

Town of Morrison, Oklahoma

**Financial Statements and Report
of Independent Accountants**

**As of and For the Year Ending
June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Morrison, Oklahoma

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the Town of Morrison, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Morrison's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Morrison, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Morrison's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Morrison's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion & analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023, on our consideration of the Town of Morrison'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 solely 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 the effectiveness of the Town of Morrison's 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 Town of Morrison's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
October 18, 2023

Town of Morrison
Statement of Net Position - Modified Cash Basis - Government Wide
For the Year Ended June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	376,691.84	517,620.26	894,312.10
Noncurrent assets:			
Capital Assets	391,728.49	2,416,548.84	2,808,277.33
Total assets	\$ 768,420.33	\$ 2,934,169.10	\$ 3,702,589.43
Liabilities			
Current liabilities			
Meter deposits	-	64,696.90	64,696.90
Current Portion of Long-Term Debt	-	149,658.12	149,658.12
Total current liabilities	-	214,355.02	214,355.02
Noncurrent Liabilities			
Notes Payable Net of Current Portion	-	1,132,086.78	1,132,086.78
Total Liabilities	-	1,346,441.80	1,346,441.80
Net Assets			
Invested in capital assets, net of related debt	391,728.49	1,134,803.94	1,526,532.43
Unrestricted	376,691.84	132,630.64	509,322.48
Restricted	-	320,292.72	320,292.72
Total net assets	768,420.33	1,587,727.30	2,356,147.63
Total liabilities and net assets	\$ 768,420.33	\$ 2,934,169.10	\$ 3,702,589.43

The accompanying notes are an integral part of these financial statements.

Town of Morrison
Statement of Activities - Modified Cash Basis - Government Wide
For the Year Ending June 30, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business - Type Activities	
Primary government						
Governmental activities						
General government	225,870.06	-	325,344.46	99,474.40	-	99,474.40
Public Safety	33,144.54	15,341.27	-	(17,803.27)	-	(17,803.27)
Streets	26,348.29	2,527.97	-	(23,820.32)	-	(23,820.32)
Culture & Recreation	34,626.58	36,689.13	-	2,062.55	-	2,062.55
Total governmental activities	<u>319,989.47</u>	<u>54,558.37</u>	<u>325,344.46</u>	<u>59,913.36</u>	<u>-</u>	<u>59,913.36</u>
Business-type activities						
Water & Wastewater	374,307.79	451,210.98	-	-	76,903.19	76,903.19
Sewer	-	43,420.83	-	-	43,420.83	43,420.83
Sanitation	62,736.05	116,339.26	-	-	53,603.21	53,603.21
Administrative & General	173,726.40	3,306.42	-	-	(170,419.98)	(170,419.98)
Total business-type activities	<u>610,770.24</u>	<u>614,277.49</u>	<u>-</u>	<u>-</u>	<u>3,507.25</u>	<u>3,507.25</u>
Total primary government	<u>\$ 930,759.71</u>	<u>\$ 668,835.86</u>	<u>\$ 325,344.46</u>	<u>\$ 59,913.36</u>	<u>\$ 3,507.25</u>	<u>\$ 63,420.61</u>

General revenues:

Sales Tax	189,962.25	-	189,962.25
Use Tax	62,221.96	-	62,221.96
Other Taxes & Revenues	92,945.30	-	92,945.30
Transfers	(438,402.17)	438,402.17	-
Total general revenues	<u>(93,272.66)</u>	<u>438,402.17</u>	<u>345,129.51</u>
Change in net assets	(33,359.30)	441,909.42	408,550.12
Net assets - beginning	801,779.63	1,145,817.88	1,947,597.51
Net assets - ending	<u>\$ 768,420.33</u>	<u>\$ 1,587,727.30</u>	<u>\$ 2,356,147.63</u>

The accompanying note are an integral part of these financial statements.

