Town of Disney

Mayes County, Oklahoma

Independent Auditor's Report and Financial Statements
Fiscal Year Ended June 30, 2011

Prepared by:

Patricia M. Brandon CPA PC

Certified Public Accountant

Board of Trustees

Mayor	Judy Barger
Trustee	Jane Standeford
Trustee	Jim Risman
Trustee	Bill Aycock
Trustee	Lisa Cookson

Clerk

Sherry Page

Town of Disney
Mayes County, Oklahoma
Notes to Financial Statements
June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Mayor and Trustees
Town of Disney
Disney, Oklahoma 74340

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Disney, Mayes County, State of 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 Town of Disney, Mayes County, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Disney, Mayes County, State of Oklahoma as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Disney, State of Oklahoma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of

management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Patricia M. Brandon CPA PC

Jay, Ok
March 9, 2012

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

Mayor and Trustees
Town of Disney

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Disney, State of Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the Town of Disney, State of Oklahoma's basic financial statements and have issued our report thereon dated March 9, 2012 We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Disney, State of Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Town of Disney, State of Oklahoma's in a separate letter dated March 9, 2012.

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

Patricia M. Brandon CPA PC

Jay, Ok

March 9, 2012

TOWN OF DISNEY, OKLAHOMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2011

Our discussion and analysis of the Town of Disney, Oklahoma's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2011. This information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The town's assets exceeded its liabilities by $808,181.69 (net assets) for the fiscal year reported.

Total net assets are comprised of the following:

(1) Capital assets, net of related debt of $471,161.81 include property and equipment, net of accumulated depreciation.

(2) Net assets of $0 are restricted by constraints imposed from outside the Town such as grantors, laws, or regulations.

(3) Unrestricted assets of $337,019.88 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.

The Town's governmental funds reported total ending fund balance of $337,019.88.

At the end of the current fiscal year, unreserved fund balance for the Governmental activities was $337,019.88 or 199% of total Governmental activities expenditures of $169,245.95 and 159% of total governmental activities revenues of $210,662.94.

Total liabilities of the Town at the end of the current year are $37,502.48.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Town's basis financial statements. The basic financial statements include the government-wide financial statements, the fund financial statements, and the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

STATEMENT OF NET ASSETS

This is the Town-wide statement of financial position presenting information that includes the Town's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluations of the overall economic health of the Town would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the Town's infrastructure in addition to the financial information provided in this report.

STATEMENT OF ACTIVITIES

This is a Town-wide statement presenting how the Town's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, education, and culture and recreation. The Town of Disney currently has no business-type activities. The funds maintained by the Town include the general fund, the street and alley fund, a fire department fund and separate funds used to administer various grants received by the Town. Also Mayes County administers a special fund created to fund fire departments within the county from sales taxes collected for the county. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund Town programs.

The Town's financial reporting entity includes the funds of the Town. The Town of Disney, Oklahoma has no component units.

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to insure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregate presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The Town has one type of fund:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. These statements and schedules demonstrate compliance with the Town's adopted budget.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to financial statements begin immediately following the basic financial statements.

TOWN OF DISNEY, OKLAHOMA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2011

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk's office at P.O. Box 318, Disney, Oklahoma 74340 or telephone at (918) 435-8242.

