

CITY OF  
**MORRIS,**  
**OKLAHOMA**

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**ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2023**

# **THE CITY OF MORRIS, OKLAHOMA**

## **ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**CITY OF MORRIS, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of Morris, Oklahoma

### Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Morris, Oklahoma ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1B.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Emphasis of Matter—Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note B, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Other Matters**

##### *Other Information*

Management is responsible for the supplementary and other information included in the annual report. The supplementary and other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the supplementary and other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the supplementary and other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the supplementary and other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2023, on our consideration of the City of Morris, Oklahoma's internal control over financial reporting and on our tests of its 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 and 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 the City of Morris, Oklahoma's internal control over financial reporting and compliance.



Elfrink and Associates, PLLC

Tulsa, Oklahoma  
October 3, 2023

**CITY OF MORRIS, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT - Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2023**

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The management of the City of Morris is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2023. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position decreased by \$11,649, and the assets of the City exceed its liabilities at June 30, 2023, by \$1,825,061 (net position). Of this amount, \$1,311,406 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2023, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$733,615.
- At the end of fiscal year 2023, unassigned fund balance on a modified cash basis for the General Fund was \$70,391, or 9.96% of total general fund revenues.

### **ABOUT THE CITY**

The City of Morris is an incorporated municipality with a population of approximately 1,479 located in eastern Oklahoma. The City is an Aldermanic form of government that provides for three branches of government:

- Legislative – the City Council is a four-member governing body elected by the citizens at large
- Executive – the Mayor is the Chief Executive Officer and is elected by the citizens at large
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, cemetery, streets and public works, and utility services including water, sewer, and sanitation.

### ***The City's Financial Reporting Entity***

This annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity includes the following separate legal entities.

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- **The City of Morris** – operates the public safety, cemetery, streets and public works, and administrative activities of the City.
- **The Morris Public Works Authority (MPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, sewer and sanitation services of the City. The City of Morris is the beneficiary of the trust and the City Council serves as the governing body of the trust.

In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Morris (the "City") and the Morris Public Works Authority (the "Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City using the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

### **Reporting the City as a Whole**

#### ***The Statement of Net Position and Statement of Activities***

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and the quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities*– Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

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## **Reporting the City's Most Significant Funds - Fund Financial Statements**

### ***Fund Financial Statements***

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

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

*Proprietary funds* - When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting. The City's proprietary fund is the Morris Public Works Authority that accounts for the operation of the water, sewer, and sanitation activities.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 24-33 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and the Street and Alley Fund, combining schedules for General Fund accounts and a federal and state award schedule.

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**THE CITY AS A WHOLE**

For the year ended June 30, 2023, net position on a modified cash basis for the governmental and business-type activities decreased \$11,649.

**The City of Morris's Net Position (Modified Cash Basis)**  
**June 30, 2023**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Beginning net position	729,801	1,106,909	1,836,710
Increase (decrease) in net position	3,814	(15,463)	(11,649)
<b>Ending net position</b>	<b>\$ 733,615</b>	<b>\$ 1,091,446</b>	<b>\$ 1,825,061</b>

The following is a summary of net position at June 30, 2023 reported on a modified cash basis for the City of Morris.

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
<b>Assets:</b>									
Current and other assets	\$ 734,264	\$ 730,116	1%	\$ 1,148,026	\$ 1,158,281	-1%	\$ 1,882,290	\$ 1,888,397	0%
<b>Total assets</b>	<b>734,264</b>	<b>730,116</b>	<b>1%</b>	<b>1,148,026</b>	<b>1,158,281</b>	<b>-1%</b>	<b>1,882,290</b>	<b>1,888,397</b>	<b>0%</b>
<b>Liabilities:</b>									
Current and other liabilities	649	315	106%	56,580	51,372	10%	57,229	51,687	11%
<b>Total liabilities</b>	<b>649</b>	<b>315</b>	<b>106%</b>	<b>56,580</b>	<b>51,372</b>	<b>10%</b>	<b>57,229</b>	<b>51,687</b>	<b>11%</b>
<b>Net position:</b>									
Restricted	513,655	422,779	21%	-	-	0%	513,655	422,779	21%
Unrestricted	219,960	307,022	-28%	1,091,446	1,106,909	-1%	1,311,406	1,413,931	-7%
<b>Total net position</b>	<b>\$ 733,615</b>	<b>\$ 729,801</b>	<b>1%</b>	<b>\$ 1,091,446</b>	<b>\$ 1,106,909</b>	<b>-1%</b>	<b>\$ 1,825,061</b>	<b>\$ 1,836,710</b>	<b>-1%</b>

A portion of the City's net position, \$513,655, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,311,406, may be used to meet the government's ongoing needs.

