

# **TOWN OF MORRISON**

**Morrison, Oklahoma**

## **FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2013**

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# TOWN OF MORRISON MORRISON, OKLAHOMA

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Morrison, Oklahoma

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Morrison, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Basis for Adverse Opinion on Business-Type Activities

Management has not included the Morrison Educational Facilities Authority in the Town of Morrison, Oklahoma's, financial statements. Accounting principles generally accepted in the United States of America require the Morrison Educational Facilities Authority to be presented as a major enterprise fund and financial information about the Morrison Educational Facilities Authority to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

Also, management has not recorded fixed assets at historical cost in the proprietary fund and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those fixed assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the business-type activities. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities has not been determined.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on Business-Type Activities” paragraph, the financial statements referred to previously do not present fairly the financial position of the business-type activities of the Town of Morrison, Oklahoma, as of June 30, 2013, or the changes in financial position and, where applicable, cash flows thereof for the year then ended.

### **Unmodified Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Morrison, Oklahoma, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, on pages 34 and 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management’s Discussion and Analysis 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. My opinion of the basic financial statements is not affected by this missing information.

#### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Morrison, Oklahoma’s basic financial statements. The individual nonmajor fund financial statements, on pages 44 and 45, and the individual nonmajor fund budgetary comparison schedules, on pages 46 and 47, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual nonmajor fund financial statements, and the individual nonmajor fund budgetary comparison schedules, 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 my opinion, the individual nonmajor fund financial statements, and the individual nonmajor fund budgetary comparison schedules, 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*, I have also issued my report dated September 9, 2013, on my consideration of the Town of Morrison, Oklahoma's, internal control over financial reporting and on my 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 my 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 Town of Morrison, Oklahoma's, internal control over financial reporting and compliance.



Bruce Luttrell, CPA, PC

September 9, 2013

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF MORRISON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2013**

**Statement 1**

	Government Activities	Business-Type Activities	Totals
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 62,005.35	\$ 126,563.33	\$ 188,568.68
Restricted cash and cash equivalents	50,881.02	57,342.91	108,223.93
Restricted investments		21,000.00	21,000.00
Accounts receivable	39,493.28	24,146.25	63,639.53
Total current assets	<u>152,379.65</u>	<u>229,052.49</u>	<u>381,432.14</u>
<b>Noncurrent assets</b>			
Debt issue costs (net of amortization)		22,927.00	22,927.00
<b>Capital assets:</b>			
Equipment	170,094.00	24,690.00	194,784.00
Land and improvements	15,722.36	93,185.00	108,907.36
Infrastructure	285,621.48	2,637,781.34	2,923,402.82
Less accumulated depreciation	(123,459.76)	(655,052.69)	(778,512.45)
Total noncurrent assets	<u>347,978.08</u>	<u>2,123,530.65</u>	<u>2,471,508.73</u>
Total assets	<u>500,357.73</u>	<u>2,352,583.14</u>	<u>2,852,940.87</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	7,140.17	2,123.70	9,263.87
Accrued interest payable		622.70	622.70
Accrued compensated absences	1,670.40	1,721.25	3,391.65
Notes payable - current portion		15,461.82	15,461.82
Total current liabilities	<u>8,810.57</u>	<u>19,929.47</u>	<u>28,740.04</u>
<b>Noncurrent liabilities</b>			
Accrued compensated absences	876.96	297.00	1,173.96
Refundable deposits		43,283.38	43,283.38
Notes payable		1,099,483.36	1,099,483.36
Less: current portion		(15,461.82)	(15,461.82)
Total noncurrent liabilities	<u>876.96</u>	<u>1,127,601.92</u>	<u>1,128,478.88</u>
Total liabilities	<u>9,687.53</u>	<u>1,147,531.39</u>	<u>1,157,218.92</u>
<b>Net assets (Note 1.D.)</b>			
Invested in capital assets, net of related debt	366,949.08	1,001,120.29	1,368,069.37
Restricted	45,127.72	35,059.53	80,187.25
Committed	7,665.83		7,665.83
Assigned	4,762.06		4,762.06
Unassigned	66,165.51	168,871.93	235,037.44
Total net assets	<u>\$ 490,670.20</u>	<u>\$ 1,205,051.75</u>	<u>\$ 1,695,721.95</u>

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

**TOWN OF MORRISON  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2013**

Statement 2

Functions/programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Primary Government		
					Governmental Activities	Business-type Activities	Totals
<b>Governmental activities</b>							
General Government	\$ 71,859.50	\$ -	\$ -	\$ -	\$ (71,859.50)	\$ -	\$ (71,859.50)
Public Safety	47,706.95	24,641.72	500.00	-	(22,565.23)	-	(22,565.23)
Streets	9,035.94	-	-	-	(9,035.94)	-	(9,035.94)
Culture and recreation	57,702.21	6,816.23	-	-	(50,885.98)	-	(50,885.98)
Total government activities	186,304.60	31,457.95	500.00	-	(154,346.65)	-	(154,346.65)
<b>Business-type activities</b>							
Water	214,790.79	286,365.17	-	-	-	71,574.38	71,574.38
Wastewater	16,166.00	37,590.56	-	-	-	21,424.56	21,424.56
Sanitation	51,618.34	73,159.01	-	-	-	21,540.67	21,540.67
Administrative and general	133,318.75	-	-	-	-	(133,318.75)	(133,318.75)
Total business-type activities	415,893.88	397,114.74	-	-	-	(18,779.14)	(18,779.14)
Totals	\$ 602,198.48	\$ 428,572.69	\$ 500.00	\$ -	(154,346.65)	(18,779.14)	(173,125.79)
<b>General revenues</b>							
Sales tax					212,834.63	-	212,834.63
Use tax					16,987.87	-	16,987.87
Cigarette tax					2,537.06	-	2,537.06
Intergovernmental revenue not restricted to specific programs					8,923.28	-	8,923.28
Intergovernmental revenue restricted for streets & alleys					6,529.02	-	6,529.02
Franchise fees					19,221.28	-	19,221.28
Miscellaneous					21,908.71	66.22	21,974.93
Interest expense					-	(22,967.40)	(22,967.40)
Investment earnings					388.20	207.56	595.76
Transfers: In					-	104,013.68	104,013.68
Transfers: Out					(104,468.78)	-	(104,468.78)
Total general revenues and transfers					184,861.27	81,320.06	266,181.33
Change in net assets					30,514.62	62,540.92	93,055.54
Net assets, beginning of year					460,155.58	1,142,510.83	1,602,666.41
Net assets, end of year					\$ 490,670.20	\$ 1,205,051.75	\$ 1,695,721.95

