DP

FILED
DEC 07 2011
State Auditor & Inspector

TOWN OF MOUNTAIN VIEW

Report on the Audit of the
Financial Statements
as of and for the twelve months ended
June 30, 2011

DAVID O. TATE
Certified Public Accountant
Mangum, Oklahoma 73554

Town of Mountain View, Oklahoma
Table of Contents
June 30, 2011

Independent Auditor's Report	3
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"	5
Basic financial statements	
Government-wide Financial Statements	
Exhibit A-Statement of Net Assets—Modified Cash Basis	7
Exhibit B-Statement of Activities—Modified Cash Basis	8
Fund Financial Statements	
Exhibit C-Balance Sheet-Modified Cash Basis-Governmental Funds	9
Exhibit D-Statement of Revenues, Expenditures, and Changes in Fund Balance—Modified Cash Basis-Governmental Funds	10
Exhibit E-Statement of Net Assets-Modified Cash Basis—Proprietary Fund	12
Exhibit F-Statement of Revenues, Expenses, and Changes in Fund Net Assets—Modified Cash Basis—Proprietary Fund	14
Exhibit G-Statement of Cash Flows—Modified Cash Basis—Proprietary Fund	15
Notes to the basic financial statements	17

Telephone: (580) 782-5541 e-mail: dotcpa@davidotatecpa.com Fax: (580) 782-5140

David O. Tate

Certified Public Accountant

112 North Oklahoma, Suite A

Mangum, Oklahoma 73554

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, 2011, 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 government 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, 2011, 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, 2011, 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 August 4, 2011, 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.

David O. Lyte

Certified Public Accountant
August 4, 2011

Telephone: (580) 782-5541 e-mail: dotcpa@davidotatecpa.com Fax: (580) 782-5140

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, 2011, and have issued my report thereon dated August 4, 2011. 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.

David O. Late

Certified Public Accountant
August 4, 2011

Town of Mountain View, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

Note 3-Detail Notes-Transaction Classes/Accounts (continued):

Primary government

Type of deposits	Total bank balance	Custodial risk category 1	2	3
Insured deposits	384,771	349,611	35,159	
Uninsured deposits:				
Collateralized				
Uncollateralized	-			-
Total deposits	384,771	349,611	35,159	-
Total carrying value:				
Petty cash	450			
Total	385,221			
Reconciliation to Government-Wide Statement of Net Assets:				
Cash and cash equivalents	409,014			
Investments	-			
Total	409,014			

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.

Exhibit A

Town of Mountain View, Oklahoma
Statement of Net Assets-Modified Cash Basis
June 30, 2011

	Primary Government		
	Governmental activities	Business-type activities	Total
Assets			
Cash and cash equivalents	207,982	186,020	394,002
Due from other funds			-
Restricted assets:			
Cash		15,012	15,012
Property and equipment, net of accumulated depreciation	68,895	364,337	433,233
Deposits with third party administ	9,691		9,691
Total assets	286,568	565,369	851,938
Liabilities			
Current liabilities:			
Accounts payable			-
Notes payable		6,704	6,704
Total current liabilities	-	6,704	6,704
Long-term liabilities (Note 3)			
Notes payable		18,988	18,988
Refundable deposits		15,324	15,324
Total long-term liabilities	-	34,312	34,312
Total liabilities	-	41,016	41,016
Net assets			
Invested in capital assets, net of related debt	68,895	338,645	407,541
Restricted		15,012	15,012
Unrestricted	217,673	170,696	388,369
Total net assets	286,568	524,353	810,922
Total liabilities and net assets	286,568	565,369	851,938

See the accompanying notes to the basic financial statements

Exhibit B

Town of Mountain View, Oklahoma
Statement of Activities-Modified Cash Basis
For the twelve months ended June 30, 2011

		Program revenues	Net (expense) revenue and changes in net assets			
			Primary government			
Functions/programs	Expenses	Charges for services	Operating grants	Governmental activities	Business-type activities	Total
Primary government						
Governmental activities						
Public safety	87,583	26,529	3,585	(57,469)		
General government	169,295	24,562	14,230	(130,503)		(130,503)
Total governmental ac	256,878	51,091	17,815	(187,972)		(130,503)
Business-type activities						
Utility services	322,647	356,510	45,689		79,552	79,552
Total business-type a	322,647	356,510	45,689		79,552	79,552
Total primary governme	579,525	407,601	63,504	(187,972)	79,552	(50,951)
	General revenues					
	Taxes:					
	Sales, use and tobacco			161,503		161,503
	Payments in lieu of taxes			2,013		2,013
	Alcoholic beverage/gasoline excise/commercial motor vehicle			18,291		18,291
	Cemetery lot sales			425		425
	Franchise			6,507		6,507
	Investment income			464	1,950	2,414
	Donations			1,891		1,891
	Recoveries			1,625		1,625
	Transfers, internal activity			21,283	(21,283)	-
	Other			6,891		6,891
	Total general revenues			220,894	(19,333)	201,561
	Change in net assets			32,922	60,219	150,610
	Net assets, July 1, 2010			253,647	464,134	717,781
	Net assets, June 30, 2011			286,569	524,353	810,922

