

TOWN OF MORRISON

Morrison, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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 modified cash basis 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, 2019, 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 the modified cash basis of accounting described in Note 1.B.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 Town'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 Town'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 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. The modified cash basis of accounting requires 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, 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, 2019, or the changes in financial position or cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Morrison, Oklahoma, as of June 30, 2019, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.B.

Basis of Accounting

We draw attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

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 budgetary comparison information, on pages 29 and 30, the combining nonmajor governmental fund financial statements, on pages 35 and 36, the nonmajor governmental fund budgetary comparison schedules, on pages 32 and 33, and the schedule of grant funds, on page 36, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, 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 budgetary comparison information, 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 December 10, 2019, 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.

A handwritten signature in black ink, appearing to read "Michael Green". The signature is stylized with a large, circular flourish at the end.

Michael Green, CPA

November 12, 2019

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MORRISON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2019

Statement 1

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 70,012	\$ 61,042	\$ 131,054
Restricted cash and cash equivalents	85,062	81,280	166,342
Receivable from other funds	786	-	786
Total current assets	<u>155,860</u>	<u>142,322</u>	<u>298,182</u>
Noncurrent assets			
Capital assets:			
Equipment	170,094	24,690	194,784
Land and improvements	27,081	431,671	458,752
Infrastructure	531,594	2,952,324	3,483,918
Less accumulated depreciation	<u>(246,232)</u>	<u>(1,123,377)</u>	<u>(1,369,609)</u>
Total noncurrent assets	<u>482,537</u>	<u>2,285,308</u>	<u>2,767,845</u>
Total assets	<u>638,397</u>	<u>2,427,630</u>	<u>3,066,027</u>
Liabilities			
Current liabilities			
Payable to other funds	786	-	786
Accrued interest payable	-	1,026	1,026
Notes payable - current portion	-	28,652	28,652
Total current liabilities	<u>786</u>	<u>29,678</u>	<u>30,464</u>
Noncurrent liabilities			
Refundable deposits	-	46,444	46,444
Notes payable	-	1,098,299	1,098,299
Total noncurrent liabilities	<u>-</u>	<u>1,144,743</u>	<u>1,144,743</u>
Total liabilities	<u>786</u>	<u>1,174,421</u>	<u>1,175,207</u>
Net position (Note 1.D.)			
Net investment in capital assets	482,537	1,158,357	1,640,894
Restricted	71,792	81,280	153,072
Committed	14,056	-	14,056
Assigned	4,817	-	4,817
Unassigned	<u>64,409</u>	<u>13,572</u>	<u>77,981</u>
Total net position	<u>\$ 637,611</u>	<u>\$ 1,253,209</u>	<u>\$ 1,890,820</u>

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

TOWN OF MORRISON
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2019

Statement 2

Functions/programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contracts	Primary Government			
				Capital Grants and Contracts	Governmental Activities	Business-type Activities	Totals
Governmental activities							
General Government	\$ 96,000	\$ -	\$ -	\$ (96,000)	\$ -	\$ -	\$ (96,000)
Public Safety	35,638	26,145	-	(9,493)	-	-	(9,493)
Streets	18,044	-	-	224,494	-	-	224,494
Culture and recreation	73,218	3,861	-	(69,357)	-	-	(69,357)
Total government activities	<u>222,900</u>	<u>30,006</u>	<u>-</u>	<u>49,644</u>	<u>-</u>	<u>-</u>	<u>49,644</u>
Business-type activities							
Water	256,973	302,366	-	-	45,393	-	45,393
Wastewater		37,542	-	-	37,542	-	37,542
Sanitation	62,550	80,722	-	-	18,172	-	18,172
Administrative and general	206,920	-	-	-	(206,920)	-	(206,920)
Total business-type activities	<u>526,443</u>	<u>420,630</u>	<u>-</u>	<u>-</u>	<u>(105,813)</u>	<u>-</u>	<u>(105,813)</u>
Totals	<u>\$ 749,343</u>	<u>\$ 450,636</u>	<u>\$ -</u>	<u>\$ 49,644</u>	<u>(105,813)</u>	<u>(56,169)</u>	<u>(56,169)</u>
General revenues							
Sales tax				128,460	-	-	128,460
Use tax				32,720	-	-	32,720
Cigarette tax				1,151	-	-	1,151
Intergovernmental revenue not restricted to specific programs				539	-	-	539
Intergovernmental revenue restricted for streets & alleys				8,342	-	-	8,342
Franchise fees				20,286	-	-	20,286
Miscellaneous				22,056	17,692	-	39,748
Interest expense				-	(34,144)	-	(34,144)
Investment earnings				488	149	-	637
Transfers: In				-	63,359	-	63,359
Transfers: Out				(63,359)	-	-	(63,359)
Total general revenues and transfers				<u>150,683</u>	<u>47,056</u>	<u>-</u>	<u>197,739</u>
Change in net position				200,327	(58,757)	-	141,570
Net position, beginning of year				437,284	1,311,966	-	1,749,250
Net position, end of year				<u>\$ 637,611</u>	<u>\$ 1,253,209</u>	<u>\$ -</u>	<u>\$ 1,890,820</u>