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**CITY OF MORRIS, OKLAHOMA**  
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**The City of Morris Revenues, Expenses and Changes in Net Position (Modified Cash Basis)**  
**Year Ended June 30, 2023**

	<u>Governmental Activities</u>			<u>Business-type Activities</u>			<u>Total</u>		
	2023	2022		2023	2022		2023	2022	
<b>Revenues:</b>									
Program revenues:									
Charges for Services	\$ 52,545	\$ 63,196	-17%	\$ 759,513	\$ 733,501	4%	\$ 812,058	\$ 796,697	2%
Operating Grants & Contributions	36,455	21,722	68%	-	-	-	36,455	21,722	68%
Capital Grants & Contributions	-	-	-	35,562	-	100%	35,562	-	100%
General Revenues:									
Sales & Use Tax	431,506	420,645	3%	-	-	-	431,506	420,645	3%
Other Taxes	40,810	34,881	17%	-	-	-	40,810	34,881	17%
Other General Revenues	163,571	170,315	-4%	1,075	118	811%	164,646	170,433	-3%
<b>Total Revenues</b>	<b><u>724,887</u></b>	<b><u>710,759</u></b>		<b><u>796,150</u></b>	<b><u>733,619</u></b>		<b><u>1,521,037</u></b>	<b><u>1,444,378</u></b>	
<b>Program Expenses:</b>									
General Government	251,937	113,197	123%	-	-	-	251,937	113,197	123%
Public Safety	390,074	388,061	1%	-	-	-	390,074	388,061	1%
Highways & Streets	72,321	66,204	9%	-	-	-	72,321	66,204	9%
Cemetery	5,241	25,928	-80%	-	-	-	5,241	25,928	-80%
Water	-	-	-	466,552	480,240	-3%	466,552	480,240	-3%
Sewer	-	-	-	222,790	160,127	39%	222,790	160,127	39%
Sanitation	-	-	-	123,771	123,678	0%	123,771	123,678	0%
<b>Total Expenses</b>	<b><u>719,573</u></b>	<b><u>593,390</u></b>		<b><u>813,113</u></b>	<b><u>764,045</u></b>		<b><u>1,532,686</u></b>	<b><u>1,357,435</u></b>	
Transfers	(1,500)	(2,500)		1,500	2,500		-	-	
<b>Increase (Decrease) in Net Position</b>	<b><u>\$ 3,814</u></b>	<b><u>\$ 114,869</u></b>		<b><u>\$ (15,463)</u></b>	<b><u>\$ (27,926)</u></b>		<b><u>\$ (11,649)</u></b>	<b><u>\$ 86,943</u></b>	

**Governmental Activities**

The City's governmental activities had an increase in net position of \$3,814. Operating Grants and Contributions increased in the current year due to a donation for a public safety project. General revenues increased in the current year due to ARPA monies received. Charges for services increased in the current year due to an increase in sales and use tax revenue collections. General government expenses increased over the prior year by \$138,740 of which approximately \$ 83,000 were grant related expenses.

**Net Revenue (Expense) of Governmental Activities**

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
General government	\$ 251,937	\$ 113,197	123%	\$(249,777)	\$(112,795)	121%
Public safety	390,074	388,061	1%	(331,288)	(346,879)	-4%
Streets	72,321	66,204	9%	(60,598)	(53,329)	14%
Cemetery	5,241	25,928	-80%	11,090	4,531	145%
<b>Total</b>	<b><u>\$ 719,573</u></b>	<b><u>\$ 593,390</u></b>	<b><u>21%</u></b>	<b><u>\$(630,573)</u></b>	<b><u>\$(508,472)</u></b>	<b><u>24%</u></b>

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**CITY OF MORRIS, OKLAHOMA**  
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**Business-type Activities**

The City's business-type activities had a decrease in net position of \$15,463. Capital grants and contributions increased \$35,562 in the current year due to water project grant revenue received. Sewer expenditures increased in the current year due to increased sewer system maintenance and project expenditures.

