

*Town of Disney*  
*Mayes County, Oklahoma*

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended  
June 30, 2014

*Town of Disney*  
*Mayes County, Oklahoma*

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**TOWN OF DISNEY, OKLAHOMA  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2014**

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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, 2014. 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 \$781,955.94 (net assets) for the fiscal year reported.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt of \$589,952.16 include property and equipment, net of accumulated depreciation.
- (2) Net assets of \$155,399.79 are restricted by constraints imposed from outside the Town such as grantors, laws, or regulations.
- (3) Unrestricted assets of \$36,603.99 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 \$192,003.78.

Total liabilities of the Town at the end of the current year are \$9,154.58.

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

**TOWN OF DISNEY, OKLAHOMA  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2014**

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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:

**TOWN OF DISNEY, OKLAHOMA  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2014**

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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.

#### CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

**TOWN OF DISNEY, OKLAHOMA  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2014**

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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**  
*Budget and Actual - General Fund*  
 Budgeted Governmental Fund Types  
 For the Year Ended June 30, 2014

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>				
Taxes	\$ 50,480	\$ 50,480	\$ 53,060	\$ 2,580
Investment income	128	128	52	(76)
Grant Income	6,750	6,750	0	(6,750)
Sales, services, fines & other	<u>51,745</u>	<u>51,745</u>	<u>61,398</u>	<u>9,653</u>
Total revenues	<u>109,103</u>	<u>109,103</u>	<u>114,510</u>	<u>5,407</u>
<u>Expenditures</u>				
Personal service	52,922	52,922	49,643	3,279
Capital outlay	69,921	69,921	63,173	6,748
Maintenance and operation	<u>2,792</u>	<u>2,792</u>	<u>0</u>	<u>2,792</u>
Total Expenditures	<u>125,635</u>	<u>125,635</u>	<u>112,816</u>	<u>12,819</u>
Excess of Revenues over/(under) expenditures	(16,532)	(16,532)	1,694	18,226
Fund Balance, beginning	<u>16,532</u>	<u>16,532</u>	<u>16,379</u>	<u>153</u>
Fund Balance, end of year	<u>\$ 0</u>	<u>\$ 0</u>	18,073	<u>\$ 14,685</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	203
Accounts Receivable	3,625
Due from other Governments	10,977
Other difference	(13,306)
Accounts Payable	<u>(6,417)</u>
Cash Fund Balance – General Fund	<u>\$ 13,155</u>

***Violet F. Kirkendall CPA, PC***

*Certified Public Accountants*

*405 W. Claremore St.*

*Claremore, OK 74017*

*(918) 342-5474*

*Independent Auditor's Report*

Board of Trustees  
Town of Disney

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 Disney, Mayes County, Oklahoma as of and for the year ended June 30, 2014 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.

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 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, I 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 my 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, 2014, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, I have also issued my report dated October 31, 2014 on my consideration of the Town of Disney, Mayes County, Oklahoma internal control over financial reporting and my 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 my 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.



Violet F. Kirkendall CPA, PC  
October 31, 2014

***Violet F. Kirkendall CPA, PC***

*Certified Public Accountants*

*405 W. Claremore St.*

*Claremore, OK 74017*

*(918) 342-5474*

*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

I 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, 2014, 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 my report thereon dated October 31, 2014.

*Internal Control Over Financial Reporting*

In planning and performing my audit, I 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 my 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.

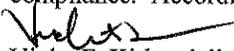
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompany schedule of audit findings that I consider to be significant deficiencies as Findings 2014-1 and 2014-2

*Compliance*

As part of obtaining reasonable assurance about whether the Town of Disney, Mayes County, Oklahoma financial statements are free of material misstatement, I 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, I do not express such an opinion. The results of my 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 my 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.