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

FUND FINANCIAL STATEMENTS

**TOWN OF MORRISON
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2019**

Statement 3

	General Fund	First Responders Fund	Fire Association Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 70,012	\$ -	\$ -	\$ -	\$ 70,012
Restricted cash and cash equivalents	-	14,056	55,351	15,655	85,062
Receivables from other funds	-	-	-	786	786
Total assets	70,012	14,056	55,351	16,441	155,860
Liabilities					
Current liabilities:					
Payable to other funds	786	-	-	-	786
Total current liabilities	786	-	-	-	786
Fund Balance (Note 1. D.)					
Restricted	-	-	55,351	16,441	71,792
Committed	-	14,056	-	-	14,056
Assigned	4,817	-	-	-	4,817
Unassigned	64,409	-	-	-	64,409
Total fund balances	69,226	14,056	55,351	16,441	155,074
Total liabilities and fund balances	\$ 70,012	\$ 14,056	\$ 55,351	\$ 16,441	

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 \$ 728,769

The accumulated depreciation is \$ 246,232

Net effect for reconciliation

482,537

Net position of governmental activities

\$ 637,611

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 - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

Statement 4

	General Fund	First Responder Fund	Fire Association Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Sales tax	\$ 128,460	\$ -	\$ -	\$ -	\$ 128,460
Use tax	32,720	-	-	-	32,720
Cigarette tax	1,151	-	-	-	1,151
Intergovernmental	539	-	-	8,342	8,881
Franchise fees	20,286	-	-	-	20,286
Grants	242,538	-	-	-	242,538
Charges for services	3,861	19,490	6,655	-	30,006
Miscellaneous	15,454	6,602	-	-	22,056
Investment income	156	16	316	-	488
Total revenues	<u>445,165</u>	<u>26,108</u>	<u>6,971</u>	<u>8,342</u>	<u>486,586</u>
Expenditures:					
General government:					
General government	96,000	-	-	-	96,000
Public safety:					
Fire	-	21,339	1,774	-	23,113
First responders	-	5,280	-	-	5,280
Streets:					
Streets	-	-	-	2,651	2,651
Culture and recreation:					
Parks and recreation	57,121	-	-	-	57,121
Swimming pool	10,171	-	-	-	10,171
Capital Outlay	245,973	-	-	-	245,973
Total expenditures	<u>409,265</u>	<u>26,619</u>	<u>1,774</u>	<u>2,651</u>	<u>440,309</u>
Excess of revenues over (under) expenditures	<u>35,900</u>	<u>(511)</u>	<u>5,197</u>	<u>5,691</u>	<u>46,277</u>
Other financing sources (uses)					
Operating transfers in	-	-	-	-	-
Operating transfer out	(63,359)	-	-	-	(63,359)
Total other financing sources (uses)	<u>(63,359)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,359)</u>
Net change in fund balance	(27,459)	(511)	5,197	5,691	(17,082)
Fund balances, beginning of year	<u>96,684</u>	<u>14,569</u>	<u>50,154</u>	<u>10,750</u>	<u>172,157</u>
Fund balances, end of year	<u>\$ 69,225</u>	<u>\$ 14,058</u>	<u>\$ 55,351</u>	<u>\$ 16,441</u>	<u>\$ 155,075</u>

(Continued)

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

**TOWN OF MORRISON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

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	\$	(17,082)
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital asset purchases capitalized		245,973
Depreciation		(28,564)

Change in net position of governmental activities	\$	<u>200,327</u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF MORRISON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2019**

