

# TOWN OF MORRISON

Morrison, Oklahoma

## FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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Certified Public Accountant

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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

We 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, 2016, 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

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

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

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

### Basis for Adverse Opinion on the Morrison Educational Facilities Authority and Qualified Opinion on Business-Type Activities

Management has not included the Morrison Educational Facilities Authority in the Town'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, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, and changes in net position. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

## **Adverse Opinion**

In our opinion, because of the significance of the matters described in the “Basis for Adverse Opinion on the Morrison Educational Facilities Authority and Qualified Opinion on Business-Type Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the Morrison Educational Facilities Authority, as of June 30, 2016, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Qualified Opinion**

In our opinion, except for the matter described in the “Basis for Adverse Opinion on the Morrison Educational Facilities Authority and Qualified Opinion on Business-Type Activities” paragraph, the financial Statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Town of Morrison, Oklahoma, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 1.D. to the financial statements, 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 our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Business-Type Activities” paragraph above, the financial statements referred to above do not present fairly the financial position of the business-type activities of the Town of Morrison, Oklahoma, as of June 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Morrison Educational Facilities Authority, and the aggregate remaining fund information of the Town of Morrison, Oklahoma, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, on pages 37 and 38, the Schedule of the Town’s Proportionate Share of the Net Pension Liability, on page 40, and the Schedule of Contributions, on page 41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical

context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Our opinion of the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Morrison, Oklahoma's basic financial statements. The combining nonmajor governmental fund financial statements, on pages 44 and 45, the nonmajor governmental fund budgetary comparison schedules, on pages 46 and 47, and the schedule of grant funds, on page 48, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements, the nonmajor governmental fund budgetary comparison schedules, and the schedule of grant funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements, the nonmajor governmental fund budgetary comparison schedules, and the schedule of grant funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016, on our consideration of the Town of Morrison, Oklahoma's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Morrison, Oklahoma's, internal control over financial reporting and compliance.



Bruce Luttrell, CPA, PC

October 17, 2016

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF MORRISON  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

**Statement 1**

	Government Activities	Business-Type Activities	Totals
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 89,714.68	\$ 102,322.37	\$ 192,037.05
Restricted cash and cash equivalents	63,908.82	80,584.30	144,493.12
Restricted investments		21,000.00	21,000.00
Accounts receivable	31,301.84	36,098.39	67,400.23
Receivable from other funds	6,235.05	(6,235.05)	-
Total current assets	<u>191,160.39</u>	<u>233,770.01</u>	<u>424,930.40</u>
<b>Noncurrent assets</b>			
<b>Capital assets:</b>			
Equipment	170,094.00	24,690.00	194,784.00
Land and improvements	27,081.36	431,670.65	458,752.01
Infrastructure	285,621.48	2,694,334.94	2,979,956.42
Less accumulated depreciation	<u>(180,218.10)</u>	<u>(875,635.94)</u>	<u>(1,055,854.04)</u>
Total noncurrent assets	<u>302,578.74</u>	<u>2,275,059.65</u>	<u>2,577,638.39</u>
Total assets	<u>493,739.13</u>	<u>2,508,829.66</u>	<u>3,002,568.79</u>
<b>Deferred Outflows of Resources (Note 4.A.)</b>			
Deferred amounts related to pensions	<u>2,730.00</u>		<u>2,730.00</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	8,996.05	5,681.33	14,677.38
Accrued interest payable		1,106.54	1,106.54
Accrued compensated absences	1,661.62	2,769.63	4,431.25
Notes payable - current portion		25,959.32	25,959.32
Total current liabilities	<u>10,657.67</u>	<u>35,516.82</u>	<u>46,174.49</u>
<b>Noncurrent liabilities</b>			
Accrued compensated absences			-
Pension plan liability	26,638.00		26,638.00
Refundable deposits		44,548.86	44,548.86
Notes payable		1,209,707.44	1,209,707.44
Less: current portion		<u>(25,959.32)</u>	<u>(25,959.32)</u>
Total noncurrent liabilities	<u>26,638.00</u>	<u>1,228,296.98</u>	<u>1,254,934.98</u>
Total liabilities	<u>37,295.67</u>	<u>1,263,813.80</u>	<u>1,301,109.47</u>
<b>Deferred Inflows of Resources (Note 4.A.)</b>			
Deferred amounts related to pensions	<u>6,637.00</u>		<u>6,637.00</u>
<b>Net position (Note 1.D.)</b>			
Invested in capital assets, net of related debt	302,578.74	1,065,352.21	1,367,930.95
Restricted	52,925.47	57,035.44	109,960.91
Committed	12,197.27		12,197.27
Assigned	4,785.64		4,785.64
Unassigned	80,049.34	122,628.21	202,677.55
Total net position	<u>\$ 452,536.46</u>	<u>\$ 1,245,015.86</u>	<u>\$ 1,697,552.32</u>