  
Violet F. Kirkendall CPA, PC  
October 31, 2014

*Town of Disney*  
*Mayes County, Oklahoma*  
*Statement of Net Assets*  
June 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 23,0401.63
Deposits held with Third Party Administrator	155,399.79
Prepaid Assets	203.01
Accounts Receivable	4,116.49
Due from other Governments	<u>18,397.44</u>
Total Current Assets	201,158.36
Non-current Assets:	
Capital Assets:	
Property, Plant and Equipment, net	<u>589,952.16</u>
Total Assets	<u>791,110.52</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	<u>9,154.58</u>
Total Current Liabilities	
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	589,952.16
Unassigned Fund Balance	12,951.51
Nonspendable	203.01
Reserved for Specific Purpose	<u>178,849.26</u>
Total Net Assets	<u>\$ 781,955.94</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, 2014

<u>Functions/Programs:</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense)/ Revenue</u>
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Governmental Activities:</i>					
General Government	\$ 83,236.88	\$ 2,564.91	\$ 2,432.14	\$ 1,600.00	\$ (76,639.83)
Street & Alley	5,412.77				(5,412.77)
Police Department	74,181.80	65,502.19			(8,679.61)
Fire Department	21,027.03	4.50	8,001.11		(13,021.42)
County Fire Fund	55,973.89				(55,973.89)
Capital Projects	0.00				0.00
<b>TOTAL</b>	<b>\$ 239,832.37</b>	<b>\$ 68,071.60</b>	<b>\$ 10,433.25</b>	<b>\$ 1,600.00</b>	<b>\$ (159,727.52)</b>
Changes in Net Assets:					
Net (expense) revenue					\$ (159,727.52)
General revenues:					
Taxes:					
Sales Tax					93,275.95
Use Tax					3,529.44
Alcoholic Beverage Tax					2,329.93
Franchise Tax					51.77
Cigarette Tax					577.80
Rental Income					9,000.00
Restricted for transportation purposes:					
Motor Vehicle Tax					2,361.24
Gasoline Tax					560.87
Interest Income					22.28
Total Taxes					111,709.28
Change in Net Assets					(48,018.24)
Net Assets-beginning					829,974.18
Net Assets-ending					\$ 781,955.94

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

*Town of Disney*  
*Mayes County, Oklahoma*  
*Balance Sheet – Governmental Funds*  
June 30, 2014

	General Fund	County Wide Fire Fund	Other Governmental	Totals
<b>ASSETS</b>				
Cash	\$ 4,767.55	\$	\$ 18,274.08	\$ 23,041.63
Deposits held with Third Party		155,399.79		155,399.79
Prepaid Insurance	203.01			203.01
Accounts Receivable	3,624.50		491.99	4,116.49
Due from other Governments	<u>10,976.54</u>	<u>7,420.090</u>		<u>18,397.44</u>
Total Assets	<u>\$ 19,571.60</u>	<u>\$ 162,820.69</u>	<u>\$ 18,766.07</u>	<u>\$ 201,158.36</u>
<b>LIABILITIES &amp; FUND EQUITY</b>				
Liabilities:				
Accounts Payable	<u>\$ 6,417.08</u>	<u>\$ 0.00</u>	<u>\$ 2,737.50</u>	<u>\$ 9,154.58</u>
Fund Equity:				
Nonspendable	203.01			203.01
Unassigned	12,951.51			12,951.51
Assigned to Specific Purpose		<u>162,820.69</u>	<u>16,028.57</u>	<u>178,849.26</u>
Total Fund Equity	<u>13,154.52</u>	<u>162,820.69</u>	<u>16,028.57</u>	<u>192,003.78</u>
Total Liabilities & Fund Equity	<u>\$ 19,571.60</u>	<u>\$ 162,820.69</u>	<u>\$ 18,766.07</u>	<u>\$ 201,158.36</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, 2014*

**Total Fund Balances – Governmental Funds** \$ 192,003.78

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.