Statement 5

	Public Works Authority
Assets	Enterprise Fund
Current assets	
Cash and cash equivalents	\$ 61,042
Restricted cash and cash equivalents	81,280
Total current assets	142,322
Noncurrent assets	
Capital assets:	
Equipment	24,690
Land and improvements	431,671
Infrastructure	2,952,324
Less accumulated depreciation	(1,123,377)
Total noncurrent assets	2,285,308
Total assets	2,427,630
Liabilities	
Current liabilities	
Accrued interest payable	1,026
Notes payable - current portion	28,652
Total current liabilities	29,678
Noncurrent liabilities	
Refundable deposits	46,444
Notes payable	1,098,299
Total noncurrent liabilities	1,144,743
Total liabilities	1,174,421
Net position	
Net investment in capital assets	1,158,357
Restricted for debt service	81,280
Unrestricted	13,572
Total net position	\$ 1,253,209

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 - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019**

Statement 6

	Public Works Authority <u>Enterprise Fund</u>
Operating revenue	
Charges for services:	
Water	\$ 288,933
Miscellaneous water sales	13,433
Sewer	37,542
Sanitation	<u>80,722</u>
Total operating revenue	<u>420,630</u>
 Operating expenses:	
Water and wastewater	256,973
Sanitation	62,550
Administration and general	123,746
Depreciation	<u>83,174</u>
Total operating expenses	<u>526,443</u>
 Net operating income (loss)	 <u>(105,813)</u>
 Nonoperating revenue (expense)	
Investment income	149
Interest expense	(34,144)
Grant income	-
Other income	<u>17,692</u>
Total nonoperating revenue (expense)	<u>(16,303)</u>
 Net income (loss) before transfers	 (122,116)
Operating transfers: In	63,359
Operating transfers: Out	<u>-</u>
 Net change in net position	 (58,757)
 Net position beginning of year	 <u>1,311,966</u>
 Net position end of year	 <u>\$ 1,253,209</u>

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

TOWN OF MORRISON
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019

Statement 7

	Public Works Authority
	Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 418,130
Payments to suppliers	(368,859)
Payments to employees	(71,910)
Receipts of customer utility deposits	5,250
Refunds of customer utility deposits	(3,706)
Net cash provided (used) by operating activities	(21,095)
Cash flows from noncapital financing activities	
Transfers from other funds	63,359
Transfers to other funds	(11,275)
Grant income	-
Other income	20,192
Net cash provided (used) by noncapital financing activities	72,275
Cash flows from capital and related financing activities	
Purchase of capital assets	-
Issue new capital debt	-
Principal paid on capital debt	(27,723)
Interest paid on capital debt	(34,144)
Net cash provided (used) by capital and related financing activities	(61,867)
Cash flows from investing activities	
Interest income	149
Net increase (decrease) in cash and cash equivalents	(10,538)
Cash balance beginning of year	152,859
Cash balance end of year	142,322
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	(105,813)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	83,174
Change in assets and liabilities:	
Refundable deposits	1,544
Net cash provided by operating activities	\$ (21,095)

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

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF MORRISON

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 1.B., these financial statements, for the Town of Morrison, Oklahoma, are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB.) These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1.A. FINANCIAL REPORTING ENTITY

The municipality is a corporate body for public purposes created under Title 11 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The general operating authority for the municipality is the Oklahoma Municipal Code contained in Title 11, Oklahoma Statutes. The governing body of the municipality is the Town Council composed of elected members. The mayor is the executive officer of the municipality.

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*, as amended by Statement No. 61.

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

The component units are public trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The Town, as beneficiary of the public trusts, receives title to any residual assets when the public trusts are dissolved

The Morrison Public Works Authority was 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.

The Morrison Educational Facilities Authority is excluded from the financial statements of the Town of Morrison. The Morrison Educational Facilities Authority was inactive during the year ended June 30, 2019.

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

1.A. FINANCIAL REPORTING ENTITY (continued)

Based upon the application of the criteria above, 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. The modified cash basis of accounting requires 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 Morrison Educational Facilities Authority was inactive during the year ended June 30, 2019.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure.

