

*Town of Disney*  
*Mayes County, Oklahoma*

**Independent Auditor's Report and Financial Statements**

**For the Fiscal Year Ended  
June 30, 2015**

*Town of Disney*  
*Mayes County, Oklahoma*

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***Town of Disney***  
**Management Discussion & Analysis**  
**For the Year Ended June 30, 2015**

Our discussion and analysis of the Town of Disney, Oklahoma's financial performance provides an overview of the Town's financial activities

**FINANCIAL HIGHLIGHTS**

- The Town's net assets increased \$36,196 from fiscal year 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts - *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and an optional section that presents supplementary information. The basic financial statements include two kinds of statements that present different views of the Town.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the Town's operations in more detail than the government-wide financial statements.

- The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1  
Major Features of Town of Disney's Government-wide and Fund Financial Statements**

	<u>Fund Statements</u>		
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire Town government (except fiduciary funds) and Town's component units	The activities of the Town are not proprietary or fiduciary, such as police, fire, and parks	Activities the Town operates similar to private businesses: the water and sewer system, and parking facilities.
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of net assets *Statement of revenues, expenses, and changes in net assets *Statement of cash flows
Accounting basis and Measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources Focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities; both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflows/outflow information	All revenues and expenses during year, regardless of when cash is received or Paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-wide Statements**

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net assets* and how they have changed. Net assets - the difference between the Town's assets and liabilities - is one way to measure the Town's financial health, or *position*.

\* Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Town are divided into three categories:

\* *Government activities* - Most of the Town's basic services are included here, such as the police, fire, public works, parks departments and general administration. Sales taxes, use taxes and grants finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Town's most significant funds - not the town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

The Town has one kind of fund:

\* *Governmental Funds* - Most of the Town's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or in the subsequent page, that explains the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Assets. (See Table A-1).

**Table A-1**  
**Town of Disney's Net Assets**

	<b>Governmental Activities</b>	
	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 237,800	\$ 201,158
Capital Assets	<u>592,836</u>	<u>589,026</u>
<b>Total Assets</b>	<b>830,636</b>	<b>790,184</b>
Other Liabilities	<u>13,410</u>	<u>9,155</u>
<b>Total Liabilities</b>	<b>13,410</b>	<b>9,155</b>
Net Assets		
Invested in Capital Assets	592,836	589,026
Nonspendable	1,519	203
Assigned	202,988	178,849
Unassigned	<u>19,883</u>	<u>12,951</u>
<b>Total Net Assets</b>	<b><u>\$ 817,226</u></b>	<b><u>\$ 781,029</u></b>

## Governmental Activities

**Table A-2**  
**Changes in Town of Disney's Net Assets**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Program revenues		
Investment earnings	\$ 18	\$ 22
Grant revenues	11,484	8,001
General revenues		
Sales tax revenues (net)	140,276	93,276
Other taxes	8,685	9,411
Other	<u>86,763</u>	<u>94,772</u>
<b>Total Revenues</b>	<b><u>247,226</u></b>	<b><u>205,482</u></b>
<b>Total Expenses</b>	<b><u>211,030</u></b>	<b><u>253,500</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b><u>\$ 36,196</u></b>	<b><u>\$(48,018)</u></b>

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

**General Fund Budgetary Highlights**

The actual expenditures were \$1,293 over final budget amounts and revenues collected were \$16,899 over the amount estimated. As a result, there was a \$1,758 decrease in the total fund budget appropriation.

**Capital Assets**

**Table A-4**  
**Town of Disney's Capital Assets**  
*(net of depreciation)*

	<u>2015</u>	<u>2014</u>
Land	\$ 70,000	\$ 70,000
Buildings	187,939	184,934
Equipment	325,404	325,044
Other	<u>9,493</u>	<u>9,974</u>
<b>Total</b>	<b><u>\$ 592,836</u></b>	<b><u>\$ 589,952</u></b>

**Town of Disney**  
**Mayes County, Oklahoma**  
**Budget and Actual - General Fund**  
**Budgeted Governmental Fund Types**  
**For the Year Ended June 30, 2015**