**Net Assets of Governmental Activities** 589,952.16  
\$ 781,955.94

*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, 2014

	General Fund	County Wide Fire Fund	Other Governmental	Totals
<b>REVENUES</b>				
Charges for Service	\$ 2,564.91	\$	\$ 4.50	\$ 2,569.41
Fines	64,632.69		5,944.75	70,577.44
Donations	2,432.14		1,600.00	4,032.14
Grants			8,001.11	8,001.11
Investment Income	22.28			22.28
Rental of Property	9,000.00			9,000.00
Taxes	<u>51,627.72</u>	<u>48,137.17</u>	<u>2,922.11</u>	<u>102,687.00</u>
Total Revenues	<u>130,279.74</u>	<u>48,137.17</u>	<u>18,472.47</u>	<u>196,889.38</u>
<b>EXPENDITURES</b>				
General Government				
Personal Services	19,780.05			19,780.05
Administration	39,130.79			39,130.79
Public Safety and Judiciary:				
Police				
Personal Services	27,690.00			27,690.00
Maintenance and Operation	53,049.91		8,782.20	61,832.11
Fire				
Personal Services	7,311.14			7,311.14
Maintenance and Operation	4,908.69	32,507.36		37,416.05
Street and Alley			4,037.77	4,037.77
County Fire Fund – Maintenance				
Capital Outlays		<u>78,535.53</u>		<u>78,535.53</u>
Total Expenditures	<u>151,870.58</u>	<u>111,042.89</u>	<u>12,819.97</u>	<u>275,733.44</u>
Excess (deficit) of revenues over expenditures	(21,590.84)	(62,905.72)	5,652.50	(78,844.06)
Other Financing Sources (Uses)				
Transfer Out	<u>8,705.25</u>	<u>3,996.22</u>	<u>(12,701.47)</u>	<u>(0.00)</u>
Net Change in Fund Balance	(12,885.59)	(58,909.50)	(7,048.97)	(78,844.06)
Fund Balance - Beginning of Year	<u>26,040.11</u>	<u>221,730.19</u>	<u>23,077.54</u>	<u>270,847.84</u>
Fund Balance - End of Year	<u>\$ 13,154.52</u>	<u>\$ 162,820.69</u>	<u>\$ 16,028.57</u>	<u>\$ 192,003.78</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, 2014*

**Net Change in Fund Balances – Total Governmental Funds** \$ (78,844.06)

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	78,535.53
Depreciation expense	<u>(47,709.71)</u>

**Change in Net Assets of Governmental Activities** \$ (48,018.24)

*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, 2014

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.* 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.

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.

*Town of Disney*  
*Mayes County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2014

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

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.

*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.

*Town of Disney  
Mayes County, Oklahoma  
Notes to the Financial Statements  
June 30, 2014*

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

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”.
- 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.

*Town of Disney  
Mayes County, Oklahoma  
Notes to the Financial Statements  
June 30, 2014*

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

**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 on 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:

**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

*Town of Disney*  
*Mayes County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2014

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

**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, 2014 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.

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, 2014, the Town and its public trusts complied, in all material respects, with these investment restrictions.

*Town of Disney  
Mayes County, Oklahoma  
Notes to the Financial Statements  
June 30, 2014*

**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, 2014, 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, 2014.

**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.

*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, 2014, 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, 2014 is as follows:

	<u>Governmental Activities</u>			
	<u>\$ 22,513.93</u>			
<b><u>Capital Assets</u></b>				
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 70,000	\$	\$	\$ 70,000
<i>Capital assets being depreciated:</i>				
Equipment	517,147	78,536		595,683
Building	<u>347,238</u>			<u>347,238</u>
Total capital assets being depreciated	<u>934,385</u>	<u>78,536</u>	<u>0</u>	<u>934,385</u>
Less accumulated depreciation for:				
Buildings and Equipment	<u>375,259</u>	<u>47,710</u>	<u>0</u>	<u>422,969</u>
Governmental activity capital assets, net	<u>\$ 559,126</u>	<u>\$ 30,826</u>	<u>\$ 0</u>	<u>\$ 589,952</u>

*Town of Disney*  
*Mayes County, Oklahoma*  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014

**A. Audit Findings – Prior Year**

Finding #1 – Disbursements

During the audit of the disbursement transaction testing, the auditor found that there were several check disbursements that did not have supporting documentation to authorize the disbursement transactions.

Recommendation: Management should develop a policy that requires that all disbursement transactions have the required documentation to represent the authorized expenditure prior to authorizing and generating the disbursement.

Finding #2 – Check Signatures

During the audit of the disbursement transaction testing, the auditor found that there were some check transactions that were generated at vendors without going through the proper approval process.

Recommendation: Management should develop a policy that requires the approval process to be followed at all times for disbursement transactions.

**B. Audit Findings – Current Year**

**Compliance**

NONE

**Internal Control Over Financial Reporting**

NONE

**C. Questioned Costs**

NONE