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State Auditor & Inspector

**MORRISON EDUCATIONAL
FACILITIES AUTHORITY**

Morrison, Oklahoma

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FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Bruce G. Luttrell, CPA, PC
Certified Public Accountant

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**MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA**

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

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Morrison Educational Facilities Authority, a component unit of the Town of Morrison, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Morrison Educational Facilities Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Morrison Educational Facilities Authority's, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Morrison Educational Facilities Authority, a component unit of the Town of Morrison, Oklahoma, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 13, 2011, on my consideration of the Morrison Educational Facilities Authority's, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Morrison Educational Facilities Authority, has not presented the Management's Discussion and Analysis or the budgetary comparison information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morrison Educational Facilities Authority's financial statements as a whole. The Combining Schedule of Net Assets and the Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets, on pages 20 and 21, are presented for purposes of additional analysis and are not a required part of the financial statements. The Combining Schedule of Net Assets and the Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bruce Luttrell, CPA, PC

October 13, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA**

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Business-type Activities
ASSETS	
Current assets:	
Cash	\$ -
Restricted cash & investments (Note 1.E.)	310,831.72
Accrued investment interest	4,033.72
Accrued revenue receivable: Morrison Public Schools (Note 1.E.)	28,736.85
Total current assets	343,602.29
Noncurrent assets:	
Lease receivable: Morrison Public Schools (Note 4)	1,465,989.37
Total noncurrent assets	1,465,989.37
Total Assets	\$ 1,809,591.66
 LIABILITIES	
Current liabilities:	
Accrued interest payable (Note 1.E.)	\$ 28,736.85
Current portion of long-term debt	-
Total current liabilities	28,736.85
Noncurrent liabilities:	
Bonds payable (Note 5)	1,810,000.00
Less: current portion	-
Total noncurrent liabilities	1,810,000.00
Total liabilities	1,838,736.85
 NET ASSETS	
Restricted for:	
Debt service	(29,145.19)
Unassigned	-
Total net assets	(29,145.19)
Total liabilities and net assets	\$ 1,809,591.66

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

**MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011**

Functions/programs	Expenses	Program Revenues	Net (Expense)/ Revenue
Business-type activities			
Morrison Public Schools project	\$ 94,733.61	\$ 194,384.33	\$ 99,650.72
Total business-type activities	\$ 94,733.61	\$ 194,384.33	\$ 99,650.72
 Change in net assets			 99,650.72
Net assets, beginning of year			(128,795.91)
Net assets, end of year			\$ (29,145.19)

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

FUND FINANCIAL STATEMENTS

**MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011**

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash	\$ -
Restricted cash & investments (Note 1.E.)	310,831.72
Accrued investment interest	4,033.72
Accrued revenue receivable: Morrison Public Schools (Note 1.E.)	28,736.85
Total current assets	<u>343,602.29</u>
Noncurrent assets:	
Lease receivable: Morrison Public Schools (Note 4)	1,465,989.37
Total noncurrent assets	<u>1,465,989.37</u>
Total Assets	<u>\$ 1,809,591.66</u>
 LIABILITIES	
Current liabilities:	
Accrued interest payable (Note 1.E.)	\$ 28,736.85
Current portion of long-term debt	-
Total current liabilities	<u>28,736.85</u>
Noncurrent liabilities:	
Bonds payable (Note 5)	1,810,000.00
Less: current portion	-
Total noncurrent liabilities	<u>1,810,000.00</u>
Total liabilities	<u>1,838,736.85</u>
 NET ASSETS	
Restricted for:	
Debt service	(29,145.19)
Unassigned	-
Total net assets	<u>(29,145.19)</u>
Total liabilities and net assets	<u>\$ 1,809,591.66</u>

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

**MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund</u>
Operating revenues:	
Morrison Public Schools remittance	\$ 182,817.61
Total operating revenues	<u>182,817.61</u>
Operating expenses:	
Operating expenses	5,255.00
Miscellaneous	-
Total operating expenses	<u>5,255.00</u>
Net operating income	<u>177,562.61</u>
Nonoperating revenue (expense)	
Interest income	11,566.72
Interest expense	<u>(89,478.61)</u>
Total nonoperating revenue (expense)	<u>(77,911.89)</u>
Change in net assets	99,650.72
Net assets beginning of year	<u>(128,795.91)</u>
Net assets end of year	<u>\$ (29,145.19)</u>