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

## **FUND FINANCIAL STATEMENTS**

**TOWN OF MORRISON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

**Statement 3**

	General Fund	First Responders Fund	Fire Association Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 62,005.35	\$ -	\$ -	\$ -	\$ 62,005.35
Restricted cash and cash equivalents		6,306.22	36,555.14	8,019.66	50,881.02
Receivables from other governments	37,580.75	1,359.61		552.92	39,493.28
Receivables from other funds					-
Total assets	\$ 99,586.10	\$ 7,665.83	\$ 36,555.14	\$ 8,572.58	\$ 152,379.65
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 7,140.17	\$ -	\$ -	\$ -	\$ 7,140.17
Interest payable					-
G.O. Bonds payable - current portion					-
Total current liabilities	7,140.17	-	-	-	7,140.17
Noncurrent liabilities:					
Payable to other funds					-
G.O. Bonds payable					-
Less: current portion					-
Total noncurrent liabilities	-	-	-	-	-
Total liabilities	7,140.17	-	-	-	7,140.17
<b>Fund Balance (Note 1. D.)</b>					
Restricted			36,555.14	8,572.58	45,127.72
Committed		7,665.83			7,665.83
Assigned	4,762.06				4,762.06
Unassigned	87,683.87				87,683.87
Total fund balances	92,445.93	7,665.83	36,555.14	8,572.58	145,239.48
Total liabilities and fund balances	\$ 99,586.10	\$ 7,665.83	\$ 36,555.14	\$ 8,572.58	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 471,437.84.

The accumulated depreciation is \$ 123,459.76.

Net effect for reconciliation

347,978.08

Other long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.

Accrued compensated absences

(2,547.36)

Net assets of governmental activities

\$ 490,670.20

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

**TOWN OF MORRISON  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

**Statement 4**

	General Fund	First Responder Fund	Fire Association Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Sales tax	\$ 212,834.63	\$ -	\$ -	\$ -	\$ 212,834.63
Use tax	16,987.87				16,987.87
Cigarette tax	2,537.06				2,537.06
Intergovernmental	8,923.28			6,529.02	15,452.30
Franchise fees	19,221.28				19,221.28
Grants	-	500.00			500.00
Charges for services	6,816.23	21,182.72	3,459.00		31,457.95
Miscellaneous	14,298.16	7,610.55			21,908.71
Investment income	83.77	81.88	222.55		388.20
Total revenues	<u>281,702.28</u>	<u>29,375.15</u>	<u>3,681.55</u>	<u>6,529.02</u>	<u>321,288.00</u>
<b>Expenditures:</b>					
General government:					
General government	69,948.30				69,948.30
Public safety:					
Fire		34,925.82			34,925.82
First responders		5,536.13			5,536.13
Streets:					
Streets				3,481.94	3,481.94
Culture and recreation:					
Parks and recreation	38,618.32				38,618.32
Swimming pool	12,911.89				12,911.89
Wastewater					
Total expenditures paid	<u>121,478.51</u>	<u>40,461.95</u>	<u>-</u>	<u>3,481.94</u>	<u>165,422.40</u>
Excess of revenues collected over (under) expenditures	<u>160,223.77</u>	<u>(11,086.80)</u>	<u>3,681.55</u>	<u>3,047.08</u>	<u>155,865.60</u>
Other financing sources (uses)					
Operating transfers in				-	-
Operating transfer out	(104,468.78)			-	(104,468.78)
Total other financing sources (uses)	<u>(104,468.78)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,468.78)</u>
Excess (deficiency) of revenues and other resources over expenditures and other uses:	55,754.99	(11,086.80)	3,681.55	3,047.08	51,396.82
Fund balances, beginning of year	<u>36,690.94</u>	<u>18,752.63</u>	<u>32,873.59</u>	<u>5,525.50</u>	<u>93,842.66</u>
Fund balances, end of year	<u>\$ 92,445.93</u>	<u>\$ 7,665.83</u>	<u>\$ 36,555.14</u>	<u>\$ 8,572.58</u>	<u>\$ 145,239.48</u>

(Continued)

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

**TOWN OF MORRISON  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

Statement 4 (cont.)

Reconciliation of the change in fund balances: total governmental funds to the change in net assets of governmental activities:

Net change in fund balances: total governmental funds	51,396.82
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	-
Depreciation	(18,971.00)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued compensated absences	(1,911.20)
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Change in net assets of governmental activities	\$ 30,514.62
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The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF MORRISON  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2013**

**Statement 5**

	<u>Public Works Authority Enterprise Fund</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 126,563.33
Restricted investments	21,000.00
Restricted cash and cash equivalents	57,342.91
Accounts receivable	24,146.25
Total current assets	<u>229,052.49</u>
Noncurrent assets	
Debt issue costs (net of amortization)	22,927.00
Capital assets:	
Equipment	24,690.00
Land and improvements	93,185.00
Infrastructure	2,637,781.34
Less accumulated depreciation	(655,052.69)
Total noncurrent assets	<u>2,123,530.65</u>
 Total assets	 <u>2,352,583.14</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	2,123.70
Accrued interest payable	622.70
Accrued compensated absences	1,721.25
Notes payable - current portion	15,461.82
Total current liabilities	<u>19,929.47</u>
Noncurrent liabilities	
Refundable deposits	43,283.38
Accrued compensated absences	297.00
Notes payable	1,099,483.36
Less: current portion	(15,461.82)
Total noncurrent liabilities	<u>1,127,601.92</u>
 Total liabilities	 <u>1,147,531.39</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	1,001,120.29
Restricted for debt service	35,059.53
Unassigned	168,871.93
 Total net assets	 <u>\$ 1,205,051.75</u>