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 48,954	\$ 48,954	\$ 52,657	\$ 3,703
Investment income	20	20	18	(2)
Grant Income	0	0	0	0
Sales, services, fines & other	<u>68,448</u>	<u>68,448</u>	<u>81,646</u>	<u>13,198</u>
Total revenues	<u>117,422</u>	<u>117,422</u>	<u>134,321</u>	<u>16,899</u>
<b>Expenditures</b>				
Personal service	50,000	50,000	50,373	(372)
Maintenance and operation	72,190	85,190	85,707	(517)
Other	<u>0</u>	<u>0</u>	<u>404</u>	<u>(404)</u>
Total Expenditures	<u>122,190</u>	<u>135,190</u>	<u>136,484</u>	<u>(1,293)</u>
Excess of Revenues over/(under) expenditures	(4,768)	(17,768)	(2,163)	18,226
Fund Balance, beginning	<u>4,768</u>	<u>4,768</u>	<u>4,768</u>	<u>153</u>
Fund Balance, end of year	<u>\$ 0</u>	<u>\$ (13,000)</u>	2,605	<u>\$ 10,395</u>

Amount reported for general fund cash fund balance in the Balance Sheet of Governmental Funds is different because this schedule is prepared on a regulatory basis of accounting.

Prepaid Insurance	1,519
Accounts Receivable	6,540
Due from other Governments	14,836
Accounts Payable	<u>(4,098)</u>
Cash Fund Balance – General Fund	<u>\$ 21,402</u>



Independent Auditor's Report

Board of Trustees  
Town of Disney

We 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 Disney, Mayes County, Oklahoma as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Town of Disney, Mayes County, Oklahoma's basic financial statements as listed in the table of contents.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Disney, Mayes County, Oklahoma as of June 30, 2015, 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 on pages 4 through 7 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 inquires of management about the methods of preparing the information and comparing the information for consistency with managements 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.

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2016 on our consideration of the Town of Disney, Mayes County, Oklahoma internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Disney, Mayes County, Oklahoma 's internal control over financial reporting and compliance.

*Hood & Associates, CPAs, P.C.*

Hood and Associates CPA, PC

February 4, 2016



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

Board of Trustees  
Town of Disney  
Mayes County, Oklahoma

We have audited, in accordance with the 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, the financial statements of the business-type activities of Town of Disney, Mayes County, Oklahoma as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise which comprise Town of Disney, Mayes County, Oklahoma basic financial statements, and have issued our report thereon dated February 4, 2016

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the Town of Disney, Mayes County, Oklahoma internal control over financial reporting in order to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the Town of Disney, Mayes County, Oklahoma internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies in the internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance*

As part of obtaining reasonable assurance about whether the Town of Disney, Mayes County, Oklahoma financial statements are free of material misstatement, we performed tests of the 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 that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hood & Associates, CPAs, P.C.

Hood and Associates CPA, PC

February 4, 2016

*Town of Disney*  
*Mayes County, Oklahoma*  
*Statement of Net Position*  
June 30, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 17,947.55
Deposits held with Third Party Administrator	189,252.63
Prepaid Assets	1,519.57
Accounts Receivable	7,025.00
Due from other Governments	<u>22,054.95</u>
Total Current Assets	237,799.70
Non-current Assets:	
Capital Assets:	
Property, Plant and Equipment, net	<u>592,835.82</u>
Total Assets	<u>830,635.52</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	<u>13,409.57</u>
Total Current Liabilities	
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	592,835.82
Unassigned Fund Balance	19,882.60
Nonspendable	1,519.57
Reserved for Specific Purpose	<u>202,987.96</u>
Total Net Position	<u>\$ 817,225.95</u>

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

**Town of Disney**  
**Mayes County, Oklahoma**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

<u>Functions/Programs:</u>	<u>Expenses</u>	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Governmental Activities:</i>					
General Government	\$ 67,879.09	\$ 2,793.30	\$ 10,923.00	\$	\$ (54,162.79)
Street & Alley	3,229.18				(3,229.18)
Police Department	71,366.38	54,632.19			(16,734.19)
Fire Department	11,730.25		12,908.23		1,177.98
County Fire Fund	51,671.27				(51,671.27)
Capital Projects	0.00				0.00
<b>TOTAL</b>	<b>\$ 205,876.17</b>	<b>\$ 57,425.49</b>	<b>\$ 23,831.23</b>	<b>\$ 0.00</b>	<b>\$ (124,619.45)</b>
Changes in Net Assets:					
Net (expense) revenue					<u>\$ (124,619.45)</u>
General revenues:					
Taxes:					
Sales Tax					140,275.99
Use Tax					2,864.50
Alcoholic Beverage Tax					2,360.16
Franchise Tax					0.00
Cigarette Tax					569.67
Rental/Sale of Property Income					12,116.00
Restricted for transportation purposes:					
Motor Vehicle Tax					2,317.23
Gasoline Tax					573.91
Interest Income					17.84
Total General Revenues					<u>161,095.30</u>
Indirect Expenses:					
Interest Expense					<u>279.46</u>
Change in Net Assets					36,196.39
Net Assets-beginning					<u>781,029.56</u>
Net Assets-ending					<u>\$ 817,225.95</u>