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

**MORRISON EDUCATIONAL FACILITIES AUTHORITY
MORRISON, OKLAHOMA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Morrison Public Schools remittance	\$ 182,817.61
Administrative fee	(5,255.00)
Nonoperating revenue (expenses), net	-
Net cash provided (used) by operating activities	<u>177,562.61</u>
Cash flows from noncapital financing activities:	
Operating transfers in	-
Operating transfers out	-
Net cash provided (used) by noncapital financing activities	<u>-</u>
Cash flows from capital and related financing activities:	
Receipts on lease receivable	389,867.25
Advance on lease receivable	-
Principal paid on debt	(445,000.00)
Interest paid on debt	(89,478.61)
Net cash provided (used) by capital and related financing activities	<u>(144,611.36)</u>
Cash flows from investing activities:	
Interest income	<u>11,534.72</u>
Net increase (decrease) in cash and cash equivalents	44,485.97
Cash balance beginning of year	<u>266,345.75</u>
Cash balance end of year	<u><u>\$ 310,831.72</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 177,562.61
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Accrued revenue receivable	7,065.14
Accrued interest receivable	-
Accrued interest payable	(7,065.14)
Net cash provided by operating activities	<u><u>\$ 177,562.61</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

MORRISON EDUCATIONAL FACILITIES AUTHORITY
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A. FINANCIAL REPORTING ENTITY

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

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

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

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

MORRISON EDUCATIONAL FACILITIES AUTHORITY
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

THE PROJECT

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

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

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

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

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

MORRISON EDUCATIONAL FACILITIES AUTHORITY
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.B. BASIS OF PRESENTATION (continued)

FUND FINANCIAL STATEMENTS

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

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

The funds of the financial reporting entity are described below:

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

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

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

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

MEASUREMENT FOCUS

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

MORRISON EDUCATIONAL FACILITIES AUTHORITY
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

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

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. BUDGETS AND BUDGETARY ACCOUNTING

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

1.E. ASSETS, LIABILITIES, AND FUND EQUITY

CASH AND CASH EQUIVALENTS

MORRISON EDUCATIONAL FACILITIES AUTHORITY
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

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

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

INVESTMENTS

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

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

On September 7, 2006, the Trustee entered into an Investment Agreement with Bayerische Landesbank, acting through its New York branch. The Trustee deposited with Bayerische Landesbank, the \$ 250,000.00 funds from the Reserve Fund under the Bond Indenture. Interest on the funds accrue on the daily outstanding balance at the applicable rate set forth in the Investment Agreement (4.61 %.) These funds are not secured by FDIC insurance, but this Investment Agreement is one of the "Eligible Investments" under the bond indenture. The Investment Agreement contains provisions which allow the Trustee to withdraw all funds if the provider's long-term debt rating falls below specified levels.

Restricted cash and investments at June 30, 2011, consist of the following:

Improvement Fund – BancFirst	\$ 563.23
Debt Service Reserve Fund – Bayerische Landesbank	250,000.00
Debt Service Fund – BancFirst	54,665.88
Debt Service Reserve Fund – BancFirst	<u>5,602.61</u>
	<u>\$ 310,831.72</u>

PROPERTY TAX REVENUES

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

INVENTORIES

The Authority had no inventory at June 30, 2011.

MORRISON EDUCATIONAL FACILITIES AUTHORITY
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

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

ACCRUED INVESTMENT INTEREST

Interest earned on investments but uncollected as of year end.

ACCRUED REVENUE RECEIVABLE

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

<u>Date</u>	<u>Regular Payments</u>	<u>Irregular Payments</u>	<u>Total Rent Due</u>
September 1, 2011	11,000.00		11,000.00
March 1, 2012	11,000.00		11,000.00
September 1, 2012	11,000.00	557,750.00	568,750.00
March 1, 2013	11,000.00		11,000.00
September 1, 2013	11,000.00		11,000.00
March 1, 2014	11,000.00		11,000.00
September 1, 2014	11,000.00	557,750.00	568,750.00
March 1, 2015	11,000.00		11,000.00
September 1, 2015	11,000.00		11,000.00
March 1, 2016	11,000.00		11,000.00
September 1, 2016	<u>11,000.00</u>	<u>557,750.00</u>	<u>568,750.00</u>
Totals	\$ 121,000.00	1,673,250.00	1,794,250.00

ACCRUED INTEREST PAYABLE

Interest accrued on the bond indenture discussed in Note 5.

EQUITY CLASSIFICATION

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

Net Assets

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

MORRISON EDUCATIONAL FACILITIES AUTHORITY
Morrison, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

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

classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

1.F. INTERFUND TRANSACTIONS

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

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

1.G. USE OF ESTIMATES

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

NOTE 2. CASH AND INVESTMENTS

The Authority's cash balance at June 30, 2011, is not collateralized with securities held by the Authority or by its agent in the Authority's name. Investments are either covered by FDIC insurance or invested under guaranteed investment contracts, as discussed in Note 1.E.

NOTE 3. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2011.

NOTE 4. LEASE RECEIVABLE

Lease receivable represents bond proceeds advanced to the Morrison Public School District in accordance with the project loan agreements to construct the project. Total proceeds advanced as of June 30, 2011, are as follows:

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Morrison Educational Facilities Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Bruce G. Luttrell, CPA, PC

October 13, 2011

