<u>(30,255)</u>
Business-type activities:						
Water		87,562			87,562	87,562
Sewer		46,561			46,561	46,561
Trash		41,740			41,740	41,740
PWA	181,306				(181,306)	(181,306)
Total business-type activities	<u>181,306</u>	<u>175,863</u>	<u>0</u>	<u>0</u>	<u>(5,443)</u>	<u>(5,443)</u>
Total primary government	<u>\$219,341</u>	<u>\$177,995</u>	<u>\$5,648</u>	<u>(\$30,255)</u>	<u>(\$5,443)</u>	<u>(\$35,698)</u>
General revenues:						
Taxes:						
Sales and use				13,765		13,765
Alcoholic beverage				4,383		4,383
Cigarette				540		540
Franchise				6,323		6,323
Motor vehicle				3,474		3,474
Bond collected				0		0
Investment income				30	92	122
Miscellaneous				2,503	20,864	23,367
Transfers-internal activity				318	(318)	0
Total general revenues and transfers				<u>31,336</u>	<u>20,638</u>	<u>51,974</u>
Change in net assets				1,081	15,195	16,276
Net assets - beginning				8,993	(234,658)	(225,665)
Net assets - ending				<u>\$10,074</u>	<u>(\$219,463)</u>	<u>(\$209,389)</u>

CITY OF MOUNTAIN PARK, OKLAHOMA
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Governmental Funds Balance Sheet (Modified Cash Basis) - June 30, 2011

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Fire Department Fund</u>	<u>Senior Citizens Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and cash equivalents	\$3,473	\$3,561	\$2,612	\$0	\$9,646
Fixed assets	\$2,500				\$2,500
Other assets	\$745				\$745
Total Assets	<u><u>\$6,718</u></u>	<u><u>\$3,561</u></u>	<u><u>\$2,612</u></u>	<u><u>\$0</u></u>	<u><u>\$12,891</u></u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Other current liabilities	1,171	0	439	0	1,610
Total Liabilities	<u>1,171</u>	<u>0</u>	<u>439</u>	<u>0</u>	<u>1,610</u>
Fund Balances:					
Unreserved	5,547		2,173	0	7,720
Unreserved-special revenue fund		3,561			3,561
Total fund balances	<u>5,547</u>	<u>3,561</u>	<u>2,173</u>	<u>0</u>	<u>11,281</u>
Total liabilities and fund balances	<u><u>\$6,718</u></u>	<u><u>\$3,561</u></u>	<u><u>\$2,612</u></u>	<u><u>\$0</u></u>	<u><u>\$12,891</u></u>

See accompanying notes to these financial statements.

CITY OF MOUNTAIN PARK, OKLAHOMA
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As of and for the Year Ended June 30, 2011

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) - Year Ended June 30, 2011

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Fire Department Fund</u>	<u>Senior Citizens Center Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Charges for services	2,132				2,132
Taxes	25,011	3,474			28,485
Bond collected	0				0
Investment income	30				30
Miscellaneous	2,003		500		2,503
Donations/Operating Grants			5,648		5,648
Total Revenues	<u>29,176</u>	<u>3,474</u>	<u>6,148</u>	<u>0</u>	<u>38,798</u>
Expenditures:					
General government	26,111				26,111
Highways and streets		2,340			2,340
Public safety			8,333		8,333
Culture and recreation				1,251	1,251
Total Expenditures	<u>26,111</u>	<u>2,340</u>	<u>8,333</u>	<u>1,251</u>	<u>38,035</u>
Excess (deficiency) of revenues over expenditures	3,065	1,134	(2,185)	(1,251)	763
Other Financing Sources (Uses):					
Transfers in	2,000	0	1,818		3,818
Transfers out	(3,500)	0			(3,500)
Total Other Financing Sources (Uses)	<u>(1,500)</u>	<u>0</u>	<u>1,818</u>	<u>0</u>	<u>318</u>
Net change in fund balances	1,565	1,134	(367)	(1,251)	1,081
Fund balances - beginning	3,981	1,220	2,541	1,251	8,993
Fund balances - ending	<u>\$5,546</u>	<u>\$2,354</u>	<u>\$2,174</u>	<u>\$0</u>	<u>\$10,074</u>

See accompanying notes to these financial statements.

