

CITY OF GRANDFIELD
Grandfield, Oklahoma

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2022

BY



City of Grandfield
Grandfield, Oklahoma
Year Ended June 30, 2022

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City of Grandfield
Grandfield, Oklahoma
Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Grandfield
Grandfield, Oklahoma

Report on the Audit of the Financial Statements

Adverse Opinion

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 City of Grandfield, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Grandfield's basic financial statements as listed in the table of contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not 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 City of Grandfield, as of June 30, 2022, 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 Adverse Opinion on the Financial Statements as a Whole

During the course of our audit, we were unable to obtain sufficient audit evidence to substantiate the financial information presented by management. A lack of documentation combined with pervasive material misstatements were the main reasons for our adverse opinion. Therefore, we are unable to place reliance on any of the financial information presented in this report.

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 City of Grandfield and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the City of Grandfield's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 opinion. 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 aggregate, they would influence the judgment made by a reasonable user based on the financial 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 City of Grandfield'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, which raise substantial doubt about the City of Grandfield'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grandfield's basic financial statements. The accompanying budgetary comparison information and the combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The 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 and the combining nonmajor fund financial statements 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 18, 2023 on our consideration of the City of Grandfield'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 City of Grandfield's internal control over financial reporting and compliance.

Furrh & Associates, PC
FURRH & ASSOCIATES, PC
Lawton, Oklahoma
December 18, 2023

City of Grandfield, OK

Statement of Net Position

(Modified Cash Basis)

June 30, 2022

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 150,917	\$ 516,010	\$ 666,927
Investments	69,860	11,385	81,245
Restricted Cash and Cash Equivalents	0	36,634	36,634
Accounts Receivable	0	81,753	81,753
Capital Assets	53,958	1,319,002	1,372,960
Accumulated Depreciation	(5,396)	(990,624)	(996,020)
Total Assets	<u>\$ 269,339</u>	<u>\$ 974,160</u>	<u>\$ 1,243,499</u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities			
Cash In Bank	\$ 175	\$ 0	\$ 175
Customer Deposits	0	36,634	36,634
Total Liabilities	<u>175</u>	<u>36,634</u>	<u>36,809</u>
Net Position			
Net Investment in Capital Assets	48,562	328,378	376,940
Restricted			
Ambulance	(175)	0	(175)
Preservation Community	100	0	100
Vet Wall	249	0	249
Disaster Relief	777	0	777
Rodeo	3,725	0	3,725
Fire Department	6,317	0	6,317
Library	10,014	0	10,014
Bail Bond	13,262	0	13,262
Cemetery	29,941	0	29,941
ARPA Grant Fund	81,477	0	81,477
Unrestricted	<u>74,915</u>	<u>609,148</u>	<u>684,063</u>
Total Net Position	<u>269,164</u>	<u>937,526</u>	<u>1,206,690</u>
Total Liabilities and Net Position	<u>\$ 269,339</u>	<u>\$ 974,160</u>	<u>\$ 1,243,499</u>

Please see accompanying notes to the financial statements.

City of Grandfield, OK

Statement of Activities (Modified Cash Basis) Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 194,545	\$ 5,830	\$ 23,844	\$ 0	\$ (164,871)	\$ 0	\$ (164,871)
Public Safety - Police	95,477	11,365	0	0	(84,112)	0	(84,112)
Ambulance	135	33,861	0	0	33,726	0	33,726
Public Safety - Fire	66,874	0	18,263	0	(48,611)	0	(48,611)
Culture and Recreation - Library	34,621	0	0	0	(34,621)	0	(34,621)
Street and Public Works - Streets	123,131	0	0	0	(123,131)	0	(123,131)
Cemetery	0	3,457	1,790	0	5,247	0	5,247
Total Governmental Activities	514,783	54,513	43,897	0	(416,373)	0	(416,373)
Business-Type Activities							
Public Works Authority	571,472	683,740	0	0	0	112,268	112,268
Economic Development Authority	535	2,340	0	0	0	1,805	1,805
Total Business-Type Activities	572,007	686,080	0	0	0	114,073	114,073
Total Primary Government	\$ 1,086,790	\$ 740,593	\$ 43,897	\$ 0	(416,373)	114,073	(302,300)
General Revenue							
Taxes:							
Sales and Use Tax					155,342	0	155,342
Franchise Tax					23,873	0	23,873
Alcoholic Beverage Tax					29,424	0	29,424
Motor Vehicle Tax					7,385	0	7,385
Cigarette Tax					1,005	0	1,005
Miscellaneous Revenue					61,661	0	61,661
Interest Revenue (Expense)					436	180	1,107
Total General Revenue					279,126	180	279,797
Net Transfers					79,000	(79,000)	0
<u>Change in Net Position</u>					(58,247)	35,253	(22,994)
<u>Net Position, June 30, 2021</u>					412,002	806,043	1,218,045
Prior Period Adjustment					(84,591)	96,230	11,639
<u>Net Position, June 30, 2022</u>					\$ 269,164	\$ 937,526	\$ 1,206,690

Please see accompanying notes to the financial statements.

