MORRISON EDUCATIONAL FACILITIES AUTHORITY

Morrison, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Bruce G. Luttrell, CPA, PC
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MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Morrison Educational Facilities Authority
Morrison, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Morrison Educational Facilities Authority, a component unit of the Town of Morrison, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Morrison Educational Facilities Authority,

Member of the American Institute of Certified Public Accountants and the Oklahoma Society of Certified Public Accountants

a component unit of the Town of Morrison, Oklahoma, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion of the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morrison Educational Facilities Authority's basic financial statements. The Combining Schedule of Net Position and the Combining Schedule of Revenues, Expenses, and Changes in Net Position, on pages 20 and 21, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedule of Net Position and the Combining Schedule of Revenues, Expenses, and Changes in Net Position are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedule of Net Position and the Combining Schedule of Revenue, Expenses, and Changes in Net Position are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 17, 2016, on our consideration of the Morrison Educational Facilities Authority'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 Morrison Educational Facilities Authority's internal control over financial reporting and compliance.

Bruce Luttrell, CPA, PC

Bruce Luttrell, CPA, PC

October 17, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA

STATEMENT OF NET POSITION
JUNE 30, 2016

	Business-type Activities
ASSETS	
Current assets:	
Cash	$ -
Restricted cash & investments (Note 1.E.)	357,799.69
Accrued investment interest	4,001.74
Accrued revenue receivable: Morrison Public Schools (Note 1.E.)	14,606.58
Total current assets	376,408.01
Noncurrent assets:	
Lease receivable: Morrison Public Schools (Note 4)	488,811.37
Total noncurrent assets	488,811.37
Total Assets	$ 865,219.38
LIABILITIES	
Current liabilities:	
Accrued interest payable (Note 1.E.)	$ 14,606.58
Current portion of long-term debt	-
Total current liabilities	14,606.58
Noncurrent liabilities:	
Bonds payable (Note 5)	920,000.00
Less: current portion	-
Total noncurrent liabilities	920,000.00
Total liabilities	934,606.58
NET POSITION	
Restricted for debt service	(69,387.20)
Unrestricted	-
Total net position	$ (69,387.20)

The accompanying notes to the financial statements are an integral part of this statement

MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/programs	Expenses	Program Revenues	Net (Expense)/ Revenue
Business-type activities			
Morrison Public Schools project	$ 47,859.46	$ 33,778.24	$ (14,081.22)
Total business-type activities	$ 47,859.46	$ 33,778.24	(14,081.22)
Change in net position			(14,081.22)
Net position, beginning of year			(55,305.98)
Net position, end of year			$ (69,387.20)

The accompanying notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	Enterprise Fund
ASSETS	
Current assets:	
Cash	$ -
Restricted cash & investments (Note 1.E.)	357,799.69
Accrued investment interest	4,001.74
Accrued revenue receivable: Morrison Public Schools (Note 1.E.)	14,606.58
Total current assets	376,408.01
Noncurrent assets:	
Lease receivable: Morrison Public Schools (Note 4)	488,811.37
Total noncurretn assets	488,811.37
Total Assets	$ 865,219.38
LIABILITIES	
Current liabilities:	
Accrued interest payable (Note 1.E.)	$ 14,606.58
Current portion of long-term debt	-
Total current liabilities	14,606.58
Noncurrent liabilities:	
Bonds payable (Note 5)	920,000.00
Less: current portion	-
Total noncurrent liabilities	920,000.00
Total liabilities	934,606.58
NET POSITION	
Restricted for debt service	(69,387.20)
Unrestricted	-
Total net position	$ (69,387.20)

The accompanying notes to the financial statements are an integral part of this statement

MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund
Operating revenues:	
Morrison Public Schools remittance	$ 22,239.46
Total operating revenues	22,239.46
Operating expenses:	
Operating expenses	3,920.00
Miscellaneous	-
Total operating expenses	3,920.00
Net operating income	18,319.46
Nonoperating revenue (expense)	
Interest income	11,538.78
Interest expense	(43,939.46)
Total nonoperating revenue (expense)	(32,400.68)
Change in net position	(14,081.22)
Net position beginning of year	(55,305.98)
Net position end of year	$ (69,387.20)

The accompanying notes to the financial statements are an integral part of this statement.

MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

		Enterprise Fund
Cash flows from operating activities:		
Morrison Public Schools remittance	$	22,239.46
Administrative fee		(3,920.00)
Nonoperating revenue (expenses), net		-
Net cash provided (used) by operating activities		18,319.46
Cash flows from noncapital financing activities:		
Operating transfers in		-
Operating transfers out		-
Net cash provided (used) by noncapital financing activities		-
Cash flows from capital and related financing activities:		
Receipts on lease receivable		-
Advance on lease receivable		-
Principal paid on debt		-
Interest paid on debt		(43,939.46)
Net cash provided (used) by capital and related financing activities		(43,939.46)
Cash flows from investing activities:		
Interest income		11,538.78
Net increase (decrease) in cash and cash equivalents		(14,081.22)
Cash balance beginning of year		371,880.91
Cash balance end of year	$	357,799.69

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	18,319.46
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
Accrued revenue receivable		(239.46)
Accrued interest receivable		-
Accrued interest payable		239.46
Net cash provided by operating activities	$	18,319.46

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Morrison Educational Facilities Authority (the Authority) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations.) The accounting and reporting framework and the more significant accounting policies established in GAAP and used by the Authority are discussed in subsequent subsections of the Notes.

1.A. FINANCIAL REPORTING ENTITY

The Morrison Educational Facilities Authority (the "Authority") is a public trust created under a Trust Indenture dated July 10, 2006, for the use and benefit of the Town of Morrison, Oklahoma, under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 2003, Sections 176 to 180.3, inclusive as amended and supplemented, the Oklahoma Trust Act and other applicable statutes of the State of Oklahoma (collectively, the "Acts").

The Authority is exempt from federal and state income taxes.

The governing body of the Authority is governed by three trustees who are the same persons constituting the members of the Town Council of the Town of Morrison. The Town Clerk also serves as a non-voting Secretary.

The Morrison Educational Facilities Authority is considered a component unit of the Town of Morrison, Oklahoma. In evaluating how to define the Authority, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic (but not the only) criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the Authority is able to exercise oversight responsibilities.

Based upon the application of these criteria, there are no potential component units included in the Authority's reporting entity. And, the Morrison Educational Facilities Authority is considered a component unit of the Town of Morrison.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

THE PROJECT

The Authority is empowered to institute, furnish, provide and supply, in the Town of Morrison and in territory in reasonable proximity thereto, physical facility, improvements and services for the furtherance of educational and recreational purposes, and to acquire, construct, install, operate and maintain any properties necessary for executing the foregoing purposes, and to procure any funds necessary therefore, by mortgage, pledge, or other encumbrance of any such facility or improvements or of its revenues, or any part of either or both.

Accordingly, on September 1, 2006, the Authority and BancFirst, Oklahoma City, Oklahoma (the "Trustee") approved a bond trust indenture providing for issuance of Educational Facilities Lease Revenue Bonds in the aggregate principal amount of $ 2,500,000.00. The bonds were issued to provide a portion of the funds required for the construction, furnishing and equipping of a Multi-Purpose Facility for the benefit of Independent School District No. 6, Noble County (i.e. the Morrison Public School District (the "District")), the funding of a debt service reserve fund, the payment of capitalized interest on the bonds and the payment of the cost of issuance of the bonds.

In order to enable the Authority to perform the public functions of the beneficiary thereof, the Authority has entered into a Ground Lease with the District to lease the land upon which the improvements are to be constructed to the Authority for so long as there are obligations outstanding which are secured by the Ground Lease Agreement. The Authority will issue revenue bonds and apply the proceeds to construct, furnish and equip the required facilities, and acquire certain equipment and personal property for the District. The facilities will then be leased by the Authority to the District pursuant to a Sublease Agreement for a period of one year, provided that the District has the option to renew for successive one-year periods, or until such time as the indebtedness is retired. The lease rental payments derived from the Sublease Agreement will be pledged to make debt service payments on the Authority's lease revenue bonds. Such payments are subject to annual appropriation by the District. Once the revenue bonds are paid, both the Ground Lease Agreement and the Sublease Agreement between the District and the Authority will expire and the ownership of the land and improvements will vest to the School District.