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

**TOWN OF MORRISON  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

**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	\$ 231,249.04	\$ -	\$ -	\$ 155,178.32	\$ (76,070.72)	\$ -	\$ (76,070.72)	
Public Safety	33,624.26	22,743.94	-	-	(10,880.32)	-	(10,880.32)	
Streets	8,378.38	-	-	-	(8,378.38)	-	(8,378.38)	
Culture and recreation	48,145.93	4,438.00	-	-	(43,707.93)	-	(43,707.93)	
Total governmental activities	<u>321,397.61</u>	<u>27,181.94</u>	<u>-</u>	<u>155,178.32</u>	<u>(139,037.35)</u>	<u>-</u>	<u>(139,037.35)</u>	
<b>Business-type activities</b>								
Water	286,722.37	298,672.11	-	-	-	11,949.74	11,949.74	
Wastewater	16,166.00	36,532.25	-	-	-	20,366.25	20,366.25	
Sanitation	55,357.11	74,486.63	-	-	-	19,129.52	19,129.52	
Administrative and general	185,428.54	-	-	-	-	(185,428.54)	(185,428.54)	
Total business-type activities	<u>543,674.02</u>	<u>409,690.99</u>	<u>-</u>	<u>-</u>	<u>(139,037.35)</u>	<u>(133,983.03)</u>	<u>(133,983.03)</u>	
<b>Totals</b>	<b>\$ 865,071.63</b>	<b>\$ 436,872.93</b>	<b>\$ -</b>	<b>\$ 155,178.32</b>	<b>(139,037.35)</b>	<b>(133,983.03)</b>	<b>(273,020.38)</b>	
<b>General revenues</b>								
Sales tax					132,198.22	-	132,198.22	
Use tax					12,522.31	-	12,522.31	
Cigarette tax					1,608.44	-	1,608.44	
Intergovernmental revenue not restricted to specific programs					9,033.89	-	9,033.89	
Intergovernmental revenue restricted for streets & alleys					6,981.85	-	6,981.85	
Franchise fees					18,658.30	-	18,658.30	
Miscellaneous					10,983.72	14,529.20	25,512.92	
Interest expense					-	(36,319.89)	(36,319.89)	
Investment earnings					267.30	221.41	488.71	
Transfers: In					-	67,744.94	67,744.94	
Transfers: Out					(67,744.94)	-	(67,744.94)	
Total general revenues and transfers					<u>124,509.09</u>	<u>46,175.66</u>	<u>170,684.75</u>	
Change in net position					(14,528.26)	(87,807.37)	(102,335.63)	
Net position, beginning of year (Note 4.C.)					467,064.72	1,332,823.23	1,799,887.95	
Net position, end of year					<u>\$ 452,536.46</u>	<u>\$ 1,245,015.86</u>	<u>\$ 1,697,552.32</u>	

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, 2016**

**Statement 3**

	General Fund	First Responders Fund	Fire Association Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 89,714.68	\$ -	\$ -	\$ -	\$ 89,714.68
Restricted cash and cash equivalents		10,983.35	47,575.64	5,349.83	63,908.82
Receivables from other governments	30,087.92	1,213.92		-	31,301.84
Receivables from other funds	6,235.05				6,235.05
Total assets	\$ 126,037.65	\$ 12,197.27	\$ 47,575.64	\$ 5,349.83	\$ 191,160.39
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 8,996.05	\$ -	\$ -	\$ -	\$ 8,996.05
Accrued compensated absences	1,661.62				1,661.62
G.O. Bonds payable - current portion					-
Total current liabilities	10,657.67	-	-	-	10,657.67
Noncurrent liabilities:					
Payable to other funds					-
G.O. Bonds payable					-
Less: current portion					-
Total noncurrent liabilities	-	-	-	-	-
Total liabilities	10,657.67	-	-	-	10,657.67
<b>Fund Balance (Note 1. D.)</b>					
Restricted			47,575.64	5,349.83	52,925.47
Committed		12,197.27			12,197.27
Assigned	4,785.64				4,785.64
Unassigned	110,594.34				110,594.34
Total fund balances	115,379.98	12,197.27	47,575.64	5,349.83	180,502.72
Total liabilities and fund balances	\$ 126,037.65	\$ 12,197.27	\$ 47,575.64	\$ 5,349.83	

Amounts reported for governmental activities in the Statement of Net Position 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 \$ 482,796.84.

The accumulated depreciation is \$ 180,218.10.

Net effect for reconciliation

302,578.74

Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:

Pension related deferred outflows

2,730.00

Certain long-term liabilities are not due and payable for current financial resources and, therefore, are not reported in the funds.

Net pension liability

(26,638.00)

Pension related deferred inflows

(6,637.00)

Net position of governmental activities

\$ 452,536.46

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, 2016**

**Statement 4**

	General Fund	First Responder Fund	Fire Association Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Sales tax	\$ 132,198.22	\$ -	\$ -	\$ -	\$ 132,198.22
Use tax	12,522.31				12,522.31
Cigarette tax	1,608.44				1,608.44
Intergovernmental	9,033.89			6,981.85	16,015.74
Franchise fees	18,658.30				18,658.30
Grants	155,178.32			-	155,178.32
Charges for services	4,438.00	19,233.94	3,510.00		27,181.94
Miscellaneous	968.76	10,014.96		-	10,983.72
Investment income	68.45	10.28	188.57	-	267.30
Total revenues	334,674.69	29,259.18	3,698.57	6,981.85	374,614.29
<b>Expenditures:</b>					
General government:					
General government	70,616.72				70,616.72
Public safety:					
Fire		24,407.14			24,407.14
First responders		4,561.12			4,561.12
Streets:					
Streets				2,824.38	2,824.38
Culture and recreation:					
Parks and recreation	25,739.18			-	25,739.18
Swimming pool	16,934.75				16,934.75
Water system	160,178.32			-	160,178.32
Total expenditures paid	273,468.97	28,968.26	-	2,824.38	305,261.61
Excess of revenues collected over (under) expenditures	61,205.72	290.92	3,698.57	4,157.47	69,352.68
Other financing sources (uses)					
Operating transfers in				-	-
Operating transfer out	(67,744.94)			-	(67,744.94)
Total other financing sources (uses)	(67,744.94)	-	-	-	(67,744.94)
Excess (deficiency) of revenues and other resources over expenditures and other uses	(6,539.22)	290.92	3,698.57	4,157.47	1,607.74
Fund balances, beginning of year	126,246.12	11,906.35	43,877.07	1,192.36	183,221.90
Fund balances, end of year	\$ 119,706.90	\$ 12,197.27	\$ 47,575.64	\$ 5,349.83	\$ 184,829.64