City of Grandfield, OK
Governmental Funds
Balance Sheet
(Modified Cash Basis)
June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 5,055	\$ 145,862	\$ 150,917
Investments	69,860	0	69,860
Total Assets	<u>\$ 74,915</u>	<u>\$ 145,862</u>	<u>\$ 220,777</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Cash In Bank	\$ 0	\$ 175	\$ 175
Total Liabilities	0	175	175
Fund Balances			
Non-spendable	0	0	0
Restricted	0	0	0
Committed	0	0	0
Assigned	0	0	0
Unassigned	74,915	145,687	220,602
Total Fund Balances	<u>74,915</u>	<u>145,687</u>	<u>220,602</u>
Total Liabilities and Fund Balances	<u>\$ 74,915</u>	<u>\$ 145,862</u>	<u>\$ 220,777</u>

Reconciliation to Statement of Net Position

Fund Balances	220,602
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities of \$53,958	
Net of Accumulated Depreciation of \$5,396 are not	
financial resources and, therefore, are not reported in the funds.	<u>48,562</u>

Net Position of Governmental Activities	<u>\$ 269,164</u>
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Please see accompanying notes to the financial statements.

City of Grandfield, OK

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balance

(Modified Cash Basis)

Year Ended June 30, 2022

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>			
Sales and Use	\$ 155,342	\$ 0	\$ 155,342
Miscellaneous Revenue	55,661	6,000	61,661
Public Safety Revenue	2,848	42,378	45,226
Donations and Grant Income	23,424	20,473	43,897
Alcohol Beverage Tax	29,424	0	29,424
Franchise Tax	23,873	0	23,873
Motor Vehicle Tax	5,571	0	5,571
Cemetery Revenue	2,225	1,232	3,457
Rental Revenue	3,274	0	3,274
Permits and Licenses	2,556	0	2,556
Gasoline Excise Tax	1,814	0	1,814
Tobacco Tax	1,005	0	1,005
	<hr/>	<hr/>	<hr/>
Total Revenue	307,017	70,083	377,100
<u>Expenditures</u>			
General Government:			
General Government	127,053	37,560	164,613
Public Safety:			
Police	94,587	890	95,477
Fire	50,551	16,323	66,874
Animal Control			
Animal Control	27,283	0	27,283
Street and Public Works:			
Streets	123,131	0	123,131
Community:			
Library	34,621	0	34,621
Preservation Community	86	0	86
	<hr/>	<hr/>	<hr/>
Total Expenditures	457,312	54,773	512,085
	<hr/>	<hr/>	<hr/>
<u>Revenue Over (Under) Expenditures</u>	(150,295)	15,310	(134,985)
<u>Other Financing Sources (Uses)</u>			
Interest Income	422	14	436
Transfers In/(Out)	(2,677)	81,677	79,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(2,255)	81,691	79,436
	<hr/>	<hr/>	<hr/>
<u>Net Changes in Fund Balance</u>	(152,550)	97,001	(55,549)
<u>Fund Balance, June 30, 2021</u>	312,056	48,686	360,742
	<hr/>	<hr/>	<hr/>
Prior Period Adjustment	(84,591)	0	(84,591)
	<hr/>	<hr/>	<hr/>
<u>Fund Balance, June 30, 2022</u>	\$ 74,915	\$ 145,687	\$ 220,602
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Please see accompanying notes to financial statements.

City of Grandfield, OK
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balance to the Statement of Activities
(Modified Cash Basis)
Year Ended June 30, 2022

Total Net Change in Fund Balances - Total Governmental Funds	\$	(55,549)
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Amounts reported for *Governmental Activities* in the Statement of
 Activities are different because:

Capital expenses allocated over useful lives as
 annual depreciation as shown in the statement of
 activities

	(2,698)	
Net effect of Capital Related Expenditures		(2,698)

Change in Net Position of Governmental Activities	\$	(58,247)
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Please see accompanying notes to financial statements.