The bonds do not constitute obligations of the State of Oklahoma or any political subdivision thereof, the Town of Morrison, the District, or personal obligations of the trustees of the Authority, but shall be a limited obligation of the Authority secured to the extent provided in the indenture by the assignment of the trust estate to the trustee. The Authority has no taxing power.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

1.B. BASIS OF PRESENTATION (continued)

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The Authority presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

IMPROVEMENT FUND: consists of the amounts required or permitted to be deposited therein pursuant to the Sublease and the proceeds of the initial bond issuance. Disbursements are for issuance costs and costs of the project.

DEBT SERVICE FUND: consists of the portion of the proceeds from the initial issuance representing accrued and capitalized interest and all payments made by the District pursuant to the Sublease. Disbursements are for interest and principal payments.

DEBT SERVICE RESERVE FUND: consists of the required reserve under the bond issue. Disbursements are to cure any deficiency in the Debt Service Fund.

REBATE FUND: consists of amounts deposited (if any) pursuant to an Arbitrage Rebate Agreement between the Trustee and the Authority. Disbursements (if any) would be to the U.S. Government.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

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 funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using 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, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this 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 within sixty days after year end. 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 accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. BUDGETS AND BUDGETARY ACCOUNTING

The Authority did not adopt a budget for any of its funds.

1.E. ASSETS, LIABILITIES, AND FUND EQUITY

CASH AND CASH EQUIVALENTS

1.E. ASSETS, LIABILITIES, AND FUND EQUITY (continued)

For the purpose of financial reporting, "cash and cash equivalents" include all cash on hand, demand deposits and highly liquid investments with an original maturity of three months or less when purchased.

Custodial Credit Risk Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's cash deposits are maintained by the trustee bank's trust department, and are covered by FDIC insurance. The investment (discussed below) is under an Investment Agreement (also discussed below) and is not covered by FDIC insurance.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The deposits and investments held at June 30, 2016, are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Cash Deposits	N/A	N/A	96,274.02	96,274.02
Investments				
Bayerische Landesbank	12	A3	261,525.67	261,525.67
Total Deposits and Investments			357,799.69	357,799.69

INVESTMENTS

In accordance with the bond indenture, all funds shall be invested in "Eligible Investments." Eligible Investments are defined in the bond indenture to include a wide array of investments including, but not limited to: direct obligations of the United States of America, Federal Housing Administration debentures, obligations of several government sponsored agencies, investments insured by the FDIC, commercial paper, state obligations, money market funds, repurchase agreements, and investment agreements with financial institutions which have been approved by the Morrison Educational Facilities Authority.

On September 7, 2006, the Trustee entered into an Investment Agreement with Hypo Public Finance Bank, a bank organized under the laws of the Republic of Ireland. The Trustee deposited with Hypo Public Finance Bank the $ 2,062,157.74 funds from the Improvement Fund under the Bond Indenture. Interest on the funds accrued on the daily outstanding balance at the applicable rate set forth in the Investment Agreement (4.45 %.) These funds were not secured by FDIC insurance, but this Investment Agreement was one of the "Eligible Investments" under the bond indenture. The Investment Agreement contained provisions which allowed the Trustee to withdraw all funds if the provider's long-term debt rating fell below specified levels. The Improvement Fund was utilized for the construction of the project. All funds had been withdrawn from Hypo Public Finance Bank during a previous year.

On September 7, 2006, the Trustee entered into an Investment Agreement with Bayerische Landesbank, acting through its New York branch. The Trustee deposited with Bayerische Landesbank, the $ 250,000.00 funds from the Reserve Fund under the Bond Indenture. Interest on the funds accrue on the daily

1.E. ASSETS, LIABILITIES, AND FUND EQUITY (continued)

outstanding balance at the applicable rate set forth in the Investment Agreement (4.61 %.) These funds are not secured by FDIC insurance, but this Investment Agreement is one of the "Eligible Investments" under the bond indenture. The Investment Agreement contains provisions which allow the Trustee to withdraw all funds if the provider's long-term debt rating falls below specified levels.

Restricted cash and investments at June 30, 2016, consist of the following:

Reserve Fund – Bayerische Landesbank	$ 261,525.67
Debt Service Fund – BancFirst	96,274.02
	$ 357,799.69

PROPERTY TAX REVENUES

The Authority is not authorized by state law to levy taxes.