**Net Revenue (Expense) of Business-type Activities**

	<u>Total Expense</u> <u>of Services</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u> <u>(Expense)</u> <u>of Services</u>		<u>% Inc.</u> <u>(Dec.)</u>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
Water	\$ 466,552	\$ 480,240	-3%	\$ (40,375)	\$ (102,171)	-60%
Sewer	222,790	160,127	39%	(6,714)	49,061	-114%
Sanitation	123,771	123,678	0%	29,051	22,566	29%
<b>Total</b>	<b><u>\$ 813,113</u></b>	<b><u>\$ 764,045</u></b>	<b>6%</b>	<b><u>\$ (18,038)</u></b>	<b><u>\$ (30,544)</u></b>	<b>-41%</b>

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2023 fiscal year, the governmental funds reported a combined fund balance of \$733,615. For the year ended June 30, 2023, the governmental funds total fund balance increased by \$3,814.

**Budgetary Highlights**

For the year ended June 30, 2023, the General Fund reported actual budgetary basis revenues were under the final estimates by \$110,781 or a 13.7% negative variance. General Fund actual expenditures were under final appropriations by \$157,631 or a 18.2% positive variance.

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

The following information outlines significant known factors that will affect subsequent year finances:

- The City implemented an increase in water rates effective July 1, 2023, for \$3 per account per month to adjust for rising operational expenses.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 501 S. Hughes, Morris, Oklahoma 74447 or telephone at 918-733-4222.

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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF MORRIS, OKLAHOMA**  
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**Statement of Net Position (Modified Cash Basis)– June 30, 2023**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 623,091	\$ 1,181,890	\$ 1,804,981
Restricted cash and cash equivalents	-	53,872	53,872
Investments	23,437	-	23,437
Internal Balances	87,736	(87,736)	-
Total Assets	<u>\$ 734,264</u>	<u>\$ 1,148,026</u>	<u>\$ 1,882,290</u>
<b>LIABILITIES</b>			
Refundable deposits	\$ -	\$ 53,872	\$ 53,872
Other payable	102	2,708	2,810
Due to other governments	547	-	547
Total liabilities	<u>649</u>	<u>56,580</u>	<u>57,229</u>
<b>NET POSITION</b>			
Restricted for:			
Specific government services	205,136	-	205,136
Street & alley	185,849	-	185,849
Cemetery	122,670	-	122,670
Unrestricted	219,960	1,091,446	1,311,406
Total net position	<u>\$ 733,615</u>	<u>\$ 1,091,446</u>	<u>\$ 1,825,061</u>

See accompanying notes to the basic financial statements.

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**Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 251,937	\$ 2,160	\$ -	\$ -	\$ (249,777)	\$ -	\$ (249,777)
Public Safety	390,074	36,783	22,003	-	(331,288)	-	(331,288)
Highways and streets	72,321	-	11,723	-	(60,598)	-	(60,598)
Cemetery	5,241	13,602	2,729	-	11,090	-	11,090
Total governmental activities	<u>719,573</u>	<u>52,545</u>	<u>36,455</u>	<u>-</u>	<u>(630,573)</u>	<u>-</u>	<u>(630,573)</u>
Business-type activities:							
Water	466,552	390,615	-	35,562	-	(40,375)	(40,375)
Sewer	222,790	216,076	-	-	-	(6,714)	(6,714)
Sanitation	123,771	152,822	-	-	-	29,051	29,051
Total business-type activities	<u>813,113</u>	<u>759,513</u>	<u>-</u>	<u>35,562</u>	<u>-</u>	<u>(18,038)</u>	<u>(18,038)</u>
Total primary government	<u>1,532,686</u>	<u>812,058</u>	<u>36,455</u>	<u>35,562</u>	<u>(630,573)</u>	<u>(18,038)</u>	<u>(648,611)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 431,506	\$ -	\$ 431,506
Franchise taxes and public service taxes					40,810	-	40,810
Intergovernmental revenue not restricted to specific programs					146,303	-	146,303
Unrestricted investment earnings					1,391	1,075	2,466
Miscellaneous revenue					15,877	-	15,877
Transfers					(1,500)	1,500	-
Total general revenues and transfers					<u>634,387</u>	<u>2,575</u>	<u>636,962</u>
Change in net position					3,814	(15,463)	(11,649)
Net position - beginning					<u>729,801</u>	<u>1,106,909</u>	<u>1,836,710</u>
Net position - ending					<u>\$ 733,615</u>	<u>\$ 1,091,446</u>	<u>\$ 1,825,061</u>

See accompanying notes to the basic financial statements.