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

*Town of Disney*  
*Mayes County, Oklahoma*  
*Balance Sheet – Governmental Funds*  
June 30, 2015

	General Fund	County Wide Fire Fund	Other Governmental	Totals
<b>ASSETS</b>				
Cash	\$ 2,604.65	\$	\$ 15,342.90	\$ 17,947.55
Deposits held with Third Party		189,252.63		189,252.63
Prepaid Insurance	1,519.57			1,519.57
Accounts Receivable	6,540.00		485.00	7,025.00
Due from other Governments	<u>14,835.78</u>	<u>7,219.17</u>		<u>22,054.95</u>
Total Assets	<u>\$ 25,500.00</u>	<u>\$ 196,471.80</u>	<u>\$ 15,827.90</u>	<u>\$ 237,799.70</u>
<b>LIABILITIES &amp; FUND EQUITY</b>				
Liabilities:				
Accounts Payable	<u>\$ 4,097.83</u>	<u>\$ 0.00</u>	<u>\$ 9,311.74</u>	<u>\$ 13,409.57</u>
Fund Equity:				
Nonspendable	1,519.57			1,519.57
Unassigned	19,882.60			19,882.60
Assigned to Specific Purpose		<u>196,471.80</u>	<u>6,516.16</u>	<u>202,987.96</u>
Total Fund Equity	<u>21,402.17</u>	<u>196,471.80</u>	<u>6,516.16</u>	<u>224,390.13</u>
Total Liabilities & Fund Equity	<u>\$ 25,500.00</u>	<u>\$ 196,471.80</u>	<u>\$ 15,827.90</u>	<u>\$ 237,799.70</u>

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, 2015*

**Total Fund Balances – Governmental Funds** \$ 224,390.13

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.	<u>592,835.82</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 817,225.95</u></u>

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

**Town of Disney**  
**Mayes County, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	General Fund	County Wide Fire Fund	Other Governmental	Totals
<b>REVENUES</b>				
Charges for Service	\$ 2,585.51	\$	\$	\$ 2,585.51
Fines	54,492.19		140.00	54,632.19
Donations	10,923.00			10,923.00
Grants			11,484.35	11,484.35
Investment Income	17.84			17.84
Miscellaneous	207.49		2,424.88	2,632.37
Rental of Property	11,115.00			11,115.00
Taxes	<u>56,461.67</u>	<u>89,608.65</u>	<u>2,891.14</u>	<u>148,961.46</u>
<b>Total Revenues</b>	<u>135,803.00</u>	<u>89,608.65</u>	<u>16,940.37</u>	<u>242,352.02</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Personal Services	16,423.93			16,423.93
Administration	30,838.96			30,838.96
<b>Public Safety and Judiciary:</b>				
<b>Police</b>				
Personnel Services	27,600.00			27,600.00
Maintenance and Operation	27,855.64		15,910.74	43,766.38
<b>Fire</b>				
Personnel Services	6,344.49			6,344.49
Maintenance and Operation	5,385.76	22,949.42		28,335.18
Street and Alley			2,870.48	2,870.48
County Fire Fund -- Maintenance				
Capital Outlays	<u>8,103.00</u>	<u>33,008.12</u>	<u>12,545.90</u>	<u>53,657.02</u>
<b>Total Expenditures</b>	<u>122,551.78</u>	<u>55,957.54</u>	<u>31,327.12</u>	<u>209,836.44</u>
Excess (deficit) of revenues over expenditures	13,251.22	33,651.11	(14,386.75)	32,515.58
<b>Other Financing Sources (Uses)</b>				
Transfer Out	<u>(5,003.57)</u>	<u>0.00</u>	<u>4,874.34</u>	<u>(129.23)</u>
<b>Net Change in Fund Balance</b>	8,247.65	33,651.11	(9,512.41)	32,386.35
Fund Balance - Beginning of Year	<u>13,154.52</u>	<u>162,820.69</u>	<u>16,028.57</u>	<u>192,003.78</u>
<b>Fund Balance - End of Year</b>	<u>\$ 21,402.17</u>	<u>\$ 196,471.80</u>	<u>\$ 6,516.16</u>	<u>\$ 224,390.13</u>

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

*Town of Disney*  
*Mayes County, Oklahoma*  
*Reconciliation of Change in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Year Ended June 30, 2015*

**Net Change in Fund Balances – Total Governmental Funds** **\$ 32,386.35**

Amounts reported for governmental activities in the statement of activities are different because:

In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.