City of Grandfield, OK
Proprietary Funds
Statement of Net Position
(Modified Cash Basis)
June 30, 2022

	Business - Type Activities		
	Enterprise Funds		
	Public Works	Economic	
	Authority	Development	
	Authority	Authority	Total
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 483,714	\$ 32,296	\$ 516,010
Investments	0	11,385	11,385
Accounts Receivable	0	81,753	81,753
Restricted Cash and Cash Equivalents	36,634	0	36,634
Total Current Assets	<u>520,348</u>	<u>125,434</u>	<u>645,782</u>
Noncurrent Assets			
Capital Assets, net of Accum. Depreciation	328,378	0	328,378
Total Noncurrent Assets	<u>328,378</u>	<u>0</u>	<u>328,378</u>
Total Assets	<u>\$ 848,726</u>	<u>\$ 125,434</u>	<u>\$ 974,160</u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities			
Customer Deposits	\$ 36,634	\$ 0	\$ 36,634
Total Liabilities	<u>36,634</u>	<u>0</u>	<u>36,634</u>
Net Position			
Net Investment in Capital Assets	328,378	0	328,378
Restricted	0	0	0
Unrestricted	483,714	125,434	609,148
Total Net Position	<u>812,092</u>	<u>125,434</u>	<u>937,526</u>
Total Liabilities and Net Position	<u>\$ 848,726</u>	<u>\$ 125,434</u>	<u>\$ 974,160</u>

Please see accompanying notes to the financial statements.

City of Grandfield, OK
Proprietary Funds
Statement of Revenue, Expense, and Changes in Net Position
(Modified Cash Basis)
Year Ended June 30, 2022

	Business - Type Activities		
	Enterprise Funds		
	Public Works Authority	Economic Development Authority	Total
<u>Operating Revenue</u>			
Charges for services	\$ 675,007	\$ 0	\$ 675,007
Miscellaneous Revenue	8,733	500	9,233
Rent Revenue	0	1,840	1,840
Total Operating Revenue	683,740	2,340	686,080
<u>Operating Expenses</u>			
Personnel Services	187,981	0	187,981
Repairs and Maintenance	194,643	0	194,643
Contractual Services	157,682	0	157,682
Depreciation	25,855	0	25,855
Insurance	4,000	0	4,000
Other Supplies and Materials	1,311	0	1,311
Other Operating Expenses	0	535	535
Total Operating Expenses	571,472	535	572,007
<u>Net Operating Income (Loss)</u>	112,268	1,805	114,073
<u>Nonoperating Revenue (Expenses)</u>			
Interest Revenue	156	24	180
Total Nonoperating Revenues (Expenses)	156	24	180
<u>Net Revenue (Loss) before Transfers</u>	112,424	1,829	114,253
Transfer in/(out)	(79,000)	0	(79,000)
Change in Net Position	33,424	1,829	35,253
<u>Total Net Position, June 30, 2021</u>	682,868	123,175	806,043
Prior Period Adjustment	95,800	430	96,230
<u>Total Net Position, June 30, 2022</u>	<u>\$ 812,092</u>	<u>\$ 125,434</u>	<u>\$ 937,526</u>

Please see accompanying notes to the financial statements.

City of Grandfield, OK
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
Year Ended June 30, 2022

	Business - Type Activities		
	Enterprise Funds		
	Public Works Authority	Economic Development Authority	Total
<u>Cash Flow from Operating Activities</u>			
Receipts from Customers	\$ 687,582	\$ 2,340	\$ 689,922
Payments to Suppliers	(357,636)	(535)	(358,171)
Payments to Employees	(187,981)	0	(187,981)
Net Cash Provided By Operating Activities	<u>141,965</u>	<u>1,805</u>	<u>143,770</u>
<u>Cash Flow from Capital and Related Financing Activities</u>			
Transfers to General Fund	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Used by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
<u>Cash Flow from Investing Activities</u>			
Purchase of Fixed Assets	0	0	0
Interest Received	<u>156</u>	<u>24</u>	<u>180</u>
Net Cash Provided By Investing Activities	<u>156</u>	<u>24</u>	<u>180</u>
Net Increase in Cash and Cash Equivalents	142,121	1,829	143,950
Cash and Cash Equivalents - June 30, 2021	<u>328,635</u>	<u>41,421</u>	<u>370,056</u>
Prior Period Adjustment	49,592	(10,954)	38,638
Cash and Cash Equivalents - June 30, 2022	<u>\$ 520,348</u>	<u>\$ 32,296</u>	<u>\$ 552,644</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating Income	\$ 112,268	\$ 1,805	\$ 114,073
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation Expense	25,855	0	25,855
Change in current assets and current liabilities:			
Customer Deposits	3,842	0	3,842
Net Cash Provided By Operating Activities	<u>\$ 141,965</u>	<u>\$ 1,805</u>	<u>\$ 143,770</u>

Please see accompanying notes to financial statements.