Program revenues within the statement of activities 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:

- General government: License and permits, operating and capital grants and contributions
- Public safety: Fine revenue, operating and capital grants and contributions
- Streets: Gas excise and commercial vehicle taxes

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

1.B. BASIS OF PRESENTATION (continued)

GOVERNMENTAL FUNDS

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

Major Fund

- General Fund - accounts for all activities not accounted for in other special-purpose funds
- 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

Non-Major Funds (Reported as Other Governmental Funds)

- Special Revenue and Capital Project Funds
 - Street & Alley Fund – accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements, as well as sales tax earmarked for street purposes
 - 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

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

PROPRIETARY FUNDS

Enterprise Fund

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

- Morrison Public Works Authority – an enterprise fund that accounts for the operation of the water, sewer and sanitation activities

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

1.C. BUDGETS AND BUDGETARY ACCOUNTING

The Town adopted a budget, under the New Budget Act, for the year ended June 30, 2019.

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

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.

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.F. 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 modified cash 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
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

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 of notes payable.

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 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.

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

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

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements.

FUND BALANCES AND NET POSITION

Fund Balances

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

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

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

Net Position

Net position is displayed in two components:

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

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

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

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

Fund balances at June 30, 2019 for the governmental funds are as follows:

	General Fund	First Responders Fund	Fire Association Fund	Street Alley Fund	Total
Fund Balances:					
Invest in capital assets, net of related depreciation	\$ 482,537	-	-	-	\$ 482,537
Restricted for:					
Highways	-	-	-	16,442	16,442
Fire services	-	-	55,351	-	55,351
Committed to:					
Emergency Fire & Medical Services	-	14,056	-	-	14,056
Assigned to:					
Wastewater projects	4,817	-	-	-	4,817
Unassigned	64,408	-	-	-	64,408
Total Fund Balances	<u>\$ 551,762</u>	<u>\$ 14,056</u>	<u>\$ 55,351</u>	<u>\$ 16,442</u>	<u>\$ 637,611</u>

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.

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.

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

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

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.

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.

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

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

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis 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.

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

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, 2019.

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town is governed by the State Public Deposit Act which requires that the Town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust department or agent, but not in the government's name. At June 30, 2019, the Town held deposits of \$ 299,319 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit and savings accounts, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk – the Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The Town has no 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, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.

TOWN OF MORRISON
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended June 30, 2019

3.A. DEPOSITS AND INVESTMENTS (continued)

- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a,b,c, and d.

As of June 30, 2019, the Town did not hold any securities with credit ratings since they are all non-negotiable time deposits.

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.

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, 2019, the Town complied, in all material respects, with these investment restrictions

The deposits and investments held at June 30, 2019, are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Cash Deposits	NA	N/A	\$ 250,680	\$ 250,680
Investments				
Certificate of Deposit	12	N/A	48,639	48,639
Total Deposits and Investments			<u>\$ 299,319</u>	<u>\$ 299,319</u>

<u>Reconciliation to Statement of Net Assets</u>	
Governmental Activities	154,833
Business-Type Activities	144,486
	<u>\$ 299,319</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 \$ 46,444; amounts held in the Rural Development construction account of \$ 2,165; amounts held in the Rural Development reserve accounts discussed in the following paragraph; amounts held by the Town in the Street & Alley Fund of \$15,655; amounts held in the First Responder Fund of \$ 14,056 and amounts held in the Fire Association Fund of \$ 55,350.

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

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

3.B. RESTRICTED ASSETS (continued)

June 30, 2019 \$ 46,437. The new loan also requires a Short Lived Assets Reserve, to be funded at \$ 472.25 per month. At June 30, 2019, the balance in this reserve account was \$ 34,843.

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. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance at July 30, 2018	Additions	Deductions	Balance at July 30, 2019
<i>Governmental activities:</i>				
Capital assets not being depreciated				
Land	-			-
Total capital assts not being depreciated	-			-
Other capital assets:				
Machinery, furniture and equipment	\$ 170,094	\$ -	\$ -	\$ 170,094
Land and buildings	27,081	-	-	27,081
Infrastructure	285,621	245,973	-	531,594
Total other capital assets at historical cost	482,796	245,973		728,769
Less accumulated depreciation for:				
Machinery, furniture and equipment	158,687	7,973		166,660
Land and buildings	11,068	1,083		12,151
Infrastructure	47,913	19,508	-	67,421
Total accumulated depreciation	217,668	28,564	-	246,232
Other capital assets, net	265,128	217,409	-	482,537
Government activities capital assets, net	\$ 265,128	\$ 217,409	\$ -	\$ 482,537

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

3.D. CAPITAL ASSETS (continued)