(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, 2016**

**Statement 4 (cont.)**

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

Net change in fund balances: total governmental funds 1,607.74

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	(18,725.00)

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:

Net decrease in pension expense	2,589.00
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Change in net position of governmental activities	\$ (14,528.26)
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**TOWN OF MORRISON  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016**

**Statement 5**

	Public Works Authority Enterprise Fund
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 102,322.37
Restricted investments	21,000.00
Restricted cash and cash equivalents	80,584.30
Accounts receivable	36,098.39
Total current assets	240,005.06
Noncurrent assets	
Capital assets:	
Equipment	24,690.00
Land and improvements	431,670.65
Infrastructure	2,694,334.94
Less accumulated depreciation	(875,635.94)
Total noncurrent assets	2,275,059.65
Total assets	2,515,064.71
<b>Liabilities</b>	
Current liabilities	
Accounts payable	5,681.33
Accrued interest payable	1,106.54
Accrued compensated absences	2,769.63
Payable to other funds	6,235.05
Notes payable - current portion	25,959.32
Total current liabilities	41,751.87
Noncurrent liabilities	
Refundable deposits	44,548.86
Accrued compensated absences	-
Notes payable	1,209,707.44
Less: current portion	(25,959.32)
Total noncurrent liabilities	1,228,296.98
Total liabilities	1,270,048.85
<b>Net position</b>	
Invested in capital assets, net of related debt	1,065,352.21
Restricted for debt service	57,035.44
Unrestricted	122,628.21
Total net position	\$ 1,245,015.86

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 POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016**

**Statement 6**

	Public Works Authority <u>Enterprise Fund</u>
<b>Operating revenue</b>	
Charges for services:	
Water	\$ 277,234.41
Miscellaneous water sales	21,437.70
Sewer	36,532.25
Sanitation	74,486.63
Total operating revenue	<u>409,690.99</u>
Operating expenses:	
Water and wastewater	236,649.37
Sanitation	55,357.11
Administration and general	174,700.54
Depreciation	76,967.00
Total operating expenses	<u>543,674.02</u>
Net operating income (loss)	<u>(133,983.03)</u>
Nonoperating revenue (expense)	
Investment income	221.41
Interest expense	(36,319.89)
Grant income	-
Other income	14,529.20
Total nonoperating revenue (expense)	<u>(21,569.28)</u>
Net income (loss) before transfers	(155,552.31)
Operating transfers: In	67,744.94
Operating transfers: Out	<u>-</u>
Change in net position	(87,807.37)
Net position beginning of year	<u>1,332,823.23</u>
Net position end of year	<u><u>\$ 1,245,015.86</u></u>

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, 2016**

**Statement 7**

	Public Works Authority Enterprise Fund
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 411,678.27
Payments to suppliers	(349,602.05)
Payments to employees	(109,930.37)
Receipts of customer utility deposits	5,950.00
Refunds of customer utility deposits	(4,041.52)
Net cash provided (used) by operating activities	(45,945.67)
<b>Cash flows from noncapital financing activities</b>	
Transfers from other funds	67,744.94
Transfers to other funds	-
Grant income	-
Other income	14,529.20
Net cash provided (used) by noncapital financing activities	82,274.14
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(33,641.00)
Issue new capital debt	-
Principal paid on capital debt	(18,971.22)
Interest paid on capital debt	(36,319.89)
Net cash provided (used) by capital and related financing activities	(88,932.11)
<b>Cash flows from investing activities</b>	
Interest income	221.41
Net increase (decrease) in cash and cash equivalents	(52,382.23)
Cash balance beginning of year	256,288.90
Cash balance end of year	\$ 203,906.67
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ (133,983.03)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	76,967.00
Change in assets and liabilities:	
Accounts receivable	1,987.28
Refundable deposits	1,923.88
Accounts payable	(58.96)
Payable to other funds	6,235.05
Accrued interest payable	323.55
Accrued compensated absences	659.56
Net cash provided by operating activities	\$ (45,945.67)

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, 2016

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

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

**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*, GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 61, amending GASB Statements No. 14 and 34. The basic criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. Accountability flows from the notion that individuals are obligated to account for their acts, including the acts of the officials they appoint to operate governmental agencies. Thus, elected officials are accountable for an organization if they appoint a voting majority of the organization's governing board. The primary government is financially accountable if it appoints a voting majority of the organization's governing body *and* (1) it is able to impose its will on that organization, *or* (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if the primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.

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 MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**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 position. 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 Position 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, and fiduciary. The Town presently has no fiduciary

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

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, 2016

**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 Position 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, 2016

**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 Position 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 the statements of net position, balance sheets, and statement of cash flows, “cash and cash equivalents” includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less and money market accounts.

**INVESTMENTS**

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, 2016

**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 Position. 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, 2016

**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 Position. 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 as follows: 1-9 years – 1 day per month; 10 years and over – 1 ½ days per month. Employees can accumulate up to 18 days of vacation leave, and can take 6 days after 12 months employment. Vacation leave is vested and paid upon separation after 12 months employment. Full time employees of the Town, and the Authority, are eligible

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

for sick leave after 1 full month of employment. Sick leave accrues at 4 hours per month, up to a maximum of 480 hours. 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

Net Position

Net position 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.