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grandfield, Oklahoma (the “City”) operates under a Council-Manager form of government and provides for the following services as authorized by ordinance: public safety and health; maintenance of highways and streets; culture and recreation; zoning and planning; sanitation services; water distribution; wastewater treatment; and general administration.

The accounting policies and presentation of the basic financial statements of the City have been prepared in conformity with the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

A. Financial Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. The City’s financial reporting entity is comprised of the following:

Primary Government:	City of Grandfield
Blended Component Units:	Grandfield Public Works Authority
	Grandfield Economic Development Authority

Blended Component Units:

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit’s fund is blended into those of the City’s by appropriate activity type to comprise the primary government presentation.

The Grandfield Public Works Authority was created to finance, develop and operate the utility services activities. The current City Council serves as the governing body (Trustees) of the Public Works Authority. Any issuance of debt would require a two-thirds approval of the City Council. The Public Works Authority is reported as proprietary fund.

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

The Grandfield Economic Development Authority develops land and buildings within the City's jurisdiction for use by the public. The component unit is financially accountable to the City, the City's governing body serves as the trustees for these public trusts, and they are all managed by the same management team of the City. The Economic Development Authority is reported as proprietary fund.

Discretely Presented Component Units:

Discretely presented component units are separate legal entities that meet the component unit criteria above but do not meet the criteria for blending. Currently, the City does not have any discretely presented component units.

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including the statement of net position and statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements:

The government-wide focus is on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The statement of net position and statement of activities display information about the City as a whole.

These statements include financial activities of the primary government; fiduciary activities, if any, have been excluded. The effect of interfund activity has been removed from these statements. The government-wide statement of activities reflects both expenses and net cost of each function of the City's governmental activities. Program revenues include charges paid by a recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, such as sales taxes, are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each city function is self-financing or draws from the general revenues of the City.

Fund Financial Statements:

The financial transactions of the City are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Fund financial statements are provided for governmental, proprietary, and fiduciary funds. The emphasis of fund financial statements is on major governmental and proprietary funds; therefore, each is displayed in a separate column. All remaining governmental and proprietary funds are aggregated and presented as nonmajor funds.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Operating revenues in the proprietary funds are those that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating. The City's proprietary funds include the Public Works Authority and the Economic Development Authority.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments. As such, fiduciary funds are not reported in the government-wide statements. Currently, the City does not have any fiduciary funds.

C. Measurement Focus

The government-wide statements report using the economic resources measurement focus. Proprietary and fiduciary fund financial statements also report using this same focus.

Governmental fund financial statements report using the current financial resources measurement focus. Since the governmental fund financial statements are presented on a different measurement focus than the government-wide statements (due mainly to inclusion of capital assets and long-term debt activity in the city-wide presentation), a reconciliation is presented, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Basis of Accounting:

Basis of accounting refers to when revenues received, and expenditures disbursed are recognized in the accounts and how they are reported in the financial statements. The City maintains its accounting records for all funds on the modified cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

Proceeds from long-term debt borrowings are included as other financing sources on the fund financial statements on the date received.

Operating revenue reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Fund Types and Major Funds:

The City reports the following major governmental fund:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

The Public Works Authority is used to account for the revenues and expenses associated with providing utility services to the citizens of the City.

The Economic Development Authority is used to develop land and buildings within the City's jurisdiction for use by the public.

D. Cash and Investments

The City is statutorily limited to investing public funds in insured checking accounts, certificates of deposit, insured savings accounts, savings certificates and U.S. or Oklahoma government obligations. Certificates of deposit are reported at cost.

The City is also required to secure collateral for invested funds in excess of amounts insured by the Federal Deposit Insurance Corporation or Federal Savings & Loan Insurance Corporation. Acceptable collateral is primarily limited to federal, state, and local government obligations.

E. Interfund Activities and Balances

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid grossing up balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfer 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.

F. Inventories

Inventories of goods and supplies on hand at year end are not material for the primary government. Therefore, purchases of inventory type items are recorded as expenditures or expenses at the time purchased, and no balances for such inventories on hand are reported.

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, right of ways, and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of building improvements, infrastructure (runway) and machinery and equipment. The City does not have a formal capital asset policy and, therefore, no capitalization threshold is used for additions to report capital assets. Historically, any capital assets exceeding \$100 were capitalized. Capital assets are reported at actual or estimated historical cost.