TOWN OF DISNEY
Mayes County, Oklahoma

STATEMENT OF NET ASSETS
JUNE 30, 2011

		Governmental Activities
ASSETS		
Current Assets:		
Cash and Cash Equivatents	$	73,456.04
Deposit with Third Party Administrator		243,447.29
Due from Other governments		25,565.57
Grants Receivable		14,990.00
Prepaid Insurance		2,036.60
Total Current Assets----------		359,495.50
Noncurrent Assets:		
Capital assets:		
Land		70,000.00
Buildings-Municipal & Police		123,737.65
Buildings-Fire		103,500.00
Buildings-Community Center		120,000.00
Equipment-Municipal		48,308.38
Equipment-Police		18,819.00
Equipment-Fire		130,278.72
Equipment-Street		4,789.00
Equipment-Fire Fund		167,852.44
Accumulated Depreciation		(209,007.85)
Accumulated Depreciation-Fire Fund		(92,088.67)
Total non-current assets----------		486,188.67
Total Assets----------	$	845,684.17
LIABILITIES		
Current Liabilities:		
Accounts Payable		22,475.62
Current Portion of Capitalized Lease Obligations		10,329.33
Total current liabilities----------		32,804.95
Noncurrent Liabilities		
Capitalized Lease Obligations		4,697.53
Total Noncurrent Liabilities		4,697.53
Total Liabilities----------	$	37,502.48
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		471,161.81
Restricted		-
Undisignated		337,019.88
Total Net Assets----------	$	808,181.69

The accompanying notes are an integral part of the combined financial statements.

TOWN OF DISNEY
Mayes County, Oklahoma

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenue
Primary government:				
Governmental activities:				
General Government	$ 129,775.61	$ 49,575.09	$ 10,073.00	$ (70,127.52)
Street and Alley	-			-
Disney Police Department	7,280.93	3,048.44	86.95	(4,145.54)
Fire Department	4,688.48	-	6,831.75	2,143.27
County Fire Fund	27,500.93			(27,500.93)
Capital Projects	-	-	1,320.09	1,320.09
Total Governmental Activities-----	169,245.95	52,623.53	18,311.79	(98,310.63)
Total Primary Government	$ 169,245.95	$ 52,623.53	$ 18,311.79	$ (98,310.63)

Changes in net Assets:	
Net(expense) revenue	$ (98,310.63)
General revenues:	
Taxes:	
Sales Tax and Use Tax	120,756.86
Franchise Tax	33.01
Alcoholic Beverage Tax	1,497.10
Cigarette Tax	945.65
Restricted for Transportation Purposes:	
Motor Vehicle Tax	1,654.46
Gasoline Tax	418.64
Transfer of funds	5,925.80
Rent income	8,190.00
Insurance reimbursement	-
Interest Income	381.10
Gain (Loss) on Sale of Assets	(75.00)
Total General Revenue	139,727.62
Changes in Net Assets	41,416.99
Net Assets-Beginning	766,764.70
Prior Period Adjustments	-
Net Assets-ending	$ 808,181.69

The accompanying notes are an integral part of the combined financial statements.

TOWN OF DISNEY
Mayes County, Oklahoma

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	Expenses	Charges for Charges for Services	Operating Operating Grants and Contributions	Net (Expenses) Revenue
Primary government:				
Governmental activities:				
General Government	$ 129,775.61	$ 49,575.09	$ 10,073.00	$ (70,127.52)
Street and Alley	-			-
Disney Police Department	7,280.93	3,048.44	86.95	(4,145.54)
Fire Department	4,688.48	-	6,831.75	2,143.27
County Fire Fund	27,500.93			(27,500.93)
Capital Projects	-	-	1,320.09	1,320.09
Total Governmental Activities-----	169,245.95	52,623.53	18,311.79	(98,310.63)
Total Primary Government	$ 169,245.95	$ 52,623.53	$ 18,311.79	$ (98,310.63)

Changes in net Assets:	
Net(expense) revenue	$ (98,310.63)
General revenues:	
Taxes:	
Sales Tax and Use Tax	120,756.86
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Changes in Net Assets	41,416.99
Net Assets-Beginning	766,764.70
Prior Period Adjustments	-
Net Assets-ending	$ 808,181.69

The accompanying notes are an integral part of the combined financial statements.