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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2023**

	<u>General Fund</u>	<u>Street &amp; Alley Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 314,572	\$ 185,849	\$ 122,670	\$ 623,091
Investments	23,437	-	-	23,437
Due from other funds	124,005	-	-	124,005
Total assets	<u>\$ 462,014</u>	<u>\$ 185,849</u>	<u>\$ 122,670</u>	<u>\$ 770,533</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 36,269	\$ -	\$ -	\$ 36,269
Other payables	102	-	-	102
Due to other governments	547	-	-	547
Total liabilities	<u>36,918</u>	<u>-</u>	<u>-</u>	<u>36,918</u>
<b>FUND BALANCES</b>				
Fund balances:				
Restricted for:				
Specific government services	205,136	-	-	205,136
Street & alley	-	185,849	-	185,849
Cemetery	-	-	122,670	122,670
Committed for:				
Debt service	4,403	-	-	4,403
Assigned for:				
Capital projects	111,521	-	-	111,521
Cemetery	33,645	-	-	33,645
Unassigned	70,391	-	-	70,391
Total fund balances	<u>425,096</u>	<u>185,849</u>	<u>122,670</u>	<u>733,615</u>
Total liabilities and fund balances	<u>\$ 462,014</u>	<u>\$ 185,849</u>	<u>\$ 122,670</u>	<u>\$ 770,533</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances**  
**(Modified Cash Basis) – Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Street &amp; Alley Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 472,316	\$ -	\$ -	\$ 472,316
Intergovernmental	156,356	11,723	-	168,079
Charges for services	10,201	-	3,401	13,602
Fines and forfeitures	36,783	-	-	36,783
Licenses and permits	2,160	-	-	2,160
Investment income	1,391	-	-	1,391
Miscellaneous	27,827	-	2,729	30,556
Total revenues	<u>707,034</u>	<u>11,723</u>	<u>6,130</u>	<u>724,887</u>
<b>EXPENDITURES</b>				
Current:				
General government	251,937	-	-	251,937
Public safety	381,917	-	-	381,917
Highway and streets	64,213	8,108	-	72,321
Cemetery	5,241	-	-	5,241
Debt service:				
Principal	7,877	-	-	7,877
Interest	280	-	-	280
Total Expenditures	<u>711,465</u>	<u>8,108</u>	<u>-</u>	<u>719,573</u>
Excess of revenues over expenditures	<u>(4,431)</u>	<u>3,615</u>	<u>6,130</u>	<u>5,314</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,500)	-	-	(1,500)
Total other financing sources and uses	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>(1,500)</u>
Net change in fund balances	(5,931)	3,615	6,130	3,814
Fund balances - beginning	431,027	182,234	116,540	729,801
Fund balances - ending	<u>\$ 425,096</u>	<u>\$ 185,849</u>	<u>\$ 122,670</u>	<u>\$ 733,615</u>

See accompanying notes to basic financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

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**Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2023**

	<b>Morris Public Works Authority Enterprise Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,181,890
Restricted cash and cash equivalents	53,872
Due from other funds	36,269
Total assets	\$ 1,272,031
<b>LIABILITIES</b>	
Due to other funds	\$ 124,005
Other payables	2,708
Meter deposit liability	53,872
Total liabilities	180,585
<b>NET POSITION</b>	
Unrestricted	1,091,446
Total net position	\$ 1,091,446

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Revenues, Expenses and Change in Net Position (Modified Cash Basis) – Year Ended June 30, 2023**

	<b>Morris Public Works Authority Enterprise Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water	\$ 361,918
Sewer	216,076
Sanitation	152,822
Penalties	21,147
Reconnect Fees	7,278
Miscellaneous	272
Total operating revenues	759,513
<b>OPERATING EXPENSES</b>	
Water	363,399
Sewer	222,790
Sanitation	123,771
Total operating expenses	709,960
Operating income	49,553
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	1,075
Grant revenue	35,562
Debt Service:	
Principal retirement	(101,319)
Interest expense and fees	(1,834)
Total non-operating revenues (expenses)	(66,516)
Transfers in	1,500
Change in net position	(15,463)
Total net position - beginning	1,106,909
Total net position - ending	\$ 1,091,446