	Balance at July 30, 2018	Additions	Deductions	Balance at July 30, 2019
<i>Business-type activities:</i>				
Capital assets not being depreciated				
Land	\$ 88,435	\$ -	\$ -	\$ 88,435
Total capital assets not being depreciated	88,435	-	-	88,435
Other capital assets:				
Machinery, furniture and equipment	11,890	-	-	11,890
Vehicles	12,800	-	-	12,800
Utility property	3,295,560	-	-	3,295,560
Total other capital assets at historical cost	3,320,250	-	-	3,320,250
Less accumulated depreciation for:				
Machinery, furniture and equipment	11,890	-	-	11,890
Vehicles	12,800	-	-	12,800
Utility property	1,015,513	83,174	-	1,098,687
Total accumulated depreciation	1,040,203	83,174	-	1,123,377
Other capital assets, net	2,280,047	(83,174)	-	2,196,873
Business-type activities capital assets, net	\$ 2,368,482	\$ (83,174)	\$ -	\$ 2,285,308

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

Primary Government:

Governmental Activities:

Public Safety	\$ 7,245
Streets	15,393
Culture and Recreation	5,926
Total depreciation expense for governmental activities	<u>28,564</u>

Business-Type Activities:

Water	57,163
Wastewater	16,166
Administrative and General	9,845
Total depreciation expense for business-type activities	<u>\$ 83,174</u>

3.E. 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.

BUSINESS-TYPE ACTIVITIES

As of June 30, 2019, 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. \$ 1,008,717

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

3.E. LONG-TERM DEBT (continued)

- 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. 118,235
- \$ 1,126,952
-

The local bank loan was utilized to build a medical clinic building. The loan included fees of \$ 2,652.65, which were expensed during a 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.

As collateral for the first loan above, 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 first loan above, 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	\$ 46,444
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CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2019.

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

3.E. LONG-TERM DEBT (continued)

Type of Debt	Balance			Balance June 30, 2019	Amount Due Within One Year
	June 30, 2018	Additions	Reductions		
Business-Type Activities:					
Rural Development	\$ 1,026,579	\$ -	\$ (17,862)	\$ 1,008,717	\$ 18,386
First National Bank	128,096	-	(9,861)	118,235	10,266
Refundable Deposits	44,568	5,250	(3,374)	46,444	46,444
					\$ 75,096

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, 2019, are as follows:

Year Ended June 30,	RD Note		First National Bank	
	Principal	Interest	Principal	Interest
2020	18,386	28,648	10,266	4,553
2021	18,924	28,109	10,687	4,131
2022	19,478	27,555	11,126	3,693
2023	20,049	26,985	11,583	3,236
2024	21,813	25,201	12,059	2,760
2025-2029	118,521	116,547	62,514	5,998
2030-2034	135,970	99,098		
2035-2039	155,988	79,080		
2040-2044	178,954	56,115		
2045-2049	205,299	29,770		
2050-2052	115,335	3,815		
	1,008,717	520,923	118,235	24,371

3.F. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2019, were as follows:

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

3.F. INTERFUND TRANSFERS AND BALANCES (continued)

	Transfers In	Transfers Out
MAJOR FUNDS		
GENERAL FUND		
Public Works Authority		63,359
Total General Fund		63,359
STREET & ALLEY FUND		
Public Works Authority		
ENTERPRISE FUND		
Public Works Authority		
General Fund	63,359	
Street & Alley Fund		
GRAND TOTALS	\$ 63,359	\$ 63,359

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 PLAN PARTICIPATION

The Town of Morrison participates in the Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan.

OFPRS:

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

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

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

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

4.A. PENSION PLAN PARTICIPATION (continued)

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Amount Contributed</u>
2014	\$ 1,080	\$ 1,080
2015	960	960
2016	1,080	1,080
2017	1,260	1,260
2018	1,200	1,200

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 by securing commercial insurance for all risks. 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.

4.C. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

RURAL ECONOMIC ACTION PLAN GRANT (REAP)

The Town has been approved for a \$ 85,871.43 Rural Economic Action Plan (REAP) grant through the State of Oklahoma, administered through the Northern Oklahoma Development Authority (NODA) for street resurfacing. The funding period runs from January 15, 2017, through July 15, 2018. These funds were drawn and spent during the current fiscal year.