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

**TOWN OF MORRISON  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013**

**Statement 6**

	Public Works Authority Enterprise Fund
<b>Operating revenue</b>	
Charges for services:	
Water	\$ 286,365.17
Sewer	37,590.56
Sanitation	73,159.01
Total operating revenue	397,114.74
Operating expenses:	
Water and wastewater	193,451.79
Sanitation	51,618.34
Administration and general	132,128.75
Depreciation	38,695.00
Total operating expenses	415,893.88
Net operating income (loss)	(18,779.14)
Nonoperating revenue (expense)	
Investment income	207.56
Interest expense	(22,967.40)
Grant income	-
Other income	66.22
Total nonoperating revenue (expense)	(22,693.62)
Net income (loss) before transfers	(41,472.76)
Operating transfers: In	104,013.68
Operating transfers: Out	-
Net income	62,540.92
Net assets beginning of year	1,142,510.83
Net asset end of year	\$ 1,205,051.75

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

**TOWN OF MORRISON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013**

**Statement 7**

	Public Works Authority
	Enterprise Fund
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 404,559.60
Payments to suppliers	(299,855.19)
Payments to employees	(75,264.50)
Receipts of customer utility deposits	9,350.00
Refunds of customer utility deposits	(6,261.00)
Net cash provided (used) by operating activities	32,528.91
<b>Cash flows from noncapital financing activities</b>	
Transfers from other funds	104,013.68
Transfers to other funds	-
Grant income	-
Other income	66.22
Net cash provided (used) by noncapital financing activities	104,079.90
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(969,627.59)
Issue new capital debt	990,400.00
Debt issue costs	(8,818.00)
Principal paid on capital debt	(24,616.64)
Interest paid on capital debt	(22,967.40)
Net cash provided (used) by capital and related financing activities	(35,629.63)
<b>Cash flows from investing activities</b>	
Interest income	207.56
Net increase (decrease) in cash and cash equivalents	101,186.74
Cash balance beginning of year	103,719.50
Cash balance end of year	\$ 204,906.24
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ (18,779.14)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	38,695.00
Change in assets and liabilities:	
Accounts receivable	7,444.86
Refundable deposits	3,089.00
Accounts payable	605.53
Accrued interest payable	532.04
Accrued compensated absences	941.62
Net cash provided by operating activities	\$ 32,528.91

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town complies with generally accepted accounting principles (GAAP.) GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1.A. FINANCIAL REPORTING ENTITY**

In evaluating how to define the reporting entity, 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), GASB Statement No. 14, *The Financial Reporting Entity*. 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 Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town 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 Town is able to exercise oversight responsibilities.

Based upon the application of these criteria, the Town's financial reporting entity is composed of the following:

Primary Government:	Town of Morrison
Blended Component Unit:	Morrison Public Works Authority
Omitted Component Unit:	Morrison Educational Facilities Authority

**BLENDED COMPONENT UNIT**

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council, or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

TOWN OF MORRSION  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**1.A. FINANCIAL REPORTING ENTITY (continued)**

<u>Component Unit</u>	<u>Brief Description / Inclusion Criteria</u>	<u>Fund Included In</u>
Public Works Authority (PPWA)	Created September 15, 1969, to finance, develop, and operate the water, sewer and solid waste activities of the Town. The current Town Council serves as entire governing body (trustees). The Town of Morrison is the beneficiary of the trust.	PWA Enterprise Fund

OMITTED COMPONENT UNIT

Based upon the application of these criteria, the Morrison Educational Facilities Authority is considered a component unit of the Town of Morrison. However, management has not included the Morrison Educational Facilities Authority in the Town of Morrison, Oklahoma's, financial statements. Accounting principals generally accepted in the United States of America require the Morrison Educational Facilities Authority to be presented as a major enterprise fund and financial information about the Morrison Educational Facilities Authority to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable.

DISCRETELY PRESENTED COMPONENT UNIT

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The Town of Morrison does not have any discretely presented component units.

The Morrison Public Works Authority does not issue separately audited component unit financial statements. The Morrison Educational Facilities Authority does issue separately audited component unit financial statements.

**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.

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,

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**1.B. BASIS OF PRESENTATION (continued)**

and fiduciary. The Town 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 Town 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:

**Governmental Funds**

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds, which are reported as major funds:

<u>Fund</u>	<u>Brief Description</u>
First Responders Fund	Accounts for the proceeds of the monthly fees charged for emergency fire and medical services.
Fire Association Fund	Accounts for the proceeds of the fees charged by the volunteer fire department.

The reporting entity includes the following special revenue fund, which is reported as a nonmajor fund:

Street & Alley Fund	Accounts for gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements.
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TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**1.B. BASIS OF PRESENTATION (continued)**

Capital Project Funds

Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project funds that are reported as nonmajor funds:

Grant Fund	Accounts for contributions and specific revenues and transfers from other Town funds and expenditures for various capital projects.
Park Fund	Accounts for contributions and specific revenues and transfers from other Town funds and expenditures for various park projects.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
Public Works Authority	Accounts for the activities of the public trust in providing water, sewer, and solid waste services to the public.

**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.

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.

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

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

- b. The proprietary fund utilizes 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.

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. ASSETS, LIABILITIES, AND EQUITY**

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, “cash and cash equivalents” include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

INVESTMENTS

Investments classified in the financial statements, consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Uncollectible accounts receivable, based upon historical trends, are very minimal and thus immaterial to the financial statements. Thus, no allowance for uncollectible accounts receivable has been recorded. Major receivable balances for the governmental activities include sales tax, franchise taxes, alcoholic beverage tax, and motor vehicle taxes. Business-type activities report utilities and interest earnings as their major receivables.

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**1.D. ASSETS, LIABILITIES, AND EQUITY (continued)**

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Uncollectible accounts receivable, based upon historical trends, are very minimal and thus immaterial to the financial statements. Thus, no allowance for uncollectible accounts receivable has been recorded.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.H. for details of interfund transactions, including receivables and payables at year-end.

INVENTORIES

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the Town has therefore chosen to report these items as expenditures at the time of purchase.

CAPITAL ASSETS

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

**Government-Wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. And, under GASB No. 34, small towns are not required to retroactively report infrastructure assets, and the Town of Morrison has elected not to retroactively report. Infrastructure assets in governmental funds acquired since July 1, 2003, are recorded at cost.