INVENTORIES

The Authority had no inventory at June 30, 2016.

ACCRUED INVESTMENT INTEREST

Interest earned on investments but uncollected as of year end.

ACCRUED REVENUE RECEIVABLE

The school District makes rental payments under the sublease agreement according to the following schedule:

Date	Regular Payments	Irregular Payments	Total Rent Due
September 1, 2016	11,000.00	557,750.00	568,750.00
Totals	$ 11,000.00	557,750.00	568,750.00

ACCRUED INTEREST PAYABLE

Interest accrued on the bond indenture discussed in Note 5.

1.E. ASSETS, LIABILITIES, AND FUND EQUITY (continued)

EQUITY CLASSIFICATION

Government-Wide Statements

Equity is classified as net position and displayed in three components:

a. Invested in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings.
b. Restricted net position – consists of net position with constraints on the use either by (1) external groups or (2) law through constitutional provisions or enabling legislations.
c. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "invested in capital assets."

Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Authority to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Authority can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

1.E. ASSETS, LIABILITIES, AND FUND EQUITY (continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Trustees or an Authority official delegated that authority by charter or ordinance.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

1.F. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

The Authority's cash deposits at June 30, 2016, are maintained by the trustee bank's trust department, and are covered by FDIC insurance. The investment is under a guaranteed Investment Agreement (see Note 1.E.) and is not covered by FDIC insurance.

NOTE 3. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2016.

NOTE 4. LEASE RECEIVABLE

Lease receivable represents bond proceeds advanced to the Morrison Public School District in accordance with the project loan agreements to construct the project. Total proceeds advanced as of June 30, 2016, are as follows:

	Multipurpose Building Project
Beginning balance	$ 488,811.37
Current year advances	-
Current year repayment	-
Ending balance	$ 488,811.37

NOTE 5. GENERAL LONG-TERM DEBT

On September 1, 2006, the Authority and BancFirst, Oklahoma City, Oklahoma (the "Trustee") approved a bond trust indenture providing for issuance of Educational Facilities Lease Revenue Bonds (Morrison Public Schools Project) Series 2006, in the aggregate principal amount of $ 2,500,000.00. The bonds were issued to provide a portion of the funds required for the construction, furnishing and equipping of a Multi-Purpose Facility for the benefit of Independent School District No. 6, Noble County (i.e. the Morrison Public School District (the "District")), the funding of a debt service reserve fund, the payment of capitalized interest on the bonds and the payment of the cost of issuance of the bonds.

The property upon which the Project is to be located, together with the improvements thereon, will be leased by the District to the Authority pursuant to the Ground Lease Agreement. The premises will be subleased by the Authority to the District pursuant to the Sublease Agreement. The Bonds are secured by an assignment by the Authority to the Trustee of the Trust Estate, which is defined in the trust indenture as all right, title and interest of the Authority in and to the Ground Lease Agreement and the Sublease Agreement, the revenues, and the funds and all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered or hypothecated as and for additional security under the Indenture by the Authority or by anyone on its behalf or with its written consent in favor of the Trustee.

The bonds do not constitute obligations of the State of Oklahoma or any political subdivision thereof, of the District, or personal obligations of the trustees of the Authority, but shall be a limited obligation of the Authority secured to the extent provided in the indenture by the assignment of the trust estate to the trustee. The Authority has no taxing power.

Principal of the bonds is payable on September 1 in the years as outlined below. Interest is payable on March 1, and September 1, of each year beginning March 1, 2007. The bonds carry an interest rate of 4.75 %.

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2016.

NOTE 5. GENERAL LONG-TERM DEBT (continued)

Type of Debt	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year
Business-Type Activities:					
Lease Revenue Bonds	920,000.00	-	-	920,000.00	920,000.00
Total Business-Type Activities	920,000.00	-	-	920,000.00	920,000.00

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements for retirements of bond principal and payment of interest are as follows:

Year Ended	Educational Facilities Lease Revenue Bonds 2006 Series		
June 30,	Principal	Interest	Total
2017	920,000	43,700	963,700
Total	920,000	43,700	963,700

NOTE 7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 17, 2016, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

Bruce G. Luttrell, CPA, PC
Certified Public Accountant

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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*