Town of Morrison
Balance Sheet - Modified Cash Basis - Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Emergency Management Fund	Fund Association Fund	Street & Alley	Total
Assets					
Cash & Cash Equivalents	268,643.94	22,849.34	71,430.61	13,767.95	376,691.84
Due from Other Funds	-	-	-	2,873.61	2,873.61
Total assets	<u>\$ 268,643.94</u>	<u>\$ 22,849.34</u>	<u>\$ 71,430.61</u>	<u>\$ 16,641.56</u>	<u>\$ 379,565.45</u>
Liabilities					
Due to Other Funds	2,873.61	-	-	-	2,873.61
Total liabilities	2,873.61	-	-	-	2,873.61
Fund Balances					
Restricted	-	-	-	2,873.61	2,873.61
Committed	-	22,849.34	-	-	22,849.34
Assigned	19,986.10	-	-	-	19,986.10
Unassigned	245,784.23	-	71,430.61	13,767.95	330,982.79
Total fund balances	265,770.33	22,849.34	71,430.61	16,641.56	376,691.84
Total liabilities and fund balances	<u>\$ 268,643.94</u>	<u>\$ 22,849.34</u>	<u>\$ 71,430.61</u>	<u>\$ 16,641.56</u>	<u>\$ 379,565.45</u>
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities as of Jun. 30, 2023					
Total Governmental Fund Balances	265,770.33	22,849.34	71,430.61	16,641.56	376,691.84
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>					
Capital assets used in government activities are not financial resources and therefore are not reported in the fund financial statements.	391,728.49	-	-	-	391,728.49
Net Assets of Governmental Activities	<u>\$ 657,498.82</u>	<u>\$ 22,849.34</u>	<u>\$ 71,430.61</u>	<u>\$ 16,641.56</u>	<u>\$ 768,420.33</u>

The accompanying notes are an integral part of these financial statements.

Town of Morrison
Statement of Revenues, Expenditures, and Changes in Net Assets - Modified Cash Basis -
Governmental Funds
For the Year Ending June 30, 2023

	General Fund	Emergency Management Fund	Fire Association Fund	Street & Alley Fund	Total
Revenues					
Sales & Use Tax	252,184.21	-	-	-	252,184.21
Franchise Tax	22,505.58	-	-	-	22,505.58
Tobacco Tax	1,318.00	-	-	-	1,318.00
Gas and motor vehicle taxes	4,786.14	-	-	6,070.84	10,856.98
Alcoholic beverage taxes	19,082.54	-	-	-	19,082.54
Donations & Grants	325,344.46	-	-	-	325,344.46
Charges for Services	37,692.23	11,268.17	3,070.00	2,527.97	54,558.37
Other revenues	39,182.20	-	-	-	39,182.20
Total revenues	<u>702,095.36</u>	<u>11,268.17</u>	<u>3,070.00</u>	<u>8,598.81</u>	<u>725,032.34</u>
Expenditures					
Payroll Expenses	140,736.91				140,736.91
Maintenance and Operations	93,993.70	29,773.05	1,286.49	26,348.29	151,401.53
Capital Expenditures	20,800.00	-	-	-	20,800.00
Total expenditures	<u>255,530.61</u>	<u>29,773.05</u>	<u>1,286.49</u>	<u>26,348.29</u>	<u>312,938.44</u>
Transfers In (Out)	<u>(458,484.81)</u>	-	-	20,082.64	<u>(438,402.17)</u>
Net Change in Fund Balance	(11,920.06)	(18,504.88)	1,783.51	2,333.16	(26,308.27)
Beginning Fund Balance	<u>277,690.39</u>	<u>41,354.22</u>	<u>69,647.10</u>	<u>14,308.40</u>	<u>403,000.11</u>
Fund balance at end of year	<u>\$ 265,770.33</u>	<u>\$ 22,849.34</u>	<u>\$ 71,430.61</u>	<u>\$ 16,641.56</u>	<u>\$ 376,691.84</u>

Reconciliation of Changes in fund balance to changes in net assets on the Government-Wide Statements:

Net change in Fund Balance - governmental funds	(11,920.06)	(18,504.88)	1,783.51	2,333.16	(26,308.27)
<i>Capital Outlay is an expense in the governmental funds but an addition to capital assets on the government-wide basis.</i>	20,800.00	-	-	-	20,800.00
<i>Depreciation expense is recorded in the government-wide financial statements but not recorded in the fund financial statements.</i>	(27,851.03)	-	-	-	(27,851.03)
Change in Government Wide Net Assets	<u>\$ (18,971.09)</u>	<u>\$ (18,504.88)</u>	<u>\$ 1,783.51</u>	<u>\$ 2,333.16</u>	<u>\$ (33,359.30)</u>

The accompanying notes are an integral part of these financial statements.