Detail fixed asset records at historical cost have not been maintained of such assets which are still in service for the proprietary fund (Morrison Public Works Authority). The accrual basis of accounting requires that these assets be capitalized, and the related depreciation be recorded, which would increase the assets and expenses of the activities.

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**1.D. ASSETS, LIABILITIES, AND EQUITY (continued)**

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$ 500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Machinery, furniture, and equipment	5-10
Vehicles	5
Utility property and improvements	20-40
Infrastructure	40

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

**RESTRICTED ASSETS**

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets of the proprietary fund are related to the promissory note trustee accounts and the utility meter deposits. The primary restricted assets of the governmental funds are the motor vehicle tax and gasoline excise tax, related to the Street and Alley Fund, and the bank account related to the First Responders Fund.

**LONG-TERM DEBT**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**COMPENSATED ABSENCES**

Full time employees of the Town, and the Authority, are eligible for vacation leave after 12 months continuous service as follows: 1 year service - 6 days, 2-9 years service - 12 days, and over 9 years service - 18 days. Vacation leave is vested and paid upon separation. Full time employees of the Town, and the

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**1.D. ASSETS, LIABILITIES, AND EQUITY (continued)**

Authority, are eligible for sick leave after 12 months continuous service as follows: ½ day per month, up to a maximum of 30 days. Sick leave is not vested, thus lost upon separation.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

EQUITY CLASSIFICATION

As of June 30, 2011, the Town adopted Governmental Accounting Standards Board (GASB) Stmt. No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, as follows:

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications 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 externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Town ordinances).

Enabling legislation authorizes the Town 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 Town 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.

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**1.D. ASSETS, LIABILITIES, AND EQUITY (continued)**

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 Town Council. Those committed amounts cannot be used for any other purpose unless the Town Council 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 Town Council, 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.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Town 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 Town Council or a Town official delegated that authority by Town 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 Town 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.

Fund balances at June 30, 2013, for the governmental funds are as follows:

	Special Revenue Funds				Total
	General Fund	First Responders Fund	Fire Association Fund	Street & Alley Fund	
Fund balances:					
Restricted for:					
Highways				8,572.58	8,572.58
Fire services			36,555.14		36,555.14
Total Restricted			36,555.14	8,572.58	45,127.72
Committed to:					
Emergency fire & medical services		7,665.83			7,665.83
Assigned to:					
Wastewater projects	4,762.06				4,762.06
Unassigned	433,114.59				433,114.59
<b>Total Fund Balances</b>	<b>437,876.65</b>	<b>7,665.83</b>	<b>36,555.14</b>	<b>8,572.58</b>	<b>490,670.20</b>

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**1.E. REVENUES, EXPENDITURES, AND EXPENSES**

SALES TAX

The Town presently levies a four cent sales tax on taxable sales within the Town. (The rate was three cents prior to January 1, 2008.) The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax collected by the State in June and received by the Town in July has been accrued and is included under the caption "Receivable from other governments."

In accordance with a sales tax agreement between the Town and the Morrison Public Works Authority, dated June 22, 2012, the Town agreed to pledge 2 % of the sales tax, allocated to the General Fund, to secure the payment of a \$ 1,139,800 promissory note to Rural Development to finance improvements to the water system. The sales tax is to be deposited in a special account established in the General Fund of the Town. The Town agrees to appropriate that money each year, to be paid over as received for immediate deposit in a bank designated by the Authority, in an account to be established entitled the Morrison Public Works Authority Sales Tax Account. The Authority has pledged the sales tax revenue to the U.S. government for the purpose of paying debt service under the loan. In the event there is sufficient money in the Sales Tax Account on or before the last day of each month as required by the loan agreement and there is no Event of Default as defined in the loan agreement, then any remaining sales tax revenue in the Sales Tax Account shall be transferred back to the special account established in the General Fund of the Town and shall be available for any lawful purpose.

USE TAX

The Town levies a four cent use tax on personal property purchased outside the city limits but stored, used, or consumed within the Town. (The rate was three cents prior to January 1, 2008.) The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use tax is allocated entirely to the General Fund. Use tax collected by the State in June and received by the Town in July has been accrued and is included under the caption "Receivable from other governments."

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

Public Safety	Fire protection, First Responder fees, operating grants include a State Department of Agriculture grant
Culture and Recreation	Rental income, recreation fees, pool revenue, specific donations, and capital grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose, except for the commercial vehicle tax and the gasoline excise tax, both of which are restricted for street and alley purposes.

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**1.E. REVENUES, EXPENDITURES, AND EXPENSES (continued)**

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

**1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditure/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances – Resource flows between the primary government (the Town and Public Works Authority) and the discretely-presented component unit (if any) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**1.G. USE OF ESTIMATES**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS**

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. As reflected in Note 3.A., all the Town's deposits were fully insured or collateralized at June 30, 2013.

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS**

**3.A. DEPOSITS AND INVESTMENTS**

*Custodial Credit Risk*

At June 30, 2013, the Town held deposits of \$ 317,792.61 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit and savings accounts, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

*Investment Interest Rate Risk*

The Town 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.

*Investment Credit Risk*

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**3.A. DEPOSITS AND INVESTMENTS (continued)**

- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. 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.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a,b,c, and d.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2013, the Town and the Public Works Authority complied, in all material respects, with these investment restrictions.

The deposits and investments held at June 30, 2013, are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Cash Deposits	N/A	N/A	296,792.61	296,792.61
Investments				
Certificate of Deposit	12	N/A	<u>21,000.00</u>	<u>21,000.00</u>
Total Deposits and Investments			<u><u>317,792.61</u></u>	<u><u>317,792.61</u></u>

Reconciliation to Statement of Net Assets

Governmental Activities	\$ 112,886.37
Business-Type Activities	<u>204,906.24</u>
	<u><u>\$ 317,792.61</u></u>

**3.B. RESTRICTED ASSETS**

The amounts reported as restricted assets are composed of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$ 43,283.38; amounts held in the Rural Development construction account of \$ 11,454.61; amounts held in the Rural Development reserve accounts discussed in the following paragraph; amounts held by the Town in the Street & Alley Fund of \$ 8,019.66; amounts held in the First Responder Fund of \$ 6,306.22; and amounts held in the Fire Association Fund of \$ 36,555.14.