COMMUNITY DEVELOPMENT BLOCK GRANT

The Town has been approved for a \$ 150,000 Community Development Block Grant (CDBG), funded through the Oklahoma Department of Commerce / Community Development, for street improvements. The grant requires matching funds on the Towns behalf of \$ 110,871 (of which \$ 85,871.43 will be provided by the REAP grant discussed above.) As of June 30, 2019, these funds had been drawn and spent on street resurfacing.

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 current fee is \$ 4 charged to each living unit served by a water meter. The revenue and expenses associated with this program have been recorded in the financial statements as a Special Revenue Fund titled First Responders.

TOWN OF MORRISON
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

4.C. COMMITMENTS AND CONTINGENCIES (continued)

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 51 East Water District, during the year ended June 30, 2019. Thus, no payments were made under these two leases for the year ended June 30, 2019.

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, 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.

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.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 11, 2019, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MORRISON
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2019

Exhibit 1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 89,287	\$ 89,287	\$ 96,684	\$ 7,397
Resources (Inflows):				
Alcohol beverage tax	9,700	9,700	13,774	4,074
Park and recreation	1,600	1,600	3,612	2,012
Franchise fees	19,000	19,000	20,286	1,286
Interest income	90	90	156	66
Miscellaneous	3,650	3,650	2,219	(1,431)
Building permits	300	300	249	(51)
Grants	235,871	235,871	242,538	6,667
Sales tax	115,230	115,230	128,460	13,230
Use tax	13,200	13,200	32,720	19,520
Cigarette tax	1,410	1,410	1,151	(259)
Transfers from other funds	-	-	-	-
Amounts available for appropriation	489,338	489,338	541,849	52,511
Charges to Appropriations (Outflows):				
General Government:				
Personal services	15,500	15,500	14,069	1,431
Maintenance and operations	40,629	60,629	55,411	5,218
Capital outlay	250,871	251,371	15,922	235,449
Funds Transfer	86,000	73,000	63,359	9,641
Total General Government	393,000	400,500	148,761	251,739
City Clerk:				
Personal services	8,400	12,400	8,906	3,494
Managerial:				
Personal services	5,500	5,500	5,516	(16)
City Treasurer:				
Personal services	4,500	4,500	3,600	900
Parks and recreation:				
Maintenance and operations	39,900	27,900	57,121	(29,221)
Capital outlay	-	-	230,051	(230,051)
Total parks and recreation	39,900	27,900	287,172	(259,272)
Swimming pool:				
Personal services	6,500	6,500	5,434	1,066
Maintenance and operations	24,000	24,000	4,736	19,264
Total swimming pool	30,500	30,500	10,170	20,330
Social security and medicare				
Personal services	2,500	3,000	4,750	(1,750)

(Continued)

**TOWN OF MORRISON
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

Exhibit 1

	Budget Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
State unemployment:				
Personal services	\$ 1,195	\$ 1,195	\$ 744	\$ 451
Workmans compensation:				
Personal services	540	540	3,005	(2,465)
Total Charges to Appropriations	486,035	486,035	472,624	13,411
Ending Budgetary Fund Balance	3,303	3,303		
Funds Transfers (stated separately on the Statement of Revenues, Expenditures, and Changes in Fund Balance)			(63,359)	
General Fund Expenditures (Statement of Revenues, Expenditures, and Changes in Fund Balance)			\$ 409,265	

TOWN OF MORRISON
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2019

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 modified cash basis of accounting.

**TOWN OF MORRISON
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

Exhibit 2

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND		Total Nonmajor Governmental Funds
	Street and Alley Fund	Grant Fund	Park Fund	
ASSETS				
Cash and cash equivalents	\$ 15,655	\$ -	\$ -	\$ 15,655
Receivable from other funds	786			786
Total assets	16,441	-	-	16,441
 LIABILITIES AND FUND BALANCE				
Current liabilities:				
Accounts payable	-	-	-	-
Total current liabilities	-	-	-	-
 Fund Balance				
Restricted for highways	16,441			16,441
Unassigned				-
Total Fund Balance	16,441	-	-	16,441
Total Liabilities and Fund Balance	\$ 16,441	\$ -	\$ -	\$ 16,441