TOWN OF DISNEY
Mayes County, Oklahoma

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	County-Wide Fire Department Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current assets:				
Cash and Cash Equivatents	$ 42,870.11	$ -	$ 30,585.93	$ 73,456.04
Deposit with Third Party Administrator	-	243,447.29	-	243,447.29
Accounts Receivable	-	-	-	-
Grants Receivable	14,990.00	5,443.84		20,433.84
Due from Other Governments	19,689.91	-	431.82	20,121.73
Prepaid Expenses	2,036.60	-	-	2,036.60
Total Assets----------	79,586.62	248,891.13	31,017.75	359,495.50
LIABILITIES & FUND BALANCE				
Liabilities:				
Accounts Payable	20,293.64	-	2,181.98	22,475.62
Judgement Payable	-	-	-	-
Total liabilities----------	20,293.64	-	2,181.98	22,475.62
Fund Balances:				
Unassigned	57,256.38			57,256.38
Assigned		248,891.13	28,835.77	277,726.90
Committed				-
Restricted				-
Nonspendable	2,036.60			2,036.60
Total Fund Balances	59,292.98	248,891.13	28,835.77	337,019.88
Total Liabilities & Fund Balance	$ 79,586.62	$ 248,891.13	$ 31,017.75	$ 359,495.50

The accompanying notes are an integral part of the combined financial statements.

TOWN OF DISNEY
Mayes County, Oklahoma

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Total Fund Balance - Governmental Funds	$ 337,019.88
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is $787,285,19 and the accumulated depreciation is $301,096.52 for a net book value of $486,188.67.	486,188.67
Long-term liabilities, including capitalized lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Capitalized Lease Obligations Payable	(15,026.86)
Net Assets of Governmental Activities	$ 808,181.69

The accompanying notes are an integral part of the combined financial statements.

TOWN OF DISNEY, OKLHOMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	County-Wide Fire Department Fund	Other Governmental Funds	Net (Expenses) Revenue
REVENUES				
Taxes				
Sales Tax and Use Tax	$ 56,191.90	$ 64,564.96	$ -	$ 120,756.86
Franchise Tax	33.01	-	-	33.01
Alcoholic beverage Tax	1,497.10	-	-	1,497.10
Cigarette Tax	945.65	-	-	945.65
Motor Vehicle Tax	-	-	1,654.46	1,654.46
Gasoline Tax	-	-	418.64	418.64
				-
Other				-
Fines	32,663.25	-	3,048.44	35,711.69
Rent	8,190.00	-	-	8,190.00
Licenses and Permits	1,497.50	-	-	1,497.50
Fire Subscritpitons/Runs	-	-	-	-
Grants and Contributions	10,073.00	-	6,918.70	16,991.70
Capital Improvements	-	-	1,320.09	1,320.09
Insurance Reimbursement	-			-
Miscellanneous	15,414.34	-	-	15,414.34
Interest Income	380.77	-	0.33	381.10
Transfer of Funds	-		5,925.80	5,925.80
Sale of Assets	-	-	-	-
Total Revenues	126,886.52	64,564.96	19,286.46	210,737.94
EXPENDITURES				
Current				
General Government				
Administrative	107,971.53			107,971.53
Public Safety and Judiciary:				-
Police and Court	27,362.83	-	7,243.87	34,606.70
Fire		-	4,688.48	4,688.48
Street and Alley		-	-	-
County Fire Fund	-	23,084.96		23,084.96
Loss on Sale of Assets	75.00	-	-	75.00
Transfer of Funds	5,925.80	-	-	5,925.80
Total Expenditures	141,335.16	23,084.96	11,932.35	176,352.47
Excess of revenues over expenditures	(14,448.64)	41,480.00	7,354.11	34,385.47
Fund Balance-Beginning	73,741.62	207,411.13	21,481.66	302,634.41
Prior Period Adjustment	-	-	-	-
Fund Balance-Ending	$ 59,292.98	$ 248,891.13	$ 28,835.77	$ 337,019.88

The accompanying notes are an integral part of the combined financial statements.

TOWN OF DISNEY
Mayes County, Oklahoma

Reconciliation of Changes in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2011

Net Change in Fund Balance - Total Governmental Funds	$ 34,385.47
Amounts reported for governmental activities in the statement of activities are different because:	
Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of caqpital asses is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Captial Outlays	23,858.63
Depreciation Expense	(31,853.97)
Capitalized Lease Obligations	15,026.86
Change in Net Assets of Governmental Activities	$ 41,416.99

The accompanying notes are an integral part of the combined financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following notes to the financial statements are an integral part of the Town's financial statements.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Principles Board (APB) opinions issued on to before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of the note.