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2023**

	<b>Morris Public Works Authority Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 759,513
Payments to suppliers	(513,600)
Payments to employees	(193,652)
Receipts of customer utility deposits	8,850
Refunds of customer utility deposits	(6,350)
Payments to other funds	(35,562)
<b>Net cash provided by operating activities</b>	<b>19,199</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	1,500
<b>Net cash provided by noncapital financing activities</b>	<b>1,500</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Grant revenue	35,562
Principal paid on debt	(101,319)
Interest and fiscal agent fees paid on debt	(1,834)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(67,591)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	1,075
<b>Net cash provided by investing activities</b>	<b>1,075</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(45,817)</b>
<b>Balances - beginning of year</b>	<b>1,281,579</b>
<b>Balances - end of year</b>	<b>\$ 1,235,762</b>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 1,181,890
Restricted cash and cash equivalents	53,872
<b>Total cash and cash equivalents</b>	<b>\$ 1,235,762</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 49,553
Change in assets and liabilities:	
Interfund receipts/payments	(35,562)
Payables	2,708
Meter deposit liability	2,500
<b>Net cash provided by operating activities</b>	<b>\$ 19,199</b>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**



**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City's financial reporting entity includes two separate legal entities reported as the primary government.

- **The City of Morris** – that operates the public safety, cemetery, streets, health and welfare, culture and recreation, and administrative activities.
- **The Morris Public Works Authority** – that operates the water, sewer, and sanitation services of the City through a public trust of which the City is the beneficiary. The City Council serves as trustee for the Authority and all debt obligations of the Authority must be approved by 2/3rds vote of the City Council.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Council Statement No. 14, as amended by Statement No. 61, *The Financial Reporting Entity*, and includes all component units for which the City is financially accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation of the Authority to the Trust on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

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

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- utility deposit liabilities

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As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

In addition, due to the use of this modified cash basis of accounting, capital asset and long-term debt transactions are excluded from reporting within the financial statements. Capital assets are expensed when purchased and long-term debts are reported as cash receipts when issued and received. However, information about long-term debt is disclosed in Note 10 Commitments and Contingencies.

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

- General government: License and permits, rents and royalties, and capital grants
- Public safety: Fine revenue, operating and capital grants
- Highways and streets: Gas excise and commercial vehicle taxes
- Cemetery: Cemetery lot sales, donations

*Governmental Funds:*

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

**Major Funds:**

- General Fund - accounts for all activities not accounted for in other special-purpose funds.
- Street and Alley Fund (Special Revenue Fund) - accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
- Cemetery Care Fund (Capital Projects Fund) - accounts for the transfer of 25% (state law requires 12.5%) of cemetery lot sales and interment fees restricted for cemetery capital improvements.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

*Proprietary Type Fund:*

The City's proprietary fund is comprised of the following:

*Morris Public Works Authority:*

- Morris Public Works Authority Enterprise Fund – accounts for the operation of the water, sewer, and sanitation activities.

The proprietary type fund is also reported on a modified cash basis, as defined above.

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

### **C. Cash, Cash Equivalents, and Investments**

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

### **D. Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 10.

### **E. Fund Balances and Net Position**

#### *Fund Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by City Council action or management decision when the City Council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance is available. The City’s policy for the use of the unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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*Net Position:*

Net position is displayed in two components:

- a. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted net position* - All other net position that does not meet the definition of “restricted.”

The City has restricted net position for streets and cemetery.

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position elements are available.

**F. Internal and Interfund Balances and Transfers**

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

**2. Deposits and Investments**

For the year ended June 30, 2023, the City recognized \$2,466 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City’s deposits are in demand and short-term time deposits.

At June 30, 2023, the primary government held the following deposits and investments:

<b>Type</b>	<b>Credit Rating</b>	<b>Carrying Value</b>
<b>Deposits:</b>		
Petty cash		\$ 653
Demand deposits		1,858,200
Time deposits- certificates of deposit		23,437
<b>Total deposits</b>		<b>\$ 1,882,290</b>
 <b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 1,858,853
Investments		23,437
		<b>\$ 1,882,290</b>

*Custodial Credit Risk*

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

At June 30, 2023, the City was not exposed to custodial credit risk as defined above.

*Investment Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

At June 30, 2023, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

*Investment Credit Risk*

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trust.

*Concentration of Investment Credit Risk*

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2023, the City had no concentration of credit risk as defined above.

*Restricted Cash and Cash Equivalents* – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts restricted for utility deposits of the Morris Public Works Authority. The restricted assets as of June 30, 2023 are as follows:

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<u>Type of Restricted Assets</u>	Cash and cash equivalents	Total
Utility Deposits	\$ 53,872	\$ 53,872
Total	\$ 53,872	\$ 53,872

### 3. Fund Balance and Net Position

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet. The Proprietary Fund has no restrictions of net position.