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

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

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, 2016, for the governmental funds are as follows:

	Special Revenue Funds				Total
	General Fund	First Responders Fund	Fire Association Fund	Street & Alley Fund	
Fund balances:					
Invested in capital assets, net of related depreciation	302,578.74				302,578.74
Restricted for:					
Highways				5,349.83	5,349.83
Fire services			47,575.64		47,575.64
Total Restricted			47,575.64	5,349.83	52,925.47
Committed to:					
Emergency fire & medical services		12,197.27			12,197.27
Assigned to:					
Wastewater projects	4,785.64				4,785.64
Unassigned	80,049.34				80,049.34
Total Fund Balances	387,413.72	12,197.27	47,575.64	5,349.83	452,536.46

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**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, 2016

**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 Position 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, 2016

**1.G. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period (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, 2016.

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

**3.A. DEPOSITS AND INVESTMENTS**

*Custodial Credit Risk* - Custodial credit risk related to deposits exists when the Town holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name, or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town's name. The Town's policy for custodial credit risk is to secure its uninsured deposits with collateral.

At June 30, 2016, \$ 357,530.17 of the Town's bank balances of \$ 357,530.17 was covered by federal depository insurance.

*Investment Credit Risk* - The Town has no investment policy that limits its investments choices other than the limitation of state law as follows:

- a) Direct obligations of the U.S. Government, its agencies or 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, 2016

**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 obligation, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, a 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.
- e) 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, 2016, the Town, and the Morrison Public Works Authority complied, in all material respects, with these investment restrictions.

*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.

*Concentration of Credit Risk* – The Town places no limit on the amount it may invest in any one issuer. Since the Town has all investments in certificates of deposit, there is no concentration of investment credit risk exposure.

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

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Cash Deposits	N/A	N/A	336,530.17	336,530.17
Investments				
Certificate of Deposit	12	N/A	<u>21,000.00</u>	<u>21,000.00</u>
Total Deposits and Investments			<u>357,530.17</u>	<u>357,530.17</u>

Reconciliation to Statement of Net Assets

Governmental Activities	\$ 153,623.50
Business-Type Activities	<u>203,906.67</u>
	<u>\$ 357,530.17</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 \$ 44,548.86; amounts held in

TOWN OF MORRISON  
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NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**3.B. RESTRICTED ASSETS (continued)**

the Rural Development construction account of \$ 2,165.1; amounts held in the Rural Development reserve accounts discussed in the following paragraph; amounts held by the Town in the Street & Alley Fund of \$ 5,349.83; amounts held in the First Responder Fund of \$ 10,983.35; and amounts held in the Fire Association Fund of \$ 47,575.64.

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, 2016, and 2015, was \$ 32,145.43 and \$ 27,403.10, respectively. The new loan also requires a Short Lived Assets Reserve, to be funded at \$ 472.25 per month. At June 30, 2016 and 2015, the balance in this reserve account was \$ 22,725.00 and \$ 17,033.04, respectively.

**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 Rural Development 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 (18.5 %), use tax (2.7 %), tobacco tax (0.5 %), franchise tax (53.9 %), alcoholic beverage tax (2.6 %), and other (21.8 %). Receivables detail at June 30, 2016, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 31,301.84	36,098.39	67,400.23

**3.E. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

TOWN OF MORRISON  
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NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

	Balance at July 1, 2015	Additions	Deductions	Balance at June 30, 2016
<i>Governmental activities:</i>				
Other capital assets:				
Machinery, furniture and equipment	170,094.00			170,094.00
Land and buildings	27,081.36			27,081.36
Infrastructure	<u>285,621.48</u>			<u>285,621.48</u>
Total other capital assets at historical cost	<u>482,796.84</u>			<u>482,796.84</u>
Less accumulated depreciation for:				
Machinery, furniture and equipment	122,674.76	12,004.00		134,678.76
Land and buildings	7,566.89	1,167.00		8,733.89
Infrastructure	<u>31,251.45</u>	<u>5,554.00</u>		<u>36,805.45</u>
Total accumulated depreciation	<u>161,493.10</u>	<u>18,725.00</u>		<u>180,218.10</u>
Other capital assets, net	<u>321,303.74</u>	<u>&lt;18,725.00&gt;</u>		<u>302,578.74</u>
Government activities capital assets, net	<u>321,303.74</u>	<u>&lt;18,725.00&gt;</u>		<u>302,578.74</u>
 <i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	<u>88,435.00</u>			<u>88,435.00</u>
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>3,003,929.59</u>	<u>33,641.00</u>		<u>3,037,570.59</u>
Total other capital assets at historical cost	<u>3,028,619.59</u>	<u>33,641.00</u>		<u>3,062,260.59</u>
Less accumulated depreciation for:				
Machinery, furniture and equipment	9,477.34	929.00		10,406.34
Vehicles	12,894.00	750.00		13,644.00
Utility property	<u>776,297.60</u>	<u>75,288.00</u>		<u>851,585.60</u>
Total accumulated depreciation	<u>798,668.94</u>	<u>76,967.00</u>		<u>875,635.94</u>
Other capital assets, net	<u>2,229,950.65</u>	<u>&lt;43,326.00&gt;</u>		<u>2,186,624.65</u>
Business-type activities capital assets, net	<u>2,318,385.65</u>	<u>&lt;43,326.00&gt;</u>		<u>2,275,059.65</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>5,926.00</u>
Total depreciation expense for governmental activities	<u>\$ 18,725.00</u>
Business-Type Activities:	
Water	\$ 50,073.00
Wastewater	16,166.00
Administrative and General	<u>10,728.00</u>
Total depreciation expense for business-type activities	<u>\$ 76,967.00</u>