Reporting Entity

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

Primary Government:	Town of Disney

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the Town appointed a voting majority of the units' board and the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double accounting of internal activities. These statements distinguish between the *governmental* and *fiduciary-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Fiduciary-type activities are financed in whole or in part by grants or contributions.

The statement of activities presents comparisons between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. 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:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A. Total assets, liabilities, revenues or expenditure/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

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

GOVERNMENTAL FUNDS

General Fund. The General Fund is the primary operating fund of the Town and always classified as a major fund. It accounts for all financial resources of the general government, except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds. The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally or council restricted to expenditures for certain purposes.

MAJOR AND NON-MAJOR FUNDS

Major:	General Fund	See above for description
Non-Major:	Street and Alley	Accounts for revenues and expenditures of maintaining, improving and extending streets and alleys.

Measurement Focus, Basis of Accounting

Measurement focus is a term used to describe "which" 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

The government-wide Statement of Net Assets and Statements of Activities utilize 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 resource during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual bases of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically, taxes received in July and August after year end are accrued when such taxes pertain to the period being reported.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Licenses and permits, franchise fees, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when earned (when they are measurable and available). Specifically, taxes received in July following the end of the year are reflected as income in June, as such funds were in the possession of other governmental units awaiting distribution to the Town. Grant receivables are recognized when expenditures are incurred that are to be reimbursed. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt services, prepaid expenses, and other long-term obligations which are recognized when paid.

BUDGET BASIS OF ACCOUNTING

Formal budgetary accounting is employed as a management control for the governmental funds of the Town. Annual operating budgets are adopted on for the general fund. The basis of accounting for budgetary purposes for all funds is the modified accrual, i.e., revenues are recognized when received and expenditures are recognized when encumbered.

The budget method authorized by Oklahoma Statute adopted by the Town for its general fund places a limit of the mount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the end of the fiscal year plus 90% of its revenues for the year just ended. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

Cash and Investments

For the purpose of Statement of Net Assets, "cash, including time deposits" include all demand, savings accounts and certificates of deposit of the Town. For the purposes of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings account and certificates of deposit or short-term investments with an original maturity of three months or less.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales, use and franchise taxes.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Government-Wide Statements
In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost is actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Asset Class	Estimated Useful Lives
Buildings	75
Vehicles	10
Equipment	7-45

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

Restricted Assets
Restricted assets include cash and investments that are legally restricted as to their use. Governmental funds had no restricted assets at June 30, 2011.

Long-term Debt
All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and leases payable. Governmental funds had no long-term debt at June 30, 2011.

Equity Classifications

Government-wide Statements
Equity is classified as net assets and displayed in three components: Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Funds Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

SALES TAX
The town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund.

USE TAX
The town levies a use-tax on personal property purchased outside the town limits but stored, used or consumed within the town. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received by the vendors. The use taxes are allocated entirely to the General Fund.

OPERATING REVENUES AND EXPENSES
Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

EXPENDITURES/EXPENSES
In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.
In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character: Current (further classified by function), Debt Service, Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INTERFUND TRANSFERS
Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Prepaid Items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows:

Fund Accounting Requirements
The Town complies with all state and local laws and regulations requiring the use of separate funds.

Deposits and Investment Laws and Regulations
In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A, Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III A., all deposits were fully insured or collateralized. Investments of the Town (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

1. Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;

2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;

3. With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont'd)

4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county municipality or school district;

5. 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 obligation of national mortgage associations.

6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trusts or bond indentures. For the year ended June 30, 2011, the Town and its public trusts complied, in all material respects, with these investment restrictions.

Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes

For the year ended June 30, 2011 the Town complied, in all material respects, with those revenue restrictions.

Debt Restrictions and Covenants

GENERAL OBLIGATION DEBT

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligations bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2011, the Town had no outstanding general obligation debt.

OTHER LONG-TERM DEBT

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2011, the Town incurred no such indebtedness.