	General Fund	Street & Alley Fund	Cemetery Care Fund	TOTAL
Fund Balances:				
Restricted for:				
Specific government services	\$ 205,136	\$ -	\$ -	\$ 205,136
Street & alley purposes	-	185,849	-	185,849
Cemetery	-	-	122,670	122,670
Sub-total Restricted	205,136	185,849	122,670	513,655
Committed for:				
Debt service	4,403	-	-	4,403
Sub-total Committed	4,403	-	-	4,403
Assigned for:				
Capital projects	111,521	-	-	111,521
Cemetery	33,645	-	-	33,645
Sub-total Assigned	145,166	-	-	145,166
Unassigned	70,391	-	-	70,391
<b>TOTAL FUND BALANCES</b>	<b>\$ 425,096</b>	<b>\$ 185,849</b>	<b>\$ 122,670</b>	<b>\$ 733,615</b>

### 4. Sales Tax Revenue

Sales tax revenue represents a 4.0 cent local tax on each dollar of taxable sales within the City. Three and one-half cents of the sales tax received are recorded as sales tax revenue within the General Fund to be used for general operations of the City. One-half cent, also recorded in the General Fund, has been assigned by the City to be used for future capital projects.

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**5. Property Tax Levy**

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

**6. Internal and Interfund Balances and Transfers**

*Balances:*

Interfund balances at June 30, 2023, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	MPWA	36,269	Claims paid on behalf of others
MPWA	General Fund	124,005	ARPA grant monies
Total		<u>\$ 160,274</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 124,005	\$ (36,269)	\$ 87,736
Proprietary Funds	36,269	(124,005)	(87,736)
Total	<u>\$ 160,274</u>	<u>\$ (160,274)</u>	<u>\$ -</u>

*Transfers:*

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	MPWA	\$ 1,500	1/2 OMAG Worker's Comp refund
Total		<u>\$ 1,500</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ -	\$ (1,500)	\$ (1,500)
Proprietary Funds	1,500	-	1,500
Total	<u>\$ 1,500</u>	<u>\$ (1,500)</u>	<u>\$ -</u>

**7. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**8. Pension Plan Participation**

The City of Morris participates in two pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Municipal Retirement System Defined Contribution Plan (OkMRF) - an agent multiple- employer defined contribution plan

*Firefighter Pension System:*

*Plan Summary Information.* The City of Morris, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

*Funding Policy* OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The City is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2021	\$896	\$896
2022	\$900	\$900
2023	\$960	\$960

*OkMRF Defined Contribution Plan:*

During the year ending June 30, 2010, the City began providing a defined contribution plan and trust known as the City of Morris Plan and Trust (the “OkMRF Plan”) in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OkMRF) available to all full-time employees. OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by JPMorgan Chase Bank of Oklahoma City. The defined contribution plan is mandatory to all full-time employees who are not already participating in another plan. The employee contributes to the Plan an amount up to 2% of their gross wages. The City as employer, contributes a match amount also up to 2% of the employee’s wages. If an employee terminates before becoming fully vested, the employer’s contributions that are forfeited may be used to reduce the City’s current-period contribution requirements. The authority to amend the provisions of the plan rests with the City Council. During the year ended June 30, 2023, the City used forfeitures to offset City contributions to the plan.



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The OkMRF contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2021	\$3,995	\$3,995
2022	\$6,061	\$6,061
2023	\$5,959	\$5,959

OkMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

## 9. Pledge of Future Revenues

*Utility Net Revenues Pledge* – The City has also pledged future net water and sewer revenues to repay \$1,650,000 of the OWRB ORF Promissory Note. Proceeds from the note provided financing for utility system capital assets. The note is payable through September 2023. The total principal and interest payable for the remainder of the life of this note is \$52,517. The note is payable from the above-mentioned utility net revenues. The debt service payments on the note this year were \$103,153, which was 478% of pledged net utility revenues of \$21,577.

## 10. Commitments and Contingencies

### *Long-term Debt Commitments:*

At June 30, 2023, the City and MPWA reported the following as long-term debt commitments:

#### *Governmental Note Payable (direct borrowing):*

\$55,100 note payable to Morris State Bank for the purchase of a fire truck, payable in 84 monthly installments of \$742 with an annual interest rate of 3.5%, final payment due December 15, 2023. This direct borrowing contains a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment. These notes are secured with the collateral of the fire truck with all fixtures and attachments at time of purchase.