TOWN OF MORRISON  
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NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**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, 2016, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Accrued Compensated Absences:

• Current Portion	\$ 1,661.62
• Noncurrent portion	-
Total Governmental activity debt	\$ 1,661.62
	-

Pension Plan Liability:

• Current Portion	\$ -
• Noncurrent portion	26,638.00
Total Governmental activity debt	\$ 26,638.00
	-

BUSINESS-TYPE ACTIVITIES

As of June 30, 2016, the long-term debt payable from proprietary fund resources consisted of the following:

Notes Payable:

• Rural Development 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.	\$ 1,063,161.97
• Loan with a local bank dated January 9, 2015, in the original amount of \$ 157,652.65. This loan is to be repaid over 14 years, at 4 % interest, with monthly principal and interest payments of \$ 1,234.63.	146,545.47
	\$ 1,209,707.44

The local bank loan was utilized to build a medical clinic building. The loan included fees of \$ 2,652.65, which were expensed during the previous year. The total cost of the project was \$ 268,250, excluding the land, which was donated by a local citizen. The Town also received a \$ 100,000 REAP grant to help fund the project. In connection with the construction of the building, the Town leased the facility to the Stillwater Medical Center Authority for 5 years, beginning April 1, 2015, at \$ 1,300 per month. The lease provides for renewals of five additional one year terms, at \$ 1,500 per month.

TOWN OF MORRISON  
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NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

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. In accordance with the implementation of GASB Statement No. 65, the unamortized cost at June 30, 2013, of \$ 22,927.00 was written off during a previous year.

Refundable Deposits:

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

Utility Deposits – Refundable	\$ 44,548.86
	=====

Accrued Compensated Absences:

• Current portion	\$ 2,769.63
• Noncurrent portion	-
	\$ 2,769.63

CHANGES IN LONG-TERM DEBT

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

Type of Debt	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year
Governmental Activities:					
Accrued compensated absences	4,326.92		2,665.30	1,661.62	1,661.62
Pension plan liability	29,716.00	-	3,078.00	26,638.00	-
Total Governmental Activities	34,042.92	-	5,743.30	28,299.62	1,661.62

TOWN OF MORRISON  
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NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

Type of Debt	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year
<b>Business-Type Activities:</b>					
Notes payable	1,228,678.66		18,971.22	1,209,707.44	25,959.32
Accrued compensated absences	2,110.07	659.56		2,769.63	2,769.63
Refundable deposits	42,624.98	5,950.00	4,026.12	44,548.86	44,548.86
Total Business-Type Activities	1,273,413.71	6,609.56	22,997.34	1,257,025.93	73,277.81

**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, 2016, are as follows:

Year Ended June 30,	<u>RD Note # 91-09</u>		<u>Bank Loan</u>	
	Principal	Interest	Principal	Interest
2017	16,860	30,192	9,099	5,720
2018	17,354	29,698	9,472	5,346
2019	17,862	29,171	9,861	4,958
2020	18,386	28,648	10,266	4,553
2021	18,924	28,109	10,687	4,131
2022-2026	103,265	131,901	60,391	13,704
2027-2031	119,298	115,868	36,769	1,513
2032-2036	137,820	97,346	-	-
2037-2041	159,218	75,948	-	-
2042-2046	183,939	51,227	-	-
2047-2051	212,497	22,669	-	-
2052-2056	57,739	728	-	-
Total	1,063,162	641,505	146,545	39,925

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

**INTERFUND TRANSFERS**

Transfers between funds of the primary government for the year ended June 30, 2016, were as follows:

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Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**3.H. INTERFUND TRANSFERS AND BALANCES (continued)**

	Transfers In	Transfers Out
<b>MAJOR FUNDS</b>		
GENERAL FUND		
Public Works Authority		67,744.94
Total General Fund		67,744.94
STREET & ALLEY FUND		
Public Works Authority		
ENTERPRISE FUND		
Public Works Authority		
General Fund	67,744.94	
Street & Alley Fund		
GRAND TOTALS	67,744.94	67,744.94

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 and to transfer funds from the Municipal Authority to the General Fund in accordance with the budget.

**NOTE 4: OTHER NOTES**

**4.A. PENSION PLANS**

**FIREFIGHTER'S PENSION AND RETIREMENT SYSTEM**

**General Information about the Pension Plan**

*Plan description.* The Town of Morrison, as the employer, participates in the Firefighters Pension & Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Oklahoma State Statutes grant the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

*Benefits provided.* FPRS provides retirement, disability, and death benefits to members of the plan.

Benefits for member hired prior to November 1, 2013, are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and who have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$ 150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013, are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and who have reached the age of 50 or have

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NOTES TO THE FINANCIAL STATEMENTS  
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**4.A. PENSION PLANS (continued)**

completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$ 165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50 % of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5 % of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50 % of final average monthly compensation, based on the most recent 60 month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$ 7.53 per year of service. For volunteer firefighters, the in-line-of-duty disability pension is \$ 150.60 with less than 20 years of service, or \$ 7.53 per year of service, with a maximum of 30 years.

A \$ 5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$ 5,000 death benefit does not apply to members electing the vested benefit.

*Contributions.* The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. Employees are required to contribute 9 % of their annual pay. Participating towns are required to contribute 14 % of the employees' annual pay. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$ 91,235,807; these on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2016, the Town reported a liability of \$ 26,638 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2015, the Town's proportion was 0.00251 percent.