To the Board of Trustees
Morrison Educational Facilities Authority
Morrison, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Morrison Educational Facilities Authority, a component unit of the Town of Morrison, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Morrison Educational Facilities Authority's basic financial statements and have issued our report thereon dated October 17, 2016. Our report included an explanatory paragraph that stated management had not presented the Management's Discussion and Analysis or the budgetary comparison information to supplement the financial statements.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, we considered the Morrison Educational Facilities Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Morrison Educational Facilities Authority's, internal control. Accordingly, we do not express an opinion on the effectiveness of the Morrison Educational Facilities Authority'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. However, material weaknesses may exist that have not been identified.

Member of the American Institute of Certified Public Accountants and the Oklahoma Society of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Morrison Educational Facilities Authority'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 instances of noncompliance or other matters that are 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.

Bruce Luttrell, CPA, PC

Bruce G. Luttrell, CPA, PC

October 17, 2016

MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA

COMBINING SCHEDULE OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	Enterprise Fund					
	Debt Service Fund	Improvement Fund	Debt Service Reserve Fund	Rebate Fund	Main Account	Total
ASSETS						
Current assets:						
Cash	$ -	$ -	$ -	$ -	$ -	$ -
Restricted cash & investments (Note 1.E.)	96,274.02	-	261,525.67	-	-	357,799.69
Accrued investment interest			4,001.74			4,001.74
Accrued revenue receivable: Morrison Public Schools (Note 1.E.)	14,606.58					14,606.58
Total current assets	110,880.60	-	265,527.41	-	-	376,408.01
Noncurrent assets:						
Lease receivable: Morrison Public Schools (Note 4)		488,811.37				488,811.37
Total noncurretn assets	-	488,811.37	-	-	-	488,811.37
Total Assets	$ 110,880.60	$ 488,811.37	$ 265,527.41	$ -	$ -	$ 865,219.38
LIABILITIES						
Current liabilities:						
Accrued interest payable (Note 1.E.)	$ 14,606.58	$ -	$ -	$ -	$ -	$ 14,606.58
Current portion of long-term debt						-
Total current liabilities	14,606.58	-	-	-	-	14,606.58
Noncurrent liabilities:						
Bonds payable (Note 5)					920,000.00	920,000.00
Less: current portion						-
Total noncurrent liabilities	-	-	-	-	920,000.00	920,000.00
Total liabilities	14,606.58	-	-	-	920,000.00	934,606.58
NET POSITION						
Restricted for debt service	96,274.02	488,811.37	265,527.41		(920,000.00)	(69,387.20)
Unrestricted	-	-	-	-	-	-
Total net position	$ 96,274.02	$ 488,811.37	$ 265,527.41	$ -	$ (920,000.00)	$ (69,387.20)

The accompanying notes to the financial statements are an integral part of this statement

MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund					
	Debt Service Fund	Improvement Fund	Debt Service Reserve Fund	Rebate Fund	Main Account	Total
Operating revenues:						
Morrison Public Schools remittance	$ 22,239.46	$ -	$ -	$ -	$ -	$ 22,239.46
Administrative fee						-
Total operating revenues	22,239.46	-	-	-	-	22,239.46
Operating expenses:						
Operating expenses	3,920.00					3,920.00
Miscellaneous						-
Total operating expenses	3,920.00	-	-	-	-	3,920.00
Net operating income	18,319.46	-	-	-	-	18,319.46
Nonoperating revenue (expense)						
Interest income	13.11	-	11,525.67			11,538.78
Interest expense	(43,939.46)					(43,939.46)
Total nonoperating revenue (expense)	(43,926.35)	-	11,525.67	-	-	(32,400.68)
Net income before transfers						
Operating transfers	(25,606.89)	-	11,525.67	-	-	(14,081.22)
Operating transfers	-	-	-		-	-
Change in net position	(25,606.89)	-	11,525.67	-	-	(14,081.22)
Net position beginning of year	121,880.91	488,811.37	254,001.74	-	(920,000.00)	(55,305.98)
Net position end of year	$ 96,274.02	$ 488,811.37	$ 265,527.41	$ -	$ (920,000.00)	$ (69,387.20)

The accompanying notes to the financial statements are an integral part of this statement.