\$4,403

#### *Notes Payable of the Morris Public Works Authority (Direct borrowings):*

OWRB Promissory Note for water improvements dated October 1, 2002, original amount of \$1,650,000, payments of \$52,397 made semi-annually each March 15 and September 15, with an annual interest rate of 2.865%, final payment due September 15, 2023. The OWRB loan is secured by and payable from utility revenues as well as a mortgage on certain wastewater land and assets. In the event of default on the OWRB loans, the lender may 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the System on a profitable basis; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the

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provisions of the loan agreement; 5) increase the interest rate to 14% on the defaulted payments.

\$51,761

*Payment Requirements to Maturity*

<u>Year Ending June 30.</u>	<u>Governmental</u>		<u>Year Ending June 30.</u>	<u>Business Type Activities</u>	
	<u>Notes Payable (direct borrowings)</u>			<u>Notes Payable (direct borrowings)</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2024	\$ 4,403	\$ 47	2024	\$ 51,761	\$ 756
Totals	<u>\$ 4,403</u>	<u>\$ 47</u>	Totals	<u>\$ 51,761</u>	<u>\$ 756</u>

*Compensated Absences:*

As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2023, is summarized as follows:

- City – accrued compensated absences \$5,615
- MPWA – accrued compensated absences \$7,346

*Litigation:*

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City “Sinking Fund” for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City’s public trust authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

*Federal and State Award Programs:*

The City of Morris participates in various federal or state grant/loan programs from year to year. In 2023, the City’s involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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**SUPPLEMENTARY AND OTHER INFORMATION**

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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2023**

**General Fund**

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget - Positive (Negative)</u>
<b>Beginning Budgetary Fund Balance</b>	\$ 293,826	\$ 402,564	\$ 402,564	\$ -
<b>Resources (Inflows)</b>				
Taxes	383,900	418,900	472,316	53,416
Intergovernmental	21,400	182,142	156,356	(25,786)
Fines and forfeitures	30,000	30,000	36,783	6,783
Licenses and permits	750	750	2,160	1,410
Investment income	100	100	1,169	1,069
Miscellaneous	21,200	25,500	27,827	2,327
Transfers in	150,000	150,000	-	(150,000)
<b>Total Resources</b>	<u>607,350</u>	<u>807,392</u>	<u>696,611</u>	<u>(110,781)</u>
<b>Amounts Available for Appropriation</b>	<u>901,176</u>	<u>1,209,956</u>	<u>1,099,175</u>	<u>(110,781)</u>
<b>Charges to Appropriations (Outflows)</b>				
General Government	197,350	269,092	151,416	117,676
Streets	62,160	87,460	64,213	23,247
Police	305,350	371,650	358,748	12,902
Fire	34,550	27,550	31,326	(3,776)
Council	9,293	10,293	9,043	1,250
City Clerk/Treasurer	33,860	88,560	84,201	4,359
Parks and recreation	13,000	2,000	302	1,698
Community Center	9,750	8,750	6,975	1,775
Transfers out	-	-	1,500	(1,500)
<b>Total Charges to Appropriations</b>	<u>665,313</u>	<u>865,355</u>	<u>707,724</u>	<u>157,631</u>
<b>Fund balances - ending</b>	<u>\$ 235,863</u>	<u>\$ 344,601</u>	<u>\$ 391,451</u>	<u>\$ 46,850</u>

**Street and Alley Fund**

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget - Positive (Negative)</u>
<b>Beginning Budgetary Fund Balance</b>	\$ 189,567	\$ 182,234	\$ 182,234	\$ -
<b>Resources (Inflows)</b>				
Intergovernmental	12,800	12,800	11,723	(1,077)
<b>Total Resources</b>	<u>12,800</u>	<u>12,800</u>	<u>11,723</u>	<u>(1,077)</u>
<b>Amounts Available for Appropriation</b>	<u>202,367</u>	<u>195,034</u>	<u>193,957</u>	<u>(1,077)</u>
<b>Charges to Appropriations (Outflows)</b>				
Streets	12,800	12,800	8,108	4,692
<b>Total Charges to Appropriations</b>	<u>12,800</u>	<u>12,800</u>	<u>8,108</u>	<u>4,692</u>
<b>Fund balances - ending</b>	<u>\$ 189,567</u>	<u>\$ 182,234</u>	<u>\$ 185,849</u>	<u>\$ 3,615</u>

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**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require City Council approval.
3. The budgetary basis differs from the modified cash basis as shown in the schedule below:

	<b>General Fund</b>
<b>Sources/Inflows of resources</b>	
Actual amounts (budgetary basis) "available appropriation" from the budgetary comparison schedule	\$ 1,099,175
Differences - budget to Modified Cash:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(402,564)
Cemetery Account combined as an account of the General Fund per GASB 54	10,423
Total revenue as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 707,034
<b>Uses/Outflows of resources</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 707,724
Differences - budget to Modified Cash:	
Cemetery Account combined as an account of the General Fund per GASB 54	5,241
Transfers out	(1,500)
Total expense and transfers as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	\$ 711,465

4. Expenditures exceeded appropriations in the General Fund in the following departments:
  - Police \$3,776
  - Transfers out \$1,500

Total charges to appropriations in the General Fund, however, have not been overspent.