The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building Improvements	39
Infrastructure (Runway)	25
Machinery and Equipment	5 - 7

H. Compensated Absences

Under terms of City personnel policies, City employees are granted vacation, sick, and personal leave in varying amounts, based on the length of employment. Employees can accumulate up to 240 hours of vacation leave and up to 240 hours of sick leave. Under the modified cash basis of accounting, the City does not record any accrued compensated absences. Those benefits utilized in the current year are recorded through payroll.

In the event of termination, an employee is paid for accumulated vacation time. No accumulated sick leave or personal leave will be paid to an employee upon termination of employment. Due to a lack of documentation, the City was not able to estimate and record the corresponding liability for compensated absences.

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

I. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund, statement of net position.

J. Concentration of Credit Risk

All users of the City's utility services are located within the same geographic area within Tillman County, Oklahoma.

K. Fund Equity

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *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.
- c. *Unrestricted net position* - All other net position that does not meet the definition of "restricted" or "net investment in capital assets." It is the City'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 Financial Statements:

Fund balance is the difference between assets and liabilities in a governmental fund. The City reports a governmental fund's fund balance into the following classifications:

- a. *Nonspendable* - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements.
- b. *Restricted* - includes amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors, creditors, or donors.
- c. *Committed* - includes amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. The City Council is the highest level of decision-making authority for the City. Commitments may be established,

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

modified, or rescinded only through ordinances or resolutions approved by the City Council. The City currently reports no committed fund balance.

- d. Assigned - includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.
- e. Unassigned - includes all spendable amounts not included in other classifications.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Proprietary fund equity is classified in the same categories and manner as the government-wide statements.

The City presents its fund balance in accordance with the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

L. Program Revenues

Charges for services include revenues based on exchange or exchange-like transactions, namely charges for services provided by the City. Program specific grants and contributions (operations and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program, namely donations received from third-parties or state grants received for programs operations.

M. Related Party Transactions

There were no material related party transactions with City officials or employees during the year ended June 30, 2022.

N. Estimates

The preparation of the basic financial statements in conformity with the modified cash basis of accounting requires the City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and/or amounts of reported revenues and expenditures during the reporting period. Actual results could differ from those estimates.

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

O. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all demand and savings accounts, which are highly liquid investments, to be cash. Cash invested in certificates of deposit with an original maturity of three-months or less is considered to be a cash equivalent.

P. Budget

The City did not prepare and adopt a budget for the fiscal year ending June 30, 2022.

Q. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditure) until then. The City currently has no items that qualify for reporting as deferred outflows of resources.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenues) until that time. The City currently has no items that qualify for reporting as deferred inflows of resources.

R. Recent Accounting Pronouncements

Governmental Accounting Policies Adopted During Current Year

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The City will adopt GASB 87 on July 1, 2022, for the June 30, 2023, reporting year. The City does not expect GASB 87 to have a significant impact on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides accounting and financial reporting guidance for the governmental end users of subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes right-to-use assets and corresponding liabilities, and provides capitalization criteria and the note disclosures required for SBITAs. The City will adopt GASB 96 on July 1, 2022, for the June 30, 2023, reporting year. The City does not expect GASB 96 to have a significant impact on the financial statements.

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). GASB 99 is a technical omnibus statement that addresses issues or concerns from previous statements that were discovered during implementation and application of those statements. GASB 99 covers several topics including but not limited to, financial guarantees, derivatives, leases, non-monetary transactions, future revenue pledges and terminology updates. The City will adopt the sections that were effective immediately on July 1, 2022, for the June 30, 2023, reporting year. The remaining sections will be adopted by the City for the June 30, 2024, reporting year, as required by GASB 99. The City does not expect GASB 99 to have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100). GASB 100 proscribes accounting and financial reporting for accounting changes and error corrections to the financial statements. GASB 100 defines what constitutes an accounting change versus a change in accounting principle or error correction and outlines the appropriate note disclosures in each circumstance. The City will adopt GASB 100 on July 1, 2023, for the June 30, 2024, reporting year. The City does not expect GASB 100 to have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 outlines the definition of compensated absences and sets forth the accounting and financial reporting for compensated absence liabilities. GASB 101 outlines that leave accrued should be measured using the employees pay rate at the financial statement date and that certain salary related payments, such as Social Security and Medicare, should be included in such measurement. The City will adopt GASB 101 on July 1, 2024, for the June 30, 2025, reporting year. The City has not determined the impact that GASB 101 will have on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash Deposits

The City's governmental and proprietary funds' cash deposits consist of checking, savings accounts, and certificates of deposits. These deposits are stated at cost. The City is authorized by state statute to invest in obligations of the United States of America.