Under the terms of the Rural Development loan, the Authority maintains a reserve account for the purposes of repairing or replacing any damage caused by any unforeseen catastrophe, making extensions or improvements to the system, or when required, for making debt service. The Reserve Account for the new loan will be \$ 47,052 when fully funded, and will be funded at \$ 392.10 per month. The balance in this reserve account at June 30, 2013, and 2012, was \$ 17,933.84 and \$ 13,193.54, respectively. The new loan also requires a Short Lived Assets Reserve, to be funded at \$ 472.25 per month. At June 30, 2013, this reserve had a balance of \$ 5,671.08.

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**3.C. RESTRICTED REVENUES**

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

Revenue Source	Legal Restrictions of Use
Sales Tax	Retire OWRB debt
Gasoline Excise & Commercial Vehicle Tax	Street & Alley purposes
Water, Sewer, and Trash revenue	Debt service and utility operations
Grant proceeds	Grant expenditures

Beginning with the effective date of the water purchase contract with the Lone Chimney Water Association, Lone Chimney shall have a first lien upon that part of the Authority's water revenue necessary to pay Lone Chimney under that contract.

**3.D. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of sales tax (38.2 %), use tax (4.4 %), tobacco tax (0.5 %), franchise tax (43.7 %), alcoholic beverage tax (1.7 %), and other (11.5 %). Receivables detail at June 30, 2013, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 39,493.28	24,146.25	63,639.53

**3.E. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at July 1, 2012	Additions	Deductions	Balance at June 30, 2013
<i>Governmental activities:</i>				
Other capital assets:				
Machinery, furniture and equipment	170,094.00			170,094.00
Land and buildings	15,722.36			15,722.36
Infrastructure	285,621.48			285,621.48
Total other capital assets at historical cost	471,437.84			471,437.84
Less accumulated depreciation for:				
Machinery, furniture and equipment	88,763.42	13,351.00		102,114.42
Land and buildings	4,428.89	629.00		5,057.89
Infrastructure	11,296.45	4,991.00		16,287.45
Total accumulated depreciation	104,488.76	18,971.00		123,459.76
Other capital assets, net	366,949.08	<18,971.00>		347,978.08
Government activities capital assets, net	366,949.08	<18,971.00>		347,978.08

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**3.E. CAPITAL ASSETS (continued)**

<i>Business-type activities:</i>	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2013</u>
Capital assets not being depreciated:				
Land	88,435.00			88,435.00
Total capital assets not being depreciated	<u>88,435.00</u>			<u>88,435.00</u>
Other capital assets:				
Machinery, furniture and equipment	11,890.00			11,890.00
Vehicles	12,800.00			12,800.00
Utility property	<u>1,672,903.75</u>	<u>969,627.59</u>		<u>2,642,531.34</u>
Total other capital assets at historical cost	<u>1,697,593.75</u>	<u>969,627.59</u>		<u>2,667,221.34</u>
Less accumulated depreciation for:				
Machinery, furniture and equipment	7,190.00	700.00		7,890.00
Vehicles	10,644.00	750.00		11,394.00
Utility property	<u>598,523.69</u>	<u>37,245.00</u>		<u>635,768.69</u>
Total accumulated depreciation	<u>616,357.69</u>	<u>38,695.00</u>		<u>655,052.69</u>
Other capital assets, net	<u>1,081,236.06</u>	<u>930,932.59</u>		<u>2,012,168.65</u>
Business-type activities capital assets, net	<u><u>1,169,671.06</u></u>	<u><u>930,932.59</u></u>		<u><u>2,100,603.65</u></u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government:

    Governmental Activities:

Public Safety	\$ 7,245.00
Streets	5,554.00
Culture and Recreation	<u>6,172.00</u>
Total depreciation expense for governmental activities	<u>\$ 18,971.00</u>

    Business-Type Activities:

Water	\$ 21,339.00
Wastewater	16,166.00
Administrative and General	<u>1,190.00</u>
Total depreciation expense for business-type activities	<u>\$ 38,695.00</u>

**3.F. ACCOUNTS PAYABLE**

Payables in the General Fund and nonmajor governmental funds are composed entirely of payables to vendors. Payables of Utilities Enterprise Fund are also composed entirely of payables to vendors.

**3.G. LONG-TERM DEBT**

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

As of June 30, 2013, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**3.G. LONG-TERM DEBT (continued)**

Accrued Compensated Absences:

• Current Portion	\$ 1,670.40
• Noncurrent portion	<u>876.96</u>
Total Governmental activity debt	<u>\$ 2,547.36</u>

BUSINESS-TYPE ACTIVITIES

As of June 30, 2013, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Loan # 91-09; dated June 22, 2012, in the original amount of \$ 1,139,800. This loan is to be repaid over 40 years, at 2.75 % interest, with monthly principal and interest payments of \$ 3,921.00.	<u>\$ 1,099,483.36</u>
--	------------------------

As collateral for the above loan, Rural Development holds a first mortgage on the leasehold estate existing by virtue of the lease from the Town of Morrison to the Authority of all right, title and interest in and to the water system including revenues, real property, easements, leases, permits, and any other assets now owned or to be acquired by the Authority which pertains to the water system. The loan is payable from the gross income and revenue to be derived from the operation of the water system, a sufficient portion of which, to pay the principal and interest as and when the same shall become due, is assigned, and pledged, and shall be set aside for that purpose. The Town also pledged 2 cents of their sales tax, under a sales tax agreement, discussed in Note 1.E.

In connection with the above loan, the Authority maintains two reserve accounts. The balances in these accounts are discussed in Note 3.B.

In connection with the above loan, issue costs of \$ 23,515 were incurred. They will be amortized over the life of the loan (40 years.) At June 30, 2013, accumulated amortization of the issue costs was \$ 588.

Refundable Deposits:

- Refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility Deposits – Refundable	<u>\$ 43,283.38</u>
-------------------------------	---------------------

Accrued Compensated Absences:

• Current portion	\$ 1,721.25
• Noncurrent portion	<u>297.00</u>
	<u>\$ 2,018.25</u>

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**3.G. LONG-TERM DEBT (continued)**

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2013.