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance - Net Assets Reconciliation:

Total fund balances	\$10,074
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	unknown
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Notes payable	0
Net assets of governmental activities	<u><u>\$10,074</u></u>

Changes in Fund Balances - Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds	\$1,081
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Amounts reported for governmental activities in the Statement of Activities may be 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	0
Capital asset purchases donated by proprietary funds	0
Depreciation expense	<u>unknown</u>
	<u>0</u>

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Principal payments	<u>0</u>
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Change in net assets of governmental activities	<u><u>\$1,081</u></u>
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Proprietary Funds Statement of Net Assets (Modified Cash Basis) - June 30, 2011

ASSETS:

Current Assets:

Cash and cash equivalents	15,803
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Total current assets	15,803
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Total assets	15,803
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LIABILITIES:

Current Liabilities:

Notes payable - current portion	23,266
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Account payable	(374)
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Total current liabilities	22,892
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Noncurrent liabilities:

Notes payable	235,885
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Total noncurrent liabilities	235,885
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Total liabilities	258,777
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NET ASSETS:

Invested in capital assets, net of related debt	(235,266)
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Unrestricted	15,803
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Total net assets	(\$219,463)
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See accompanying notes to these financial statements.

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Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets
(Modified Cash Basis) - Year Ended June 30, 2011

	<u>Mountain Park PWA</u>
Operating Revenues:	
Water charges	87,562
Sewer charges	46,561
Trash charges	41,740
Late charges	3,605
Reconnect and hook up fees	695
Spraying	224
Total operating revenues	<u>180,387</u>
Operating Expenses:	
Administration and general	113,705
Water	35,438
Sewer	235
Trash	31,928
Total operating expenses	<u>181,306</u>
Operating income (loss)	(919)
Non-Operating Revenues (Expenses):	
Investment income	92
Miscellaneous revenue	<u>16,340</u>
Total non-operating revenues (expenses)	16,432
Net income (loss) before transfers	15,513
Transfers in	3,500
Transfers out	<u>(3,818)</u>
Change in net assets	15,195
Total net assets-beginning	(234,658)
Total net assets-ending	<u><u>(\$219,463)</u></u>

See accompanying notes to these financial statements.

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Proprietary Funds Statement of Cash Flows (Modified Cash Basis) - Year Ended June 30, 2011

	<u>Mountain Park PWA</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$180,387
Payments to suppliers and personnel	(170,428)
Net Cash Provide by (Used in) Operating Activities	<u>9,959</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net transfers to other funds	(318)
Miscellaneous revenue	16,340
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>16,022</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Principal paid on capital debt	(12,387)
Interest paid on capital debt	(10,878)
Net Cash Provided by (Used in) Capital Financing Activities	<u>(23,265)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	92
Net Cash Provided by (Used in) Investing Activities	<u>92</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,808
Balances - beginning of the year	<u>12,995</u>
Balances - end of the year	<u><u>\$15,803</u></u>
 Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating Income (loss)	(\$919)
Miscellaneous Income	16,432
Change in assets and liabilities	(12,705)
	<u><u>\$2,808</u></u>

See accompanying notes to these financial statements.

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Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Town's financial reporting entity includes the primary government (Town of Mountain Park, Oklahoma) and one component unit.

- The Town of Mountain Park – that operates the public safety, streets and highways, parks and recreation, and administrative activities
- The Town of Mountain Park Public Works Authority – that operates the water, sewer and sanitation services

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in accounting principles generally accepted in the United States of America. These modifications include adjustments for the following balances arising from cash transactions:

- Capital assets and the depreciation of those assets, where applicable
- Long-term debt
- Cash-based interfund receivables and payables
- Other cash-based receivables/payables
- Investments
- Utility deposit liabilities

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 for billed or provided services not yet collected, and accrued revenue and receivables) 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.

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Program revenues within the statement of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government: Rent, roll-offs, mowing
- Public safety: Fire runs, operating grants, donations
- Streets and highways: Gasoline excise and motor vehicle taxes

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Governmental Funds:

The Town's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Street and Alley Fund – accounts for revenues from gasoline and vehicle taxes restricted for street repairs and maintenance

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

Proprietary Funds:

The Town's proprietary funds are comprised of the following:

Major Funds:

- Mountain Park Public Works Authority – accounts for the operation of the water, sewer, and sanitation activities

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For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported cost.

D. Capital Assets and Depreciation

Proper accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment should be accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired should be accounted for as capital outlay expenditures and not reported as capital assets.

Appropriate capital asset and depreciation policies have not been followed for some years and records for correction are not reasonably available.

E. Long-Term Debt

Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for 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. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

G. Fund Balances and Net Assets

Fund Balances:

Fund balances generally reported in the governmental funds financial statements are displayed in two components:

- a) *Reserved* – Consists of fund balances that are either legally restricted as to use (such as voter-restricted sales taxes), or fund balances that are not available for expenditure in the subsequent year (such as encumbrances).
- b) *Unreserved* – All other fund balances not classified as “reserved”.

At June 30, 2011, there were no governmental fund balance reserves.

Net assets are displayed in three components:

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

It is the Town’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.