At June 30, 2022, the carrying amount and the bank balance of the governmental funds' cash deposits were \$296,511. Cash deposits do not include petty cash and cash on hand of \$93 in the General Fund. At June 30, 2022, the carrying amount and the bank balance of the proprietary funds' cash deposits were \$516,506 and \$32,296 respectively.

At June 30, 2022, the governmental and proprietary funds held the following deposits of unrestricted funds:

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Unrestricted Cash and Cash Equivalents

Governmental Funds:

General Fund	\$ 150,824
ARPA Grant Fund	81,477
Cemetery Fund	29,941
Bail Bond Fund	13,262
Library Grant Fund	9,532
Fire Dept. Operations	4,838
NSPRA Rodeo Donation	2,958
Fire Dept. Donations	1,379
Disaster Relief Donations	777
Rodeo Committee	767
OK Dept. of Libraries Grant	476
Veterans Wall Donations	249
Preservation Community	100
Fire Dept. REAP	100
Child Reading Charitable TR	6
Ambulance Surcharge	(175)
Total	<u><u>\$ 296,511</u></u>

Enterprise Funds:

Public Works Authority	\$ 343,340
Airport Fund	140,374
Economic Development Authority	32,296
Total	<u><u>\$ 516,010</u></u>

At June 30, 2022, the proprietary funds held the following deposits of restricted funds:

Restricted Cash, Cash Equivalents and Investments

Enterprise Funds:

Public Works Authority - Meter Deposits	\$ 36,634
Total	<u><u>\$ 36,634</u></u>

Deposits and Investment Risks:

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City does not have a formal investment policy as it relates to custodial credit risk. Acceptable collateral is limited to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk for their governmental and proprietary funds.

As of June 30, 2022, the City's cash, deposits, and investments are classified in the following categories:

- A. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- B. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- C. Uncollateralized.

	A	B	C	Total
City of Grandfield	<u>\$ 849,155</u>	<u>\$ 0</u>	<u>\$ 93</u>	<u>\$ 849,248</u>

Investment Credit Risk – State law limits the investments available to the City and is described below.

- 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 of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with instate 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.

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

- 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 SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations rating agencies. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets identical assets; Level 2 inputs are significant other observable inputs. The valuations for Level 2 measurements are determined using quoted prices for similar assets or liabilities in active markets; Level 3 inputs are significant unobservable inputs.

The City invests \$69,860 in Certificate of Deposits.

NOTE 3 – ACCOUNTS RECEIVABLE

The Economic Development Authority has accounts receivable and a note receivable with local businesses. The following includes the total accounts receivable as of June 30, 2022:

	Accounts Receivable
Accounts Receivable	\$ 63,832
Note Receivable	176,253
Total Accounts Receivable	240,085
less: Allowance for Doubtful Accounts	(158,332)
Net Accounts Receivable as of June 30, 2022	<u>\$ 81,753</u>

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Changes in governmental capital assets during the year ending June 30, 2022, were as follows:

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

	<u>Fixed Assets</u>	<u>Accumulated Depreciation</u>
Balance, July 1, 2021	\$ 53,958	\$ 2,698
Additions	<u>0</u>	<u>2,698</u>
Total	53,958	5,396
Disposals	<u>0</u>	<u>0</u>
Balance, June 30, 2022	<u><u>\$ 53,958</u></u>	<u><u>\$ 5,396</u></u>

Changes in proprietary capital assets during the year ending June 30, 2022, were as follows:

	<u>Fixed Assets</u>	<u>Accumulated Depreciation</u>
Balance, July 1, 2021	\$ 1,319,002	\$ 964,769
Additions	<u>0</u>	<u>25,855</u>
Total	1,319,002	990,624
Disposals	<u>0</u>	<u>0</u>
Balance, June 30, 2022	<u><u>\$ 1,319,002</u></u>	<u><u>\$ 990,624</u></u>

NOTE 5 – METER DEPOSITS

The City has an established policy for the reimbursement of meter deposits for their water services. Changes during the year ending June 30, 2022, were as follows:

	<u>Meter Deposits</u>
Balance, July 1, 2021	\$ 32,792
Current Year Changes	<u>3,842</u>
Balance, June 30, 2022	<u><u>\$ 36,634</u></u>

NOTE 6 – PENSION

The City participates in the Oklahoma Public Employees Retirement System for their employees. During the year ended June 30, 2022, the City contributed 7% of the qualified employee wages and each employee made contributions of 6.5% of their wages.