For the year ended June 30, 2016, the Town recognized pension expense of \$ <2,589.>

*Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions*

The following table (excluding any employer-specific amounts) presents the fiscal amounts determined and their effect on pension expense, deferred inflows, and deferred outflows, respectively, as well as remaining unamortized deferral balances at June 30, 2015.

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NOTES TO THE FINANCIAL STATEMENTS  
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**4.A. PENSION PLANS (continued)**

	Total Fiscal (Gains)/Losses	Amount Included in 2015 Pension Expense Calculation	Deferred Inflows Balance for 2015	Deferred Outflows Balance for 2015	Amortization Period (Years)
Differences between expected and actual experience					
2014	\$ 730	115	-	500	6.37
2015	31	5	-	26	6.31
Difference between Projected and Actual Earnings					
2014	<4,884>	<977>	<2,930>	-	5
2015	1,181	236	-	944	5
Differences Due to Changes in Proportion					
2014	-	-	-	-	6.37
2015	-	-	<476>	476	6.31
			<u>\$ &lt;3,406&gt;</u>	<u>\$ 1,946</u>	

\$ 1,260 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Inflows	Deferred Outflows
2016	\$ <1,066>	\$ 450
2017	<1,066>	450
2018	<1,066>	450
2019	<90>	450
2020	<90>	117
Thereafter	<u>&lt;28&gt;</u>	<u>29</u>
	<u>\$ &lt;3,406&gt;</u>	<u>\$ 1,946</u>

*Expected Remaining Service Life of Members* – Certain deferred inflow and deferred outflow calculations require amortization over the remaining service life of the System’s members, including retirees. For the fiscal year ended June 30, 2015, the membership’s remaining service life was 6.31 years. The average expected remaining service life of the System is determined by taking the calculated total future service years of the System divided by the number of people in the System including retirees. The total future service years of the System are determined using the mortality, termination, retirement and disability assumptions associated with the plan.

	<u>Years</u>
June 30, 2015	6.31

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NOTES TO THE FINANCIAL STATEMENTS  
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**4.A. PENSION PLANS (continued)**

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3 %
Salary increases:	3.5 % to 9.0 % average, including inflation
Investment rate of:	7.5 % net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	5.13 %
Domestic equity	8.02 %
International equity	9.94 %
Real estate	7.47 %
Other assets	6.25 %

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36 % of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Town calculated using the discount rate of 7.5 %, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 %) or 1-percentage point higher (8.5 %) than the current rate:

	<u>1 % Decrease (6.5 %)</u>	<u>Current Discount Rate (7.5 %)</u>	<u>1 % Increase (8.5 %)</u>
Employers' net pension liability	\$ 34,591	\$ 26,641	\$ 19,974

TOWN OF MORRISON  
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NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Oklahoma Firefighters Pension and Retirement System financial report of the FPRS; which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**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.

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.

TOWN OF MORRISON  
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

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**

**RURAL ECONOMIC ACTION PLAN GRANT (REAP)**

The Town has been approved for a \$ 97,990.37 Rural Economic Action Plan (REAP) grant through the State of Oklahoma, administered through the Northern Oklahoma Development Authority (NODA) for the water system improvements discussed in the following paragraph. The funding period runs from December 1, 2015, through November 30, 2016. No funds were drawn under the grant during the current year. See the Schedule of Grant Funds for further details.

**COMMUNITY DEVELOPMENT BLOCK GRANT**

The Town was previously approved for a \$ 159,999 Community Development Block Grant (CDBG), funded through the Oklahoma Department of Commerce / Community Development, for water line improvements. The project is for 3 miles of water lines, from the Town's tower to connect to the water district south of Morrison. The grant requires matching funds on the Town's behalf of \$ 119,021. As of June 30, 2016, \$ 155,178.32 was drawn under the grant, and expended. And, the Town had provided \$ 30,650 in matching funds. See the Schedule of Grant Funds for further details.

**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, 2016 and 2015. Thus, no payments were made under these two leases for the years ended June 30, 2016 and 2015.

**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. The contract runs through December 2031,

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NOTES TO THE FINANCIAL STATEMENTS  
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**4.C. COMMITMENTS AND CONTINGENCIES (continued)**

with optional renewal periods of five years each. The original purchase price was \$ 7.50 per thousand gallons. Effective April 20, 2015, the price went to \$ 8.00 per thousand for 22 million gallons through 25 million gallons, \$ 7.50 for 25 million through 28 million, \$ 7.00 for 28 million through 31 million, and \$ 6.50 over 31 million. In July 2016, the rate was reduced to \$ 4.10 per thousand gallons, with the minimum reduced to 1.84 million gallons per month. 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.