Type of Debt	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year
<b>Governmental Activities:</b>					
Accrued compensated absences	636.16	1,911.20		2,547.36	1,670.40
<b>Total Governmental Activities</b>	<b>636.16</b>	<b>1,911.20</b>		<b>2,547.36</b>	<b>1,670.40</b>
Type of Debt	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year
<b>Business-Type Activities:</b>					
Notes payable	133,700.00	990,400.00	24,616.64	1,099,483.36	15,461.82
Accrued compensated absences	1,518.17	500.08		2,018.25	1,721.25
Refundable deposits	40,194.38	9,350.00	6,261.00	43,283.38	43,283.38
<b>Total Business-Type Activities</b>	<b>175,412.55</b>	<b>1,000,250.08</b>	<b>30,877.64</b>	<b>1,144,784.99</b>	<b>60,466.45</b>

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of June 30, 2013, are as follows:

Year Ended June 30,	RD Note # 91-09	
	Principal	Interest
2014	15,462	31,590
2015	15,915	31,137
2016	16,381	30,671
2017	16,860	30,192
2018	17,354	29,698
2019-2023	94,699	140,561
2024-2028	109,402	125,858
2029-2033	126,388	108,872
2034-2038	146,011	89,249
2039-2043	168,681	66,579
2044-2048	194,870	40,390
2049-2053	177,460	10,748
<b>Total</b>	<b>1,099,483</b>	<b>735,545</b>

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**3.H. INTERFUND TRANSFERS AND BALANCES**

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2013, were as follows:

	Transfers In	Transfers Out
<b>MAJOR FUNDS</b>		
GENERAL FUND		
Public Works Authority		104,013.68
Total General Fund		104,013.68
ENTERPRISE FUND		
Public Works Authority		
General Fund	104,013.68	
GRAND TOTALS	104,013.68	104,013.68

The transfers reflected in the above schedule are used to move restricted resources collected by the General Fund to the funds authorized to spend the resources.

**NOTE 4: OTHER NOTES**

**4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

The Town of Morrison, as the employer, participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Eligibility Factors, Contribution Methods, and Benefit Provisions

	Firefighter's Pension and Retirement System
Obtaining separately issued financial Statements	Firefighters Pension and Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, Oklahoma 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a Participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)**

	Firefighter's Pension and Retirement System
City's contribution rate	\$ 60 per volunteer
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service, 2.5 % of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$ 6.69 per month per year of service, with a maximum of 30 years considered. If vested, same as full-time.
Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years.
Provision for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/05
Death (duty, nonduty, post retirement)	Yes
Disability (duty, nonduty)	Yes
Cost of living allowances	Yes

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

**Related-Party Investments**

As of June 30, 2013, the System held no related-party investments of the Town or of its component units.

**4.B. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**4.B. RISK MANAGEMENT (continued)**

The Town manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors, and omissions	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
b. Physical property loss and natural disasters	Purchased commercial insurance, with a deductible of \$ 1,000	Deductible amount
c. Workers compensation	Workers comp is insured through State Insurance Fund with no deductible.	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**Risk Entity Pools**

The Town participates in the Oklahoma Municipal Assurance Group Liability Protection Plan (risk entity pool.)

*(1) Liability Protection Plan*

The basic insurance agreements cover claims against municipalities for all government functions, utilities, and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating Town pays all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

**4.C. COMMITMENTS AND CONTINGENCIES**

**COMMITMENTS**

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**4.C. COMMITMENTS AND CONTINGENCIES (continued)**

FIRST RESPONDERS PROGRAM

The Town approved the establishment of emergency fire and medical services, including First Responders and Emergency Medical Technicians, effective in March, 1996. The service is to be funded through a monthly fee charged to each living unit serviced by a water meter. The \$ 2 fee began in May 1996, and was increased to \$ 3 on June 11, 2001. The revenue and expenses associated with this program have been recorded in the financial statements as a Special Revenue Fund titled First Responders.

WATER PURCHASE AGREEMENTS - INDIVIDUALS

The Town has two long-term lease agreements for the purchase of water from individuals. Effective May 22, 1969, the Town leased water rights from one individual for 2 cents per 1,000 gallons, based upon a minimum usage of \$100 per month. If the minimum was not met, the price was to be adjusted to result in a lease payment of at least \$ 100 per month. This lease runs for a period of 99 years. Effective January 9, 1968, the Town leased water rights from another individual for 2 cents per 1,000 gallons. This lease runs for a period of 99 years. The Town purchased its water from Lone Chimney Water Association, and Noble County Rural Water District No. 2, during the years ended June 30, 2013 and 2012. Thus, no payments were made under these two leases for the years ended June 30, 2013 and 2012.

WATER PURCHASE AGREEMENTS - OTHER

Effective April 1, 1991, the Authority signed a water purchase contract with the Lone Chimney Water Association to purchase 2.3 million gallons of water per month (currently) beginning not later than sixty days after completion of the water transmission lines by Lone Chimney to the Authority's facilities. The contract runs through December 2031, with optional renewal periods five years each. The current purchase price is \$ 2.85 per thousand for the first 2.3 million gallons, and \$ 2.95 per thousand thereafter. Lone Chimney shall have a first lien upon that part of the Authority's water revenue necessary to pay Lone Chimney under this contract. Beginning in July 1994, the Authority began purchasing water from Lone Chimney.

Effective June 7, 2010, the Authority signed a water purchase contract with Noble County Rural Water District No. 2. The contract runs for forty years, and is extended for successive like terms, until terminated by consent of both parties. The current purchase price is 10 percent above Noble County Rural Water District No. 2's cost.

WATER PLANT

During a prior year, with the connection of the Town's water-lines to the Lone Chimney water lines, the Town stopped treating raw water at the water plant. The water purchased during the year is already treated. Thus, the plant was idle at June 30, 2013 and 2012.