See the accompanying notes to the basic financial statements

Exhibit C

Town of Mountain View, Oklahoma
Balance Sheet-Modified Cash Basis
Governmental Funds
June 30, 2011

	General fund	Cemetery fund	Street and alley fund	Other governmental funds	Total
Assets					
Cash and cash equivalents	117,899	45,620	39,524	4,939	207,982
Deposits with third party administr	9,691				9,691
Due from other funds					-
Total assets	127,590	45,620	39,524	4,939	217,673
Liabilities and Fund Balances					
Current liabilities:					
Notes payable					-
Accounts payable					-
Total current liabilities	-	-	-	-	-
Long-term liabilities:					
Notes payable					-
Total long-term liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balances:					
Restricted		45,619	39,524		85,143
Unrestricted	127,590	-	-	4,939	132,529
Total fund balance	127,590	45,619	39,524	4,939	217,672
Total liabilities and fund balance	127,590	45,619	39,524	4,939	217,672

Reconciliation to Statement of Net Assets:	
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 $96,000 net of accumulated depreciation of $27,104 are not financial resources and are not reported in the funds	68,896
Net assets of governmental activities	286,568

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, 2011

Revenues:	General fund	Cemetery fund	Street and alley fund	Other governmental funds	Total
Taxes	180,750		7,565		188,315
Intergovernmental grants	14,356			3,459	17,815
Charges for services	8,933	9,863	5,766		24,562
Lot sales		425			425
Investment income	153	309	2		464
Municipal court fines and forfeiture	26,487			42	26,529
Contributions/donations		790		1,101	1,891
Insurance proceeds	1,625				1,625
Other	6,830			61	6,891
Total revenues	239,134	11,386	13,334	4,663	268,517
Expenditures:					
Public safety:					
Personal services	63,197				63,197
Maintenance/operation	20,136				20,136
Capital outlay					-
Total public safety expenditures	83,333				83,333
General government:					
Personal services	106,030		6,108	9,048	121,186
Maintenance/operation	39,353	2,485	1,115	3,818	46,771
Capital outlay					-
Total general government expend	145,383	2,485	7,222	12,866	167,957
Total expenditures	228,716	2,485	7,222	12,866	251,290
Excess (deficiency) of revenues over expenditures and changes in net assets	10,418	8,901	6,111	(8,204)	17,226
Other financing sources (uses):					
Operating transfers in			16,472	9,029	25,501
Operating transfers (out)	(4,218)				(4,218)
Total other financing sources (uses	(4,218)	-	16,472	9,029	21,283
Net changes in net assets	6,200	8,901	22,583	825	38,509
Fund balances, July 1, 2010	121,390	36,719	16,941	4,114	179,164
Fund balances, June 30, 2011	127,590	45,620	39,524	4,939	217,673

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, 2011

Net change in fund balances-total governmental funds	38,509
Reconciliation to the Statement of Activities	
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 expenditure over the life of the assets:	
Depreciation expense	(5,588)
	(5,588)
Change in Net Assets of Governmental Activities	32,921

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, 2011

	Mountain View Public Works Authority Enterprise fund
Assets	
Current assets	
Cash and cash equivalents	186,020
Restricted assets:	
Cash and cash equivalents	15,012
Total current assets	201,032
Noncurrent assets	
Property and equipment net of accumulated depreciation	364,337
Total noncurrent assets	364,337
Total assets	565,369
Liabilities	
Current liabilities	
Due to general fund	
Notes payable-current portion	6,704
Total current liabilities	6,704
Noncurrent liabilities	
Refundable deposits	15,324
Notes payable	18,988
Total noncurrent liabilities	34,312
Total liabilities	41,016

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, 2011

	Mountain View Public Works Authority Enterprise fund
Net assets	
Invested in capital assets, net of related debt	338,645
Restricted	15,012
Unrestricted	170,696
Total net assets	524,353
Total liabilities and net assets	565,369