NOTE 3: DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 70,000.00	$	$	$ 70,000.00
Capital assets being depreciated:				
Building	347,237.65			347,237.65
Equipment	341,035.18	35,012.36	6,000.00	370,047.54
Total Capital assets being depreciated	688,272.83	35,012.36	6,000.00	787,285.19
Less accumulated depreciation	269,242.55	31,853.97	$ 6,000.00	301,096.52
Governmental activity capital assets, net	$ 489,030.28	$ 3,158.39	$ 6,000.00	$ 486,188.67

Long-Term Debt

As of June 30, 2011, the governmental long-term debt of the financial reporting entity consisted of the following:

The Town executed a lease to purchase a tractor including attachments November 9, 2009. The tractor plus attachments was purchased for $17,209.20. The amount of the lease is $17,209.20 with interest at 4.74%, payable in annual installments of $6165.24 and maturing November, 2013.

Debt service requirements for the note are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 5,915.79	$ 249.45	$ 6,165.24
2013	2,034.94	20.13	2,055.07
Totals	$ 7,950.73	$ 269.58	$ 8,220.31

The Town executed a lease to purchase a vehicle January13, 2010. The vehicle was purchased for $12,619.00. The amount of the lease is $12,619.00 with interest at 4.25%, payable in annual installments of $4,629.60 and maturing January, 2013.

Debt service requirements for the note are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 4,413.54	$ 216.06	$ 4,629.60
2013	2,266.59	38.01	2,700.60
Totals	$ 7,076.13	$ 254.07	$ 7,330.20

NOTE 3: DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (cont'd)

Long-Term Debt (cont'd)

Debt service requirements for all notes are as follows:

Year Ended July 31,	Principal	Interest	Total
2012	$ 10,329.33	$ 465.51	$ 10,794.84
2013	4,697.53	58.14	4,755.67
Totals	$ 15,026.86	$ 523.65	$ 15,550.51

Cash and Investments

The Town's cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. Those deposits are classified into the following three categories of credit risk:

Category 1 - Insured or registered, or securities held by the town or its agent in the town's name.

Category 2 - Uninsured and unregistered, with securities held by the pledging financial institution's trust department or agent in the town's name.

Category 3 - Uninsured and unregistered, with securities held by the counter-party, or by the counter-party's trust department of the agent, but not in the Town's name.

	Risk Category			
	Category 1	Category 2	Category 3	Bank Balance
Governmental Funds 06	$ 73,456.04			$ 73,456.04

Required Supplemental Information

TOWN OF DISNEY
Mayes County, Oklahoma

Budget and Actual - General Fund
Budgeted Governmental Fund Types
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$ 49,704.43	$ 49,704.43	$ 58,765.53	$ 9,061.10
Investment Income	559.49	559.49	380.77	(178.72)
Sales, services, fines, & other	56,005.12	56,005.12	48,837.84	(7,167.28)
Total Revenues	106,269.04	106,269.04	107,984.14	1,715.10
Expenditures				
Personal Services	54,600.00	54,600.00	49,141.88	5,458.12
Maintenance and Operation	87,510.00	87,510.00	74,964.73	12,545.27
Capital Outlay	5,182.00	5,182.00	-	5,182.00
Transfer of Funds	-	-	-	-
Total Expenditures	147,292.00	147,292.00	124,106.61	23,185.39
Excess of Revenues over/(under)expenditures	(41,022.96)	(41,022.96)	(16,122.47)	24,900.49
Fund Balance, beginning	51,023.05	51,023.05	51,023.05	-
Fund Balance, end of year	$ 10,000.09	$ 10,000.09	$ 34,900.58	$ 34,900.58

The accompanying notes are an integral part of the combined financial statements.

Other Supplemental Information

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the governmental activities Town of Disney, Mayes County, Oklahoma.

2. No material weaknesses were identified during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of the governmental activities Town of Disney, Mayes County, Oklahoma..

FINDINGS—FINANCIAL STATEMENT AUDIT

CURRENT YEAR

None

QUESTIONED COSTS

None

PRIOR YEAR

None