H. Internal and Interfund Balances and Transfers

The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

I. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

2. Deposits and Investments

For the year ended June 30, 2011, the Town recognized \$122 of investment income all on demand deposits. At June 30, 2011, the primary government held \$25,449 in demand deposits.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The Town is governed by the State Public Deposit Act which requires that the Town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2011, the Town was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk - The Town 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.

Investment Credit Risk - The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral;

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(3) negotiable certificates of deposit, prime banks acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the Town's public trusts.

As of June 30, 2011, the Town does not have any mutual funds.

Concentration of Investment Credit Risk – the Town places no limit on the amount it may invest in any one issuer.

Restricted Cash and Investments – Amounts for debt service, debt reserve, or construction purposes should be reported as restricted assets on the statement of net assets. The statement of net assets as of June 30, 2011, was not prepared in a manner which accurately reflects restricted assets, however, a separate PWA bank account is maintained for required reserves for Rural Development loans.

3. Capital Assets and Depreciation

As discussed in Note D above, appropriate capital assets and depreciation policies have not been followed for some years and information for the reconstruction of historical records was not reasonably obtainable.

4. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2011, the reporting entity's long-term debt changed as follows:

	Balance			Balance	Amounts
Type of Debt	July 1, 2010	Additions	Deductions	June 30, 2011	Due Within One Year
Business-Type Activities					
Notes Payable	\$ 271,540		\$ 12,388	\$ 259,152	\$ 23,266

Business-Type Activities:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to the Town's business-type activities at June 30, 2011, include the following:

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Notes Payable

2005 Note Payable to First National Bank for \$16,153.09 payable in 60 monthly installments, 6.5% interest, final payment due May 10, 2010	\$ 67
2007 Note Payable to Kubota Credit Corporation for \$22,500, payable in 84 monthly installments of \$267.86, 7.75% interest	\$ 5,336
1980 Note Payable to US Department of Agriculture, Rural Development, Loan # 97-03 for \$28,500, payable in monthly installments of \$140, 5% interest	\$ 7,607
1980 Note Payable to US Department of Agriculture, Rural Development, Loan #91-04 for \$60,000, payable in monthly installments of \$300, 5% interest	\$ 17,454
1980 Note Payable to US Department of Agriculture, Rural Development, Loan #97-05 for \$11,500, payable in monthly installments of \$57, 5% interest	\$ 3,476
1980 Note Payable to US Department of Agriculture, Rural Development, Loan #93-06 for \$31,637, payable in monthly installments of \$171, 5% interest	\$ (231)
2001 Note Payable to US Department of Agriculture, Rural Development, Loan #92-10 for \$258,500, payable in monthly installments of \$1,174, 4.5% interest	\$ 225,444
Total Notes Payable	<u>\$ 259,152</u>
Current portion	\$ 23,266
Non-current portion	<u>\$ 235,885</u>
	<u>\$ 259,152</u>

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REQUIRED SUPPLEMENTAL INFORMATION

Required Budgetary Comparison Schedules could not be prepared because no budget data was available for the year ended June 30, 2011.

corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings to be a material weakness.

11-001

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I did not identify any deficiencies in internal control over financial reporting that I consider to be significant deficiencies as defined above.

Compliance

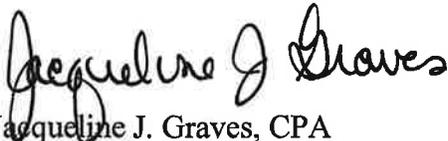
As part of obtaining reasonable assurance about whether the Town of Mountain Park's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings.

11-002

I noted certain other matters that I reported to management of Town of Mountain Park in a separate letter dated November 23, 2011.

Town of Mountain Park, Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings. I did not audit Town of Mountain Park, Oklahoma's response and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.



Jacqueline J. Graves, CPA
Snyder, Oklahoma
November 23, 2011

SCHEDULE OF FINDINGS AND RESPONSES

Reference Number: 11-001

Other Information: Internal Control System

Criteria:

An effective internal control system should provide reasonable assurance that accounting records are accurate and reliable by established written policies and procedures for financial reporting purposes.

Condition:

The City does not appear to have a system of internal control operating in the area of cash receipts.

Cause/Effect:

There is improper segregation of duties in the area of cash receipts.

Recommendation:

A system of internal control should be implemented to assure the proper handling of cash receipts.

Response:

The City Treasurer and Board Members will become more active in the handling of cash receipts.

Reference Number: 10-002

Other Information: Budget

Criteria:

State law requires the City to prepare and meet a budget for each fiscal year in the General Fund.

Condition:

Budgets were not prepared for any funds.

Cause/Effect:

There was no system in place to determine whether proper controls were maintained over expenditures in any funds.

Recommendation:

Budgets should be prepared for all legally required funds.

Response:

Budgets for fiscal year beginning 7-01-2011 were properly prepared.