TOWN OF MORRISON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 3

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND		Total Nonmajor Governmental Funds
	Street and Alley Fund	Grant Fund	Park Fund	
Revenues:				
Intergovernmental	\$ 8,342	\$ -	\$ -	\$ 8,342
Grants	-	-	-	-
Miscellaneous	-	-	-	-
Investment income	-	-	-	-
Total Revenues	<u>8,342</u>	<u>-</u>	<u>-</u>	<u>8,342</u>
Expenditures:				
Streets	2,651	-	-	2,651
Parks and recreation	-	-	-	-
Interest expense	-	-	-	-
Wastewater	-	-	-	-
Amortization	-	-	-	-
Total Expenditures	<u>2,651</u>	<u>-</u>	<u>-</u>	<u>2,651</u>
Excess (deficiency) of revenues over expenditures	<u>5,691</u>	<u>-</u>	<u>-</u>	<u>5,691</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	5,691	-	-	5,691
Fund Balances - beginning	<u>10,750</u>	<u>-</u>	<u>-</u>	<u>10,750</u>
Fund Balances - ending	<u>\$ 16,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,441</u>

**TOWN OF MORRISON
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

Exhibit 4

	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	\$ 8,250	\$ 8,250	\$ 10,750	\$ 11,021	\$ 11,021	\$ 14,569	\$ 3,548
Resources (Inflows):							
Grants	-	-	-	-	-	-	-
Taxes	6,200	6,200	8,342	21,000	21,000	19,264	(1,736)
Charges for services	-	-	-	12	12	16	4
Investment income	400	400	(400)	6,200	6,200	6,827	627
Miscellaneous	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-
Amounts available for appropriation	14,850	14,850	19,092	38,233	38,233	40,676	2,443
Charges to Appropriations (Outflows):							
Personal services	6,400	6,400	2,651	32,000	32,000	26,619	5,381
Maintenance and operations	5,200	5,200	-	-	-	-	-
Other services and charges	-	-	5,200	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
Funds transfer	11,600	11,600	2,651	32,000	32,000	26,619	5,381
Total Charges to Appropriations	3,250	3,250	16,441	6,233	6,233	14,056	7,824
Ending Budgetary Fund Balance	\$ 3,250	\$ 3,250	\$ 16,441	\$ 6,233	\$ 6,233	\$ 14,056	\$ 7,824

(Continued)

**TOWN OF MORRISON
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

Exhibit 4

FIRE ASSOCIATION FUND				
	Budgeted Amounts	Actual	Variance with	
	Original	Final	Final Budget	Positive(Negative)
Beginning Budgetary Fund Balance	\$ 51,879	\$ 51,879	\$ 44,186	\$ (7,693)
Resources (Inflows):				
Grants	-	-	-	-
Taxes	-	-	-	-
Charges for services	5,150	5,150	8,905	3,755
Investment income	160	160	212	52
Miscellaneous	-	-	400	400
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>57,189</u>	<u>57,189</u>	<u>53,703</u>	<u>(3,486)</u>
Charges to Appropriations (Outflows):				
Personal services	-	-	-	-
Maintenance and operations	-	-	-	-
Other services and charges	-	-	-	-
Capital outlays	30,000	30,000	3,550	26,450
Funds transfer	-	-	-	-
Total Charges to Appropriations	<u>30,000</u>	<u>30,000</u>	<u>3,550</u>	<u>26,450</u>
Ending Budgetary Fund Balance	<u>\$ 27,189</u>	<u>\$ 27,189</u>	<u>\$ 50,153</u>	<u>\$ 22,964</u>

**TOWN OF MORRISON
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

Exhibit 5

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash		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, 2019
				Accrued or Deferred Revenue at July 1, 2018	150,000						
<hr/>											
U.S. Department of Housing and Urban Development											
Passed through the Oklahoma Department											
of Commerce											
CDBG 17	14.228	17004	150,000	-	150,000	150,000	-	-	-	-	-
<hr/>											
Rural Economic Action Plan Grant											
Passed through the Northern Oklahoma											
Development Authority:											
2017 REAP Fund NO 17-1			85,871	-	85,871	85,871	-	-	-	-	-
<hr/>											

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the 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, 2019, 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 November 12, 2019. Our report on the business-type activities was qualified due to the omission of fixed assets and related depreciation. Our report included an emphasis-of-matter paragraph related to the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 (# 2019-1), 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.

A handwritten signature in black ink, appearing to read "Michael Green". The signature is stylized and cursive.

Michael Green, CPA

November 12, 2019

TOWN OF MORRISON
SCHEDULE OF FINDINGS AND RESPONSES

Exhibit 6

2019-1 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.