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2013

**4.C. COMMITMENTS AND CONTINGENCIES (continued)**

loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**Litigation**

The Town is a party to various legal proceedings that 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 3-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

**4.D. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 9, 2013, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF MORRISON  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

**UNAUDITED**

**Exhibit 1**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	11,412.00	11,412.00	6,126.02	(5,285.98)
<b>Resources (Inflows):</b>				
Alcohol beverage tax	8,000.00	8,000.00	8,923.28	923.28
Park and recreation	2,500.00	2,500.00	6,666.23	4,166.23
Franchise fees	22,000.00	22,000.00	19,221.28	(2,778.72)
Interest income	250.00	250.00	83.77	(166.23)
Miscellaneous	4,000.00	4,000.00	14,298.16	10,298.16
Building permits	80.00	80.00	150.00	70.00
Grants	-	-	-	-
Sales tax	120,000.00	183,000.00	212,834.63	29,834.63
Use tax	6,700.00	6,700.00	16,987.87	10,287.87
Cigarette tax	1,600.00	1,600.00	2,537.06	937.06
Transfers from other funds	25,000.00	25,000.00	-	(25,000.00)
Amounts available for appropriation	<u>201,542.00</u>	<u>264,542.00</u>	<u>287,828.30</u>	<u>23,286.30</u>
<b>Charges to Appropriations (Outflows):</b>				
<b>General Government:</b>				
Personal services	15,500.00	15,500.00	7,596.00	7,904.00
Maintenance and operations	34,629.00	34,629.00	32,972.06	1,656.94
Capital outlay	2,878.00	11,878.00	11,359.00	519.00
Funds Transfer	63,000.00	109,000.00	104,468.78	4,531.22
Total General Government	<u>116,007.00</u>	<u>171,007.00</u>	<u>156,395.84</u>	<u>14,611.16</u>
<b>City Clerk:</b>				
Personal services	<u>8,400.00</u>	<u>8,400.00</u>	<u>7,656.00</u>	<u>744.00</u>
<b>Managerial:</b>				
Personal services	<u>5,400.00</u>	<u>5,400.00</u>	<u>5,400.00</u>	<u>-</u>
<b>City Treasurer:</b>				
Personal services	<u>4,500.00</u>	<u>4,500.00</u>	<u>3,300.00</u>	<u>1,200.00</u>
<b>Parks and recreation:</b>				
Maintenance and operations	<u>28,958.00</u>	<u>36,958.00</u>	<u>38,618.32</u>	<u>(1,660.32)</u>
<b>Swimming pool:</b>				
Personal services	6,500.00	6,500.00	8,351.51	(1,851.51)
Maintenance and operations	24,000.00	24,000.00	4,560.38	19,439.62
	<u>30,500.00</u>	<u>30,500.00</u>	<u>12,911.89</u>	<u>17,588.11</u>
<b>Social security and medicare</b>				
Personal services	<u>2,500.00</u>	<u>2,500.00</u>	<u>1,400.30</u>	<u>1,099.70</u>

(Continued)

**TOWN OF MORRISON  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

**UNAUDITED**

**Exhibit 1**

	Budget Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
State unemployment:				
Personal services	\$ 1,195.00	\$ 1,195.00	\$ 264.94	\$ 930.06
Workmans compensation:				
Personal services	540.00	540.00	-	540.00
<b>Total Charges to Appropriations</b>	<b>198,000.00</b>	<b>261,000.00</b>	<b>225,947.29</b>	<b>\$ 35,052.71</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ 3,542.00</b>	<b>\$ 3,542.00</b>		
<b>Funds Transfers</b> (stated separately on the Statement of Revenues, Expenditures, and Changes in Fund Balance)			(104,468.78)	
<b>General Fund Expenditures</b> (Statement of Revenues, Expenditures, and Changes in Fund Balance)			<b>\$ 121,478.51</b>	

**TOWN OF MORRISON**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 2013**

Budget Law

The Town prepares its annual operating budget under the provisions of the Municipal Budget Act (the "New Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the Town Clerk submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the Town Council.
- d. The adopted budget is filed with the Office of State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All transfers of appropriations between departments and supplemental appropriations require Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the accrual basis of accounting.

## OTHER SUPPLEMENTARY INFORMATION

**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 Town Council  
Town of Morrison, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Morrison, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Morrison, Oklahoma's, basic financial statements and have issued my report thereon dated September 9, 2013. My report included an explanatory paragraph that stated management had not presented the Management's Discussion and Analysis to supplement the financial statements. My report on the business-type activities was qualified due to the omission of fixed assets and related depreciation, and due to the omission of a component unit.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town of Morrison, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Morrison, Oklahoma's, internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Morrison, Oklahoma's, internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying schedule of findings and responses (# 2013-1 and # 2013-2) to be material weaknesses.

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. I consider the deficiency described in the accompany schedule of findings and responses (# 2013-3) to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Morrison, Oklahoma's, financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Town of Morrison, Oklahoma's, Response to Findings**

The Town of Morrison, Oklahoma's, response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Town of Morrison, Oklahoma's, response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

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



Bruce G. Luttrell, CPA, PC

September 9, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Town Council  
Town of Morrison, Oklahoma

Compliance

I have audited the Town of Morrison, Oklahoma's, compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town of Morrison, Oklahoma's, major federal programs for the year ended June 30, 2013. The Town of Morrison's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Morrison's management. My responsibility is to express an opinion on the Town of Morrison's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Morrison's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Town of Morrison's compliance with those requirements.

In my opinion, the Town of Morrison complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Internal Control Over Compliance

The management of the Town of Morrison is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Town of Morrison's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town of Morrison, Oklahoma's, internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

A handwritten signature in black ink, appearing to read "Bruce G. Luttrell". The signature is written in a cursive, flowing style.

Bruce G. Luttrell, CPA, PC

September 9, 2013

**TOWN OF MORRISON**  
Morrison, Oklahoma

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Year</u>	<u>Federal CFDA Number</u>	<u>Amount of Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Passed through the Rural Utilities Service			
Water and Waste Disposal Systems for			
Rural Communities			
Project # 42-052-0730793868			
Loan # 91-09	6-30-13	10.760	979,033.59

Note A: Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Morrison and is presented under the accrual basis of accounting.

Note B: There were no amounts passed to subrecipients.