See the accompanying notes to the basic financial statements

Exhibit F

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, 2011

	Mountain View Public Works Authority Enterprise fund
Operating revenues:	
Utility services	356,510
Cost of utility services	85,671
Gross margin on utility services	270,839
Intergovernmental revenues	45,689
Total operating revenues	316,527
Operating expenses:	
Repairs/maintenance	46,685
Depreciation	28,009
Salaries/wages/taxes/fringe benefits	52,719
Utilities	21,258
Supplies	9,786
Fuel	12,314
Insurance	5,387
Administration	31,613
Fees	1,589
Other	19,627
Total operating expenses	228,987
Net operating income (loss)	87,541
Non-operating revenues (expenses):	
Operating transfers in (out)	(21,283)
Investment income	1,950
Interest expense	(1,495)
Total non-operating revenues (expenses)	(20,828)
Net income (loss) and change in net assets	66,713
Net assets, July 1, 2010	457,641
Net assets, June 30, 2011	524,354

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, 2011

	Mountain View Public Works Authority Enterprise fund
Cash flows from operating activities	
Receipts from customers/others	402,199
Payments to suppliers	(233,929)
Payments to employees	(52,719)
Net cash provided by (used in) operating activities	115,551
Cash flows from capital and related activities:	
Operating transfers in (out)	(21,283)
Principal paid on notes payable	(5,811)
Interest paid	(1,495)
Purchases of capital assets/work in progress	
Net cash provided by (used in) capital and related financing activities	(28,589)
Cash flows from investing activities:	
Interest earned	1,950
Net cash flows provided by (used in) investing activities	1,950
Net increase (decrease) in cash and cash equivalents	88,912
Balance, July 1, 2010	112,120
Balance, June 30, 2011	201,032

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, 2011

	Mountain View Public Works Authority Enterprise funds
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	87,541
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	28,009
Net cash provided by (used in) operating activities	115,550

See the accompanying notes to the basic financial statements

Town of Mountain View, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

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.

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.

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.

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.

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.

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

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.

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.
Fund financial statements (continued)

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.

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, 2011. 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
June 30, 2011

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 $15,012.

C. Capital assets

A summary of the capital assets and the related accumulated depreciation at June 30, 2011 follows:

Description	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Government activities:				
Police cruisers	42,500			42,500
Buildings	53,500			53,500
Total property and equipment	96,000	-	-	96,000
Accumulated depreciation	21,517	5,588		27,105
Total governmental activities-property and equipment	74,483	(5,588)	-	68,895
Business-type activities:				
Vehicles	57,783			57,783
Equipment	154,500	-		154,500
Water/sewer distribution	791,436			791,436
Total property and equipment	1,003,719	-	-	1,003,719
Accumulated depreciation	611,372	28,009		639,381
Total business-type activities-property and equipment	392,347	(28,009)	-	364,337

For the twelve months ended June 30, 2011, the sum of $5,588 was charged against equity in the governmental activities and $28,009 was charged against equity in the business-type activities.

C. Long-term debt

The reporting entity's long-term debt arising from cash transactions to be repaid from business-type activities is summarized below:

As of June 30, 2011, the long-term debt and a summary of changes in long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Town of Mountain View, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

D. Long-term debt (continued)

Type of debt:	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amount due within one year
Refundable utility deposits	14,211	1,113		15,324	-
Notes payable- Shamrock Bank	32,615		6,924	25,691	6,704
Total, business-type activi	46,826	1,113	6,924	41,015	6,704

Notes payable by business-type activities:
Notes payable to the Shamrock Bank, N. A., payable in monthly installments of $655.58 with interest at 5%, secured by a security agreement on a backhoe. $25,691

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

Utility deposits $15,324

The amount required to retire the indebtedness for each of the next five years and for each five year period until maturity is shown below:

Year(s) ended June 30	Shamrock Bank (Backhoe) Interest	Principal	Total
2012	1,163	6,704	7,867
2013	815	7,052	7,867
2014	447	7,420	7,867
2015	96	4,517	4,613
Total	2,521	25,692	28,214

Town of Mountain View, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

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:

Name of grant	Amount received	Amount expended
Oklahoma Department of Libraries	3,459	3,459
Federal Emergency Management Agency	45,689	45,689
Department of Public Safety	3,585	3,585
U. S. Department of Agriculture	6,373	6,373
Oklahoma Department of Agriculture	4,398	4,398
Total	63,504	63,504

*A CENA grant funded through SWODA in the amount of $2,295.83 was not deposited but immediately turned over to the Senior Citizens Center and is not reflected in the financial statements as income or expenditure.

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.

Note 7-Deposits with third party administrator (continued):

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.

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 meets its contractual obligations.