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**Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2023**

	<b>General Account</b>	<b>Cemetery Account</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 304,364	\$ 10,208	\$ 314,572
Investments	-	23,437	23,437
Due from other funds	124,005	-	124,005
Total assets	428,369	33,645	462,014
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	36,269	-	36,269
Other payables	102	-	102
Due to other governments	547	-	547
Total liabilities	36,918	-	36,918
 <b>FUND BALANCES</b>			
Fund balances:			
Restricted for:			
Specific government services	205,136	-	205,136
Committed for:			
Debt service	4,403	-	4,403
Assigned for:			
Capital projects	111,521	-	111,521
Cemetery	-	33,645	33,645
Unassigned	70,391	-	70,391
Total fund balances	391,451	33,645	425,096
Total liabilities and fund balances	\$ 428,369	\$ 33,645	\$ 462,014

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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Cemetery Account</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes	\$ 472,316	\$ -	\$ 472,316
Intergovernmental	156,356	-	156,356
Charges for services	-	10,201	10,201
Fines and forfeitures	36,783	-	36,783
Licenses and permits	2,160	-	2,160
Investment income	1,169	222	1,391
Miscellaneous	27,827	-	27,827
Total Revenues	<u>696,611</u>	<u>10,423</u>	<u>707,034</u>
<b>EXPENDITURES</b>			
Current:			
General government	251,937	-	251,937
Public Safety	381,917	-	381,917
Highways and streets	64,213	-	64,213
Cemetery	-	5,241	5,241
Debt service:			
Principal	7,877	-	7,877
Interest	280	-	280
Total Expenditures	<u>706,224</u>	<u>5,241</u>	<u>711,465</u>
Excess (deficiency) of revenues over expenditures	<u>(9,613)</u>	<u>5,182</u>	<u>(4,431)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(1,500)</u>	-	<u>(1,500)</u>
Total other financing sources (uses)	<u>(1,500)</u>	-	<u>(1,500)</u>
Net change in fund balances	(11,113)	5,182	(5,931)
Fund balances - beginning	402,564	28,463	431,027
Fund balances - ending	<u>\$ 391,451</u>	<u>\$ 33,645</u>	<u>\$ 425,096</u>

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**Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2023**

Federal/State Grantor/Pass Thru Agency Grantor/Program Title	Assistance Listing Number	Pass Thru Grant #	Award Amount	Contract Expenditures
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF TREASURY</u>				
Passed Through Oklahoma Office of Management and Enterprise Services:				
American Rescue Plan Act - Tranche #2 & #3	21.027	ARPA	\$ 125,181	\$ 44,050
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed Through District Attorneys Council:	16.738	JAG-LLE-2022-MORRIS CI-00057	4,861	4,861
<b>Total Federal Awards</b>			<u>\$ 130,042</u>	<u>\$ 48,911</u>
<b>STATE AWARDS:</b>				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Forestry Services - Rural Fire Grant	N/A	Rural Fire Grant	\$ 10,053	\$ 10,053
<u>EASTERN OKLAHOMA DEVELOPMENT DISTRICT:</u>				
2017 REAP	N/A	2021 REAP	35,562	35,562
<b>Total State Awards</b>			<u>\$ 45,615</u>	<u>\$ 45,615</u>

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**INTERNAL CONTROL AND COMPLIANCE**



INDEPENDENT AUDITOR'S 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*

Honorable Mayor and Members of the City Council  
City of Morris, 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 modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Morris, Oklahoma as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Morris, Oklahoma's basic financial statements, and have issued our report thereon dated October 3, 2023. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Morris, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Morris, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Morris, Oklahoma's 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 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Morris, Oklahoma's financial statements are free from 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 instance of noncompliance that is required to be reported under *Government Auditing Standards*.



**Purpose of this Report**

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.

*Elfrink and Associates, PLLC*

Elfrink and Associates, PLLC

Tulsa, Oklahoma

October 3, 2023