Note C: Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

**TOWN OF MORRISON**  
**Morrison, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2013

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

FINANCIAL STATEMENTS

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? # 2013-1 & # 2013-2

Reportable condition(s) identified  
not considered to be material weaknesses? # 2013-3

Noncompliance material to financial statements noted? No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? No

Reportable condition(s) identified  
not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? None reported

Identification of major programs:

CFDA Number	Name of Federal Program	Expenditures
10.760	Water and Waste Disposal Systems for Rural Communities	\$ 979,033.59
Dollar threshold used to distinguish between Type A and Type B programs:		
		\$ 300,000
Auditee qualified as low-risk auditee?		
		No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Number	Finding:	Amount
# 2013-1	The town's personnel lack the accounting expertise to prevent, detect, or correct material misstatements in the financial statements.	None

**TOWN OF MORRISON  
Morrison, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

**SECTION II - FINANCIAL STATEMENT FINDINGS (continued)**

Number		Amount
	<p><b><u>Management's Response:</u></b> The town will strive to provide continuing education to train employees to attempt to correct this deficiency.</p>	
# 2013-2	<p><b><u>Finding:</u></b> Inadequate design of internal control over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.</p> <p><b><u>Management's Response:</u></b> The town will strive to provide continuing education to train employees to attempt to correct this deficiency.</p>	None
# 2013-3	<p><b><u>Finding:</u></b> Lack of segregation of duties: personnel with access to customers' account information (including the billing function) also have access to cash receipts.</p> <p><b><u>Management's Response:</u></b> Due to the small number of employees, it is not feasible to segregate the duties necessary to alleviate this deficiency.</p>	None

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**TOWN OF MORRISON  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

Exhibit 2

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND		Total Nonmajor Governmental Funds
	Street and Alley Fund	Grant Fund	Park Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,019.66	\$ -	\$ -	\$ 8,019.66
Accounts receivable	552.92			552.92
Total assets	<u>\$ 8,572.58</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,572.58</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Current liabilities:				
Interest payable	\$ -	\$ -	\$ -	\$ -
G.O.Bonds payable - current portion				-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:				
Payable to other funds				-
G.O.Bonds payable				-
Less: current portion				-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Note 1.D.):				
Restricted for highways	8,572.58	-	-	8,572.58
Unassigned				-
Total Fund Balance	<u>8,572.58</u>	<u>-</u>	<u>-</u>	<u>8,572.58</u>
Total Liabilities and Fund Balance	<u>\$ 8,572.58</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,572.58</u>

**TOWN OF MORRISON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit 3

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND		Total Nonmajor Governmental Funds
	Street and Alley Fund	Grant Fund	Park Fund	
Revenues:				
Intergovernmental Grants	\$ 6,529.02	\$ -	\$ -	\$ 6,529.02
Miscellaneous Investment Income				-
Total Revenues	<u>6,529.02</u>	<u>-</u>	<u>-</u>	<u>6,529.02</u>
Expenditures:				
Streets	3,481.94			3,481.94
Parks and recreation				-
Interest expense				-
Wastewater				-
Amortization				-
Total Expenditures	<u>3,481.94</u>	<u>-</u>	<u>-</u>	<u>3,481.94</u>
Excess (deficiency) of revenues over expenditures	<u>3,047.08</u>	<u>-</u>	<u>-</u>	<u>3,047.08</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,047.08	-	-	3,047.08
Fund Balances - beginning	<u>5,525.50</u>	<u>-</u>	<u>-</u>	<u>5,525.50</u>
Fund Balances - ending	<u>\$ 8,572.58</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,572.58</u>

TOWN OF MORRISON  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 4

	STREET AND ALLEY				FIRST RESPONDERS FUND			
	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive(Negative)	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Beginning Budgetary Fund Balance	\$ 36,114.00	\$ 36,114.00	\$ 5,525.50	\$ (30,588.50)	\$ 16,810.00	\$ 27,810.00	\$ 18,752.63	\$ (9,057.37)
Resources (Inflows):								
Grants								
Taxes	6,100.00	6,100.00	6,529.02	429.02	5,000.00	5,000.00	500.00	(4,500.00)
Charges for services								
Investment income								
Miscellaneous	200.00	200.00		(200.00)	20,400.00	20,400.00	21,182.72	782.72
Transfers from other funds	3,000.00	3,000.00		(3,000.00)	17.00	17.00	81.88	64.88
Amounts available for appropriation	45,414.00	45,414.00	12,054.52	(33,359.48)	2,250.00	2,250.00	7,610.55	5,360.55
Charges to Appropriations (Outflows):								
Personal services								
Maintenance and operations	11,000.00	11,000.00	3,481.94	7,518.06	35,000.00	46,000.00	40,461.95	5,538.05
Other services and charges								
Capital outlays								
Funds transfer								
Total Charges to Appropriations	11,000.00	11,000.00	3,481.94	7,518.06	35,000.00	46,000.00	40,461.95	5,538.05
Ending Budgetary Fund Balance	34,414.00	34,414.00	8,572.58	(25,841.42)	9,477.00	9,477.00	7,665.83	(1,811.17)

(Continued)

TOWN OF MORRISON  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 4

	FIRE ASSOCIATION FUND		Variance with Final Budget Positive(Negative)
	Budgeted Amounts Original	Actual Amounts	
Beginning Budgetary Fund Balance	\$ 32,836.00	\$ 32,873.59	\$ 37.59
Resources (Inflows):			
Grants	-	-	-
Taxes	-	-	-
Charges for services	3,000.00	3,459.00	459.00
Investment income	180.00	222.55	42.55
Miscellaneous	-	-	-
Transfers from other funds	-	-	-
Amounts available for appropriation	<u>36,016.00</u>	<u>36,555.14</u>	<u>539.14</u>
Charges to Appropriations (Outflows):			
Personal services	-	-	-
Maintenance and operations	-	-	-
Other services and charges	-	-	-
Capital outlays	30,000.00	30,000.00	30,000.00
Funds transfer	-	-	-
Total Charges to Appropriations	<u>30,000.00</u>	<u>30,000.00</u>	<u>30,000.00</u>
Ending Budgetary Fund Balance	<u>6,016.00</u>	<u>6,016.00</u>	<u>30,539.14</u>