Town of Morrison
Statement of Net Position - Modified
Cash Basis - Proprietary Fund
For the Year Ended June 30, 2023

Assets

Current Assets:

Cash & Cash Equivalents - Unrestricted	132,630.64
Cash & Cash Equivalents - Restricted	384,989.62
Total Current Assets	517,620.26

Noncurrent assets:

Net Capital Assets	2,416,548.84
Total Assets	\$ 2,934,169.10

Liabilities

Current Liabilities:

Notes Payable - Current Portion	149,658.12
Meter Deposits	64,696.90
Total Current Liabilities	214,355.02

Non-Current Liabilities:

Notes Payable - Non-Current Portion	1,132,086.78
Total Liabilities	1,346,441.80

Net Position

Invested in Capital Assets, Net of Related Debt	1,134,803.94
Restricted	320,292.72
Unrestricted	132,630.64
Total Net Position	1,587,727.30
Total Liabilities & Net Position	\$ 2,934,169.10

The accompanying notes are an integral part of these financial statements.

Town of Morrison
Statement of Revenues, Expenses, and Changes in Fund Net
Position - Modified Cash Basis - Proprietary Fund
For the Year Ended June 30, 2023

Operating Revenues

Charges for Services:

Sewer	43,420.83
Water	451,210.98
Sanitation	116,339.26
Other Revenues	3,306.42
Total Operating Revenues	<u>614,277.49</u>

Operating Expenses

Maintenance & Operations	216,260.69
Payroll	81,169.47
Water Purchases	190,026.73
Depreciation	87,634.37
Total Operating Expenses	<u>575,091.26</u>
Operating Income (Loss)	39,186.23

Nonoperating Revenues (Expenses)

Transfers from (to) Other Funds	438,402.17
Interest Expense	(35,678.98)
Total Nonoperating Revenues (Expenses)	<u>402,723.19</u>

Change in Net Position	<u>441,909.42</u>
Net Position - Beginning	<u>1,145,817.88</u>
Net Position - Ending	<u><u>\$ 1,587,727.30</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Morrison
Statement of Cash Flows - Modified Cash Basis - Proprietary Fund
For the Year Ended June 30, 2023

Cash Flows From Operating Activities	
Receipts from Customers	614,277.49
Payments to Suppliers	(406,287.42)
Payments to Employees	(81,169.47)
Receipt (Refund) of Meter Deposits	(3,760.14)
Net Cash Provided (Used) by Operating Activities	<u>123,060.46</u>
 Cash Flows from Investing Activities	
Capital Expenditures	(125,055.00)
 Cash Flows from Capital and Related Financing Activities	
Proceeds from Borrowings	101,276.58
Principal Paid on Capital Debt	(52,111.90)
Interest	(35,678.98)
Transfers from Other Funds	240,691.44
Total Cash Flows from Capital and Related Financing Activities	<u>254,177.14</u>
 Net Increase (Decrease) in Cash	 252,182.60
Beginning Balance	354,025.16
Ending Balance	<u>\$ 517,620.26</u>
 <i>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</i>	
Operating Income (Loss)	39,186.23
Depreciation Expense	87,634.37
Receipt (Refund) of Meter Deposits	(3,760.14)
Net Cash Provided (Used) by Operating Activities	<u>\$ 123,060.46</u>

The accompanying notes are an integral part of these financial statements.

Town of Morrison, Oklahoma
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Note 1-Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

The Town of Morrison, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, public works and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2023, the Town had the following component units:

- Morrison Public Utility Authority
- Morrison Educational Facilities Authority (Omitted)

The Morrison Public Works Authority (MPWA) is a public trust created pursuant to Title 60 of the *Oklahoma Statutes*. The MPWA 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 the governing body of the MPWA. The Town of Morrison 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, 2023.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2023, the Town had governmental funds consisted of the general fund. The proprietary funds consisted of the Morrison Public Utility Authority.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the modified cash basis of accounting. Revenues are recognized when collected and expenses are recognized when paid. This is the same approach used in the preparation of the proprietary fund financial statements. The fund financial statements also use the modified cash basis of accounting. The government-wide statements record fixed assets and long-term debt as assets and liabilities. The fund financial statements record fixed assets as expenditures. The fund financial statements records the proceeds of long term debt as a revenue and the repayment of long term debt as an expenditures.

Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

GOVERNMENTAL FUNDS

The governmental funds consist of the following:

Major Funds:

General Fund – The General Fund is used to account for all of the general revenues of the Town not specifically levied or collected for other Town funds, and for expenditures primarily related to the rendering of general services to the Town.

Special Revenue Funds – Special Revenue Funds are established to account for revenues derived from specific taxes or other earmarked revenues. The following are classified as special revenue funds:

Major Funds:

- Emergency Management Fund
- Fire Association Fund

Non-Major Funds:

- Street & Alley Fund

PROPRIETARY FUNDS

Enterprise Fund

The Town's only proprietary fund is the following:

- Morrison Public Works Authority

1.B. Assets, Liabilities, and Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of monies held in conjunction with the Morrison Public Works Authority's meter deposits requirements and various construction projects.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2023.