**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 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.

**New Accounting Pronouncements**

In November 2013, the Governmental Accounting Standards Board issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, to be applied simultaneously with the provisions of GASB Statement No. 68. GASB Statement No. 71 requires that a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Town adopted GASB Statement No. 71 during the current year. This had no impact on the Town's financial report

**4.D. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 17, 2016, 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, 2016**

**UNAUDITED**

**Exhibit 1**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	92,090.00	92,090.00	94,759.20	2,669.20
<b>Resources (Inflows):</b>				
Alcohol beverage tax	9,400.00	9,400.00	9,033.89	(366.11)
Park and recreation	3,800.00	3,800.00	4,438.00	638.00
Franchise fees	22,000.00	22,000.00	18,658.30	(3,341.70)
Interest income	60.00	60.00	68.45	8.45
Miscellaneous	4,400.00	4,400.00	568.76	(3,831.24)
Building permits	400.00	400.00	400.00	0.00
Grants	159,999.00	159,999.00	155,178.32	(4,820.68)
Sales tax	166,000.00	166,000.00	132,198.22	(33,801.78)
Use tax	12,800.00	12,800.00	12,522.31	(277.69)
Cigarette tax	1,700.00	1,700.00	1,608.44	(91.56)
Transfers from other funds	0.00	0.00	-	0.00
Amounts available for appropriation	<u>472,649.00</u>	<u>472,649.00</u>	<u>429,433.89</u>	<u>(43,215.11)</u>
<b>Charges to Appropriations (Outflows):</b>				
<b>General Government:</b>				
Personal services	15,500.00	15,500.00	5,362.70	10,137.30
Maintenance and operations	34,629.00	40,629.00	39,322.19	1,306.81
Capital outlay	174,999.00	174,999.00	166,828.32	8,170.68
Funds Transfer	86,000.00	86,000.00	67,744.94	18,255.06
Total General Government	<u>311,128.00</u>	<u>317,128.00</u>	<u>279,258.15</u>	<u>37,869.85</u>
<b>City Clerk:</b>				
Personal services	8,400.00	8,400.00	8,280.96	119.04
<b>Managerial:</b>				
Personal services	5,400.00	5,500.00	5,400.00	100.00
<b>City Treasurer:</b>				
Personal services	4,500.00	4,500.00	3,600.00	900.00
<b>Parks and recreation:</b>				
Maintenance and operations	46,000.00	39,900.00	25,739.18	14,160.82
Capital outlay	-	-	-	-
Total parks and recreation	<u>46,000.00</u>	<u>39,900.00</u>	<u>25,739.18</u>	<u>14,160.82</u>
<b>Swimming pool:</b>				
Personal services	6,500.00	6,500.00	9,465.90	(2,965.90)
Maintenance and operations	24,000.00	24,000.00	7,468.85	16,531.15
Total swimming pool	<u>30,500.00</u>	<u>30,500.00</u>	<u>16,934.75</u>	<u>13,565.25</u>
<b>Social security and medicare</b>				
Personal services	2,500.00	2,500.00	1,743.64	756.36

(Continued)

**TOWN OF MORRISON  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

**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	\$ 257.23	\$ 937.77
Workmans compensation:				
Personal services	540.00	540.00	-	540.00
<b>Total Charges to Appropriations</b>	<b>410,163.00</b>	<b>410,163.00</b>	<b>341,213.91</b>	<b>\$ 68,949.09</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ 62,486.00</b>	<b>\$ 62,486.00</b>		
<b>Funds Transfers</b> (stated separately on the Statement of Revenues, Expenditures, and Changes in Fund Balance)			(67,744.94)	
<b>General Fund Expenditures</b> (Statement of Revenues, Expenditures, and Changes in Fund Balance)			\$ 273,468.97	

**TOWN OF MORRISON**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 2016**

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.

**TOWN OF MORRISON  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
Oklahoma Firefighters Pension and Retirement Plan  
Last 10 Fiscal Years \***

**Exhibit 2**

	<u>Year End June 30, 2014</u>	<u>Year End June 30, 2015</u>
Proportion of the net pension liability	0.0029%	0.00251%
Proportionate share of the net pension liability	\$29,716	\$26,638
Covered - employee payroll	N/A	N/A
Proportionate Share of the net pension liability as percentage of covered-employee payroll	N/A	N/A
Plan's fiduciary net position	\$2,197,104,543	\$2,283,566,382
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%

**Notes to Schedule:**

\* June 30, 2015, was the first year of implementation, therefore only two years are shown.

**TOWN OF MORRISON  
SCHEDULE OF CONTRIBUTIONS  
Oklahoma Firefighters Pension and Retirement Plan  
Last 10 Fiscal Years \***

Exhibit 3

	<b>Year End June 30, 2014</b>	<b>Year End June 30, 2015</b>
Contractually required contribution	\$1,080.00	\$960.00
Contributions in relation to the contractually required contributions	1,080.00	960.00
Contribution deficiency (excess)	\$0.00	\$0.00
Town's covered-employee payroll	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A

**Notes to Schedule:**

\* June 30, 2015, was the first year of implementation, therefore only two years are shown.

## **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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Morrison, Oklahoma's, basic financial statements and have issued our report thereon dated October 17, 2016. The financial statements of the Morrison Educational Facilities Authority were not included in the Town of Morrison's financial statements and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Morrison Educational Facilities Authority. Our report included an explanatory paragraphs that stated management had not presented the Management's Discussion and Analysis to supplement the financial statements, and our 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 our audit of the financial statements, we 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 our 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, we do not express an opinion on the effectiveness of the Town of Morrison, Oklahoma's, internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses (# 2016-1), that we consider 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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The Town of Morrison, Oklahoma's, response to the findings identified in our 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, we express no opinion on it.