Capital Asset Acquisitions	53,657.02
Depreciation expense	<u>(49,846.98)</u>

**Change in Net Assets of Governmental Activities** **\$ 36,196.39**

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

**NOTES TO THE FINANCIAL STATEMENTS**

*Town of Disney*  
*Mayes County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2015

**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 Statement of Activities, Financial Accounting Standards Board (FASB) pronouncement and Accounting Principles Board (APB) opinions issued on or 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 this Note.

For the fiscal year ended June 30, 2005, the Town implemented the new financial reporting requirements of GASB Statements No. 33 and 34 and in fiscal year June 30, 2014 the Town implemented the GASB 54. As a result, an entirely new financial presentation format has been implemented. This implementation will affect comparability with reports issued in prior years.

**Reporting Entity**

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

Primary Government:	Town of Disney
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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.

**Basis of Presentation**

*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 *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison 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 or function and, therefore, are clearly identifiable to a particular function.

*Town of Disney*  
*Mayes County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2015

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

*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. Fund 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:

- 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.* This is the Town's primary operating fund. It accounts for all financial resources of the general government , except those required to be accounted for in another fund.

**MAJOR AND NON-MAJOR FUNDS**

*Major:*                      General fund

**Measurement Focus, Basis of Accounting**

Measurement focus is a term used to describe "when" 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 Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below:

- a. All governmental funds 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 resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applied to them.

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

**BASIS OF ACCOUNTING**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of account, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**Cash and Investments**

For the purpose of Statement of Net Assets, "cash, including time deposits" includes 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 accounts 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. Business-type activities report water and sewer charges as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible, but not available, are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

**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.

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**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 if 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-60
Building improvements	20-60
Utility system	20-60
Equipment	3-20

*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. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide statements.

**Compensated Absences**

The Town's does not have a compensated absences policy, therefore, there are not amounts recorded as liabilities in the financial statements.

**Employee Pension Plans**

The Town does not offer a pension plan to its employees.

**Equity Classifications**

*Government-Wide Statements*

Equity is classified as net assets and 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 improvement 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 or 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”.

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

- d. Assigned fund balance – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted or committed.
- e. Nonspendable fund balance – the amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained in tact.
- f. Unassigned fund balance – the fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purpose within the general fund.

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

Revenues, Expenditures and Expenses

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. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the Town in July and August have been accrued and are included under the caption “Due from other governments”.

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 expense 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
- Proprietary Funds – By Operating and Non-Operating

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

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:

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

**Fund Accounting Requirements**

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the town include the following:

<u>Fund</u>	<u>Required By</u>
Economic Development Authority Fund	Trust Indenture

**Revenue Restrictions**

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Sewer Revenue	Utility Operations

For the year ended June 30, 2015 the Town complied, in all material respects, with those revenue restrictions.

**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.

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

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;
- 4- County, municipal or school Town 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 Town;
- 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 trust or bond indentures. For the year ended June 30, 2015, the Town and its public trusts complied, in all material respects, with these investment restrictions.

**NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS**

**OTHER LONG-TERM DEBT**

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, 2015, the Town incurred no such indebtedness.

**FUND EQUITY RESTRICTIONS**

**DEFICIT PROHIBITION**

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute in all material respects for the year ended June 30, 2015.

**CASH AND INVESTMENTS**

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Town invests entirely in certificates of deposit.

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

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2015, none of the Town's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

**ACCOUNTS RECEIVABLE**

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax.

Accounts receivable as of June 30, 2015 is as follows:

	Governmental Activities
Due from Other Governments	\$ 22,074.95
Other Accounts Receivable	7,025.00
Total Accounts Receivable	\$ 29,079.95

**CAPITAL ASSETS**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 70,000	\$	\$	\$ 70,000
<i>Capital assets being depreciated:</i>				
Equipment	595,682	45,554		641,236
Building	347,238	8,103		355,341
Total capital assets being depreciated	1,012,920	53,657	0	1,066,577
Less accumulated depreciation for:				
Buildings and Equipment	423,894	49,847	0	473,741
Governmental activity capital assets, net	\$ 589,026	\$ 3,810	\$ 0	\$ 592,836

Depreciation Expense was charged to functions/programs of the City as follows:

**Governmental Activities:**

General Government	\$ 21,125.13
County Fire Fund	28,721.85
Total Depreciation Expense – Governmental Activities	\$ 49,846.98