Budget

In accordance with Oklahoma Statutes, Title 11, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Budget Act.

Risk Management

Significant losses are covered by commercial insurance for all Town operations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Government-wide Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

- a. Invested in capital assets, net of related debt- consist of the historical cost of capital assets, loan proceeds that have not been spent less accumulated depreciation and less any debt that remains.
- b. Restricted net assets, consist of net assets that are restricted by the Town's creditors, by the state enabling legislation, by grantors and by other contributors.
- c. Unrestricted, all other net assets are reported in this category.

Governmental Fund Balances

- a. Nonspendable, amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted, amounts that can be spent only for specific purposes because of the Town's ordinances, state or federal law, or externally imposed conditions by grantors or creditors.
- c. Committed, amounts that can be used only for specific purposes determined by a formal action by Board of Trustee's resolution.
- d. Assigned, amounts that are designated by the Board of Trustees

Fund balances at June 30, 2023 for the governmental funds are as follows:

	General Fund	Emergency Management Fund	Fire Association Fund	Street & Alley Fund	Total
Fund Balances:					-
Restricted for:					-
Highways				2,874	2,874
Fire Services					-
Committed to:					-
Emergency Fire & Medical Services		22,849			22,849
Assigned to:					-
Wastewater projects	19,986				19,986
Unassigned	245,784		71,431	13,768	330,983
Total Fund Balances	\$ 265,770	\$ 22,849	\$ 71,431	\$ 16,642	\$ 376,692

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets) the Town's policy is to first apply the expense toward the restricted resources and then toward unrestricted resources. In governmental funds, the town's policy is to first apply the expenditure toward restricted fund balances and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

1.C. Revenues, Expenditures, and Expenses

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 USDA 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. 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 Morrison Public Works Authority Sales Tax Account. The Authority has pledged the sales tax revenue to USDA Rural Development 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 revenues 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.

Note 2-Deposits with Financial Institutions

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Morrison is considered a separate entity from the Morrison Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Morrison's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Morrison Public Works Authority. The remaining funds would be category 3.

Note 3-Capital Assets and Depreciation

Capital Asset activity for the year ended June 30, 2023 was as follows:

Governmental Activities				
Assets at Historical Cost	Balance, June 30, 2022	Additions	Subtractions	Balance, June 30, 2023
Machinery, furniture and equipment	170,094.00	20,800.00	-	190,894.00
Land and buildings	27,081.32	-	-	27,081.32
Infrastructure	531,594.48	-	-	531,594.48
Total	728,769.80	-	-	749,569.80
Accumulated Depreciation:				
Machinery, furntiure and equipment	144,682.76	7,972.76	-	152,655.52
Buildings	14,805.89	1,083.25	-	15,889.14
Infrastructure	170,501.63	18,795.02	-	189,296.65
Total	329,990.28	27,851.03	-	357,841.31
Capital Assets, Net	\$ 398,779.52	-	-	\$ 391,728.49

Business-Type Activities				
Assets at Historical Cost	Balance, June 30, 2022	Additions	Subtractions	Balance, June 30, 2023
Equipment	24,690.00	-	-	24,690.00
Buildings & Improvements	358,056.65	-	-	358,056.65
Land	88,435.00	-	-	88,435.00
Sewer Infrastructure	617,566.00	-	-	617,566.00
Water Infrastructure	2,473,745.96	313,836.79	-	2,787,582.75
Total	3,562,493.61			3,876,330.40
Accumulated Depreciation:				
Equipment	24,540.00		-	24,690.00
Buildings & Improvements	82,314.56	10,298.52	-	92,613.08
Sewer Infrastructure	256,146.27	14,712.40	-	270,858.67
Water Infrastructure	1,008,996.26	62,623.45	-	1,071,619.71
Total	1,371,997.09	87,634.37	-	1,459,781.46
Capital Assets, Net	\$ 1,101,748.87	-	-	\$ 2,416,548.84

Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available.