### **Purpose of this Report**

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



Bruce G. Luttrell, CPA, PC

October 17, 2016

**TOWN OF MORRISON  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016**

Exhibit 4

	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	\$ 5,349.83	\$ -	\$ -	\$ 5,349.83
Accounts receivable	-			-
Total assets	\$ 5,349.83	\$ -	\$ -	\$ 5,349.83
 <b>LIABILITIES AND FUND BALANCE</b>				
Current liabilities:				
Interest payable	\$ -	\$ -	\$ -	\$ -
G.O.Bonds payable - current portion	-	-	-	-
Total current liabilities	-	-	-	-
Noncurrent liabilities:				
Payable to other funds				-
G.O.Bonds payable				-
Less: current portion	-	-	-	-
Total noncurrent liabilities	-	-	-	-
Total liabilities	-	-	-	-
Fund Balance (Note 1.D.):				
Restricted for highways	5,349.83	-	-	5,349.83
Unassigned	-	-	-	-
Total Fund Balance	5,349.83	-	-	5,349.83
Total Liabilities and Fund Balance	\$ 5,349.83	\$ -	\$ -	\$ 5,349.83

**TOWN OF MORRISON  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit 5

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND		Total Nonmajor Governmental Funds
	Street and Alley Fund	Grant Fund	Park Fund	
Revenues:				
Intergovernmental	\$ 6,981.85	\$ -	\$ -	\$ 6,981.85
Grants				-
Miscellaneous				-
Investment income				-
Total Revenues	<u>6,981.85</u>	<u>-</u>	<u>-</u>	<u>6,981.85</u>
Expenditures:				
Streets	2,824.38			2,824.38
Parks and recreation				-
Interest expense				-
Wastewater				-
Amortization				-
Total Expenditures	<u>2,824.38</u>	<u>-</u>	<u>-</u>	<u>2,824.38</u>
Excess (deficiency) of revenues over expenditures	<u>4,157.47</u>	<u>-</u>	<u>-</u>	<u>4,157.47</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	4,157.47	-	-	4,157.47
Fund Balances - beginning	<u>1,192.36</u>	<u>-</u>	<u>-</u>	<u>1,192.36</u>
Fund Balances - ending	<u>\$ 5,349.83</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,349.83</u>

**TOWN OF MORRISON**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGETED NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit 6

	STREET AND ALLEY			FIRST RESPONDERS FUND			
	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Beginning Budgetary Fund Balance	\$ 1,727.00	\$ 1,727.00	\$ 1,192.36	\$ 13,901.00	\$ 13,901.00	\$ 11,906.35	\$ (1,994.65)
Resources (Inflows):							
Grants							
Taxes	6,900.00	6,900.00	6,981.85				
Charges for services				17,300.00	17,300.00	19,233.94	1,933.94
Investment income				10.00	10.00	10.28	0.28
Miscellaneous				6,300.00	6,300.00	10,014.96	3,714.96
Transfers from other funds	3,000.00	3,000.00	-				
Amounts available for appropriation	11,627.00	11,627.00	8,174.21	37,511.00	37,511.00	41,165.53	3,654.53
Charges to Appropriations (Outflows):							
Personal services							
Maintenance and operations	6,400.00	6,400.00	2,824.38	32,000.00	32,000.00	28,968.26	3,031.74
Other services and charges							
Capital outlays	5,200.00	5,200.00	-				
Funds transfer							
Total Charges to Appropriations	11,600.00	11,600.00	2,824.38	32,000.00	32,000.00	28,968.26	3,031.74
Ending Budgetary Fund Balance	27.00	27.00	5,349.83	5,511.00	5,511.00	12,197.27	6,686.27

(Continued)

**TOWN OF MORRISON  
BUDGETARY COMPARISON SCHEDULE  
BUDGETED NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit 6

FIRE ASSOCIATION FUND				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 43,646.00	\$ 43,646.00	\$ 43,877.07	\$ 231.07
Resources (Inflows):				
Grants				-
Taxes				-
Charges for services	4,000.00	4,000.00	3,510.00	(490.00)
Investment income	200.00	200.00	188.57	(11.43)
Miscellaneous				-
Transfers from other funds				-
Amounts available for appropriation	<u>47,846.00</u>	<u>47,846.00</u>	<u>47,575.64</u>	<u>(270.36)</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>-</u>	<u>30,000.00</u>
Ending Budgetary Fund Balance	<u>17,846.00</u>	<u>17,846.00</u>	<u>47,575.64</u>	<u>29,729.64</u>

**TOWN OF MORRISON  
SCHEDULE OF GRANT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit 7

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash Accrued or Deferred Revenue at July 1, 2015	Contract Receipts Revenue Recognized	Contract Disbursements Expenditures	Interest Earned Federal Funds	Match Receipts or Revenue Recognized	Match Disbursements Expenditures	Cash Accrued or Deferred Revenue at June 30, 2016
U.S. Department of Housing and Urban Development										
Passed through the Oklahoma Department of Commerce										
CDBG 15	14.228	16406	159,999.00	-	155,178.32	155,178.32		30,650.00	30,650.00	-
Rural Economic Action Plan Grant										
Passed through the Northern Oklahoma Development Authority:										
2016 REAP Fund NB16-1			97,990.37	-	-	-		-	-	-

TOWN OF MORRISON  
Morrison, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES  
For the year ended June 30, 2016

Exhibit 8

**# 2016-1 Segregation of Duties**

**Condition:** The same individual that receives payments is also responsible for billing and adjustments, and posting payments to customers' accounts. In addition, only limited oversight is provided over this individual in the conduct of their daily functions.

**Criteria:** The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's and Authority's assets and ensure accurate financial reporting.

**Cause:** The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

**Effect of Potential Effect:** Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

**Recommendation:** I recommend that the council consider a formal evaluation of the risks associated with this lack of segregation of duties over cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with the lack of segregation of duties, such as providing increased management oversight and/or an independent reconciliation of accounts. For example, the Town might consider soliciting the assistance of independent labor to perform certain functions including performing compensating procedures where applicable.

**Responsible Official's Response:** The Town concurs with the recommendation, although the costs to correct this condition might exceed the benefit.