A recalculation of the year ending pension payments was not possible due to a lack of documentation regarding the pension payments.

City of Grandfield, OK
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

All firefighters participate in the Statewide Oklahoma Firefighter's Pension and Retirement City. The City contributes to this plan for each firefighter in accordance with Oklahoma Statutes.

NOTE 7 – COMMITMENTS AND CONTINGENT LIABILITIES

The financial statements do not include any provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, cities and towns generally establish a sinking fund to satisfy legal judgments rendered against them. Tax revenues are then specifically assessed for payment of these claims which have been reduced to judgment. Such claims are generally paid through these special tax assessments over a three (3) year period.

NOTE 8 – LEGAL PROCEEDINGS

From time to time, the City is involved in certain legal proceedings arising in the normal course of business. In the opinion of management, the ultimate disposition of such proceedings will not have a material effect on the City's financial statements.

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. Also, all personnel responsible for custody of cash were bonded during the fiscal year.

The City carries multiple insurance coverage as protection against possible loss contingencies.

NOTE 10 – MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management has reviewed information to evaluate the necessity for the disclosure of subsequent events through December 18, 2023, which is the issuance date of the financial statements.



**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***

Board of Trustees
City of Grandfield
Grandfield, 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 modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grandfield, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Grandfield, 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. During our audit we identified multiple deficiencies

in internal control that we consider to be material weaknesses. They are identified in the following schedule as 2021-1, 2021-2, 2021-6, 2021-7, and 2021-8.

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. During our audit we identified multiple deficiencies in internal control that we consider to be significant deficiencies. They are identified in the following schedule as 2021-3, 2021-4, 2021-5, and 2021-9.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grandfield, 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*.

City of Grandfield's Responses to Findings

The City of Grandfield's management has not provided any responses to the findings identified in our audit and described in the accompanying schedule of findings. We have provided the City of Grandfield's management with reasonable time to respond, but management elected not to comment on the identified findings.

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.

Furrh & Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

December 18, 2023

City of Grandfield, OK
Schedule of Findings and Responses
Year Ended June 30, 2022

Reportable Conditions of Internal Control, Compliance and Other Matters

2021-1 Segregation of Duties (Repeat Finding)

Condition – One person in charge of town operations with little to no oversight.

Effect – Financial statements may be manipulated to conceal material misstatements and/or fraud.

Cause – Limited personnel available.

Criteria – Strong internal controls require appropriate segregation of duties.

Recommendation – We recommend that policy and procedures be implemented to ensure proper oversight.

2021-2 Improper Record Retention (Repeat Finding)

Condition – Documentation could not be located for several areas of the audit procedures.

Effect – Sufficient audit evidence could not be obtained which resulted in an adverse audit opinion.

Cause – Lack of Town Council oversight in regard to office procedures.

Criteria – Oklahoma Statute 11 Section 22-131 requires documentation to be maintained for five – ten years.

Recommendation – We recommend that the Town adopt a policy concerning documentation retention that is in compliance with Oklahoma State Statutes.

2021-3 Untimely Filing of Financial Audit (Repeat Finding)

Condition – The town did not file the audit report for fiscal year ending June 30, 2021 on time.

Effect – The Town did not receive gasoline excise tax timely

Cause – Lack of oversight by Town Council.

Criteria – Oklahoma Statutes Title 11 Section 17-107 requires an audit to be filed no later than December 31st.

City of Grandfield, OK
Schedule of Findings and Responses
Year Ended June 30, 2022

Recommendation – We recommend that the council provide oversight to ensure future audits are filed timely.

2021-4 Lack of Collateralization (Repeat Finding)

Condition – The bank accounts of the Town of Grandfield could not verify if they have collateral pledged past the FDIC amount.

Effect – The Town’s monies are at risk.

Cause – The Town could not locate proper documentation for any collateral pledge from the bank.

Criteria – Prudent fiduciary responsibility requires safeguarding of Town’s assets.

Recommendation – We recommend that the Town obtain sufficient collateral pledge to cover the amount of funds that exceed the FDIC limit of \$250,000.

2021-5 Capitalization Policy (Repeat Finding)

Condition – The Town does not record purchases accurately for their capital assets.

Effect – The Town’s schedule of capital assets is incorrect.

Cause – The Town does not have any policy regarding classifying a purchase as a capital asset or an expense.