Note 4- Notes Payable and other Long-Term Debt

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. Amounts required to amortize this obligation are as follows:

	Principal	Interest
2024	21,846.43	25,205.57
2025	22,454.86	24,597.14
2026	23,080.21	23,971.79
2027	23,722.97	23,329.03
2028	24,383.63	22,668.37
2029-2033	132,490.44	102,769.56
2034-2038	151,995.84	83,264.16
2039-2043	174,372.86	60,887.16
2044-2048	200,044.19	35,215.81
2049-2052	152,137.40	7,371.01
	\$ 926,528.83	\$ 409,279.60

Note issued to a local financial institution on July 1, 2022 in the amount of \$194,724.72, with monthly principal and interest payments of \$1,205.27 and a variable rate of interest. Because the interest rate is variable, the interest rate is estimated at 5.58% in the amortization as follows:

	Principal	Interest
2024	3,885.32	10,577.92
2025	4,107.74	10,355.50
2026	4,342.86	10,120.38
2027	4,591.48	9,871.76
2028	4,854.33	9,608.91
2029-2033	27,871.92	43,544.28
2034-2038	38,005.40	34,310.80
2039-2043	50,202.13	22,114.07
2044-2048	53,487.06	6,053.46
	<u>\$191,348.24</u>	<u>\$156,557.08</u>

During the fiscal year 2022, the Morrison PWA incurred a liability related to a legal action. The total of amount of the liability is \$295,740.29, of which 40% was payable by July 8, 2022. The 40% due by July 8, 2022 has been recorded as a current liability. The rest of the liability is payable in installments of \$2,000 per month until satisfied in full.

Changes in Long-Term Debt:

	Balance, June 30, 2022	Additions	Subtractions	Balance, June 30, 2023
Rural Development Note	947,807.00	-	21,254.51	926,552.49
First National Bank Note	90,309.51	-	90,309.51	0
Blue Sky Note	-	194,724.72	3,376.48	191,348.24
Legal Liability	295,740.29	-	131,896.12	163,844.17
Total	<u>\$ 1,333,856.80</u>	<u>\$ -</u>	<u>\$ 246,836.62</u>	<u>\$ 1,281,744.90</u>

Interest Paid

Rural Development Note	25,797.49
First National Bank Note	-
Blue Sky Note	9,881.49
Total	<u>\$ 25,797.49</u>

Note 5-Subsequent Events

Subsequent events have been evaluated through October 18, 2023, which is the date the financial statements were issued.

Note 6-Risk Management

The Town is exposed to various risks and loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. Commercial insurance is used to cover general liability claims, worker, compensation and the risk of loss to Town buildings and mobile equipment. Judgment against the Town may be paid by a property tax assessment over a three-year period.

Note 7 – Other Disclosures

The Town of Morrison participates in the Oklahoma Firefighters' Pension and Retirement System (OFPRS) – a statewide cost-sharing plan. 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 contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS required and actual contributions are as follows:

2017 – 1,260
2018 – 1,200
2019 – 1,080
2020 – 1,200
2021 – 1,008
2022 – 960
2023 – 1,020

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

To the Board of Trustees
Morrison, 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, 2023, 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 18, 2023.

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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Items 2023-1, 2023-2.

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 instances of noncompliance or other matters that are required to be reported under *Government*

Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items.

Town of Morrison, Oklahoma's Response to Findings

Town of Morrison, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 that reads "Russell & Williams CPAs PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
October 18, 2023

Schedule of Findings and Questioned Costs

2023-1 Accounting System

CONDITION: During our audit we discovered that the Town's accounting system was incorrectly posting various expenses to the wrong general ledger cash account, resulting in a large, incorrect credit balance in the account. The same phenomenon occurred in an MPWA cash account as well.

CRITERIA: The entity's accounting system should be correctly to accurately record all cash balances.

CAUSE OF CONDITION: Unknown.

EFFECT OF CONDITION: Cash was significantly understated because the negative (credit) balance was closed to the next year

RECOMMENDATION: The recommendation is that the Town consult an expert in Quickbooks to address the problem or to change its accounting software.

MANAGEMENT RESPONSE: Management will consider the recommendation.

2023-2 – Tracking and Recording Proprietary Fund Revenues

CONDITION: The provided reports summarizing proprietary fund revenues understated revenues based on an analysis of bank account activity in the Public Works Authority. The MPWA trial balance significantly underreported revenues as well.

CRITERIA: Revenues should be regularly tracked and recorded as deposits post to the bank account, and then separately tracked according to category. The detailed revenue reports should be regularly reconciled to the general ledger accounts so that recorded revenues closely tie to the detailed reports.

CAUSE OF CONDITION: Failure to adequately track and record proprietary fund revenues as they are deposited.

EFFECT OF CONDITION: Before correction, revenues would have been materially misstated.

RECOMMENDATION: See CRITERIA.

MANAGEMENT RESPONSE: Management will consider the recommendation.