Criteria – GASB 34 requires municipalities to record large purchases as capital assets instead of expensing them.

Recommendation – We recommend that the Town adopt a capitalization policy to ensure that capital assets are properly recorded.

2021-6 Employee File Documentation (Repeat Finding)

Condition – Employee files are missing required documentation such as I-9 and valid driver’s licenses.

Effect – The Town could be at risk of hiring illegal employees or employees without valid driver’s licenses.

Cause – Lack of organization of personnel documents.

Criteria – Federal law requires that form I-9 to be maintained in personnel files.

City of Grandfield, OK
Schedule of Findings and Responses
Year Ended June 30, 2022

Recommendation – We recommend that the Town adopt a policy to ensure that all employee documentation is properly maintained.

2021-7 Lack of Cut off and Late Fee Charges (Repeat Finding)

Condition – Multiple citizens and town officials were not charged late fees nor were their utility service disconnected for late and/or non-payment.

Effect – The Town did not receive adequate revenue.

Cause – Due to a lack of oversight, multiple utility account balances were allowed to accumulate without regular payments.

Criteria – Town Ordinance Chapter 16, Article 2, Section 16-11, Number 2 requires late fees and cut off fees to be charged to delinquent accounts.

Recommendation – We recommend that the Town Council provide greater oversight of the office activities.

2021-8 No Ordinance on Payment Plans for Citizens (Repeat Finding)

Condition – The Town allows payment plans without proper authorization.

Effect – The Town could lose revenue.

Cause – Lack of approved policies and procedures.

Criteria – Prudent fiduciary responsibility requires that a policy and/or procedure be in place for the use of payment plans.

Recommendation – We recommend that an approved policy and/or procedure is created for payment plans.

2021-9 Lack of Approved Contract with Lawyer (Repeat Finding)

Condition – The contract with the Town Attorney, Lloyd Benson, could not be located.

Effect – The Town could be paying for services not received.

Cause – The Town was unable to locate a copy of the contract.

Criteria – Oklahoma Statute 11 Section 37-210, Special Attorney, Auditors or Consulting Engineers requires all legal services to have a contract.

Recommendation – We recommend that the town obtain an updated contract.

City of Grandfield, OK
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2022

	<u>Original /</u> <u>Final Budget</u>	<u>Actual</u>	<u>(Over) Under</u> <u>Budget</u>
<u>Revenue</u>			
City Sales and Use Tax	\$ 0	\$ 155,342	\$ (155,342)
Miscellaneous Revenue	0	55,661	(55,661)
Alcohol Beverage Tax	0	29,424	(29,424)
Franchise Tax	0	23,873	(23,873)
Grant Income	0	23,424	(23,424)
Motor Vehicle Tax	0	5,571	(5,571)
Rental Revenue	0	3,274	(3,274)
Public Safety Income	0	2,848	(2,848)
License and Permits Revenue	0	2,556	(2,556)
Cemetery Income	0	2,225	(2,225)
Gasoline Tax	0	1,814	(1,814)
Cigarette Tax	0	1,005	(1,005)
Interest	0	422	(422)
	<hr/>	<hr/>	<hr/>
Total Revenue	0	307,439	(307,439)
<u>Expenditures</u>			
<u>General Government</u>			
Personal Services	0	104,723	(104,723)
Maintenance and Operations	0	22,330	(22,330)
	<hr/>	<hr/>	<hr/>
Total General Government	0	127,053	(127,053)
<u>Police Department</u>			
Personal Services	0	66,952	(66,952)
Maintenance and Operations	0	27,635	(27,635)
	<hr/>	<hr/>	<hr/>
Total Police Department	0	94,587	(94,587)
<u>Fire Department</u>			
Personal Services	0	3,193	(3,193)
Maintenance and Operations	0	47,358	(47,358)
	<hr/>	<hr/>	<hr/>
Total Fire Department	0	50,551	(50,551)
<u>Street & Alley</u>			
Personal Services	0	20,317	(20,317)
Maintenance and Operations	0	102,814	(102,814)
	<hr/>	<hr/>	<hr/>
Total Street & Alley	0	123,131	(123,131)
<u>Library</u>			
Personal Services	0	15,912	(15,912)

Please see accompanying notes to the financial statements.

City of Grandfield, OK
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Budget and Actual
Year Ended June 30, 2022

	Original / Final Budget	Actual	(Over) Under Budget
Maintenance and Operations	0	18,709	(18,709)
Total Library	0	34,621	(34,621)
<u>Animal Control</u>			
Personal Services	0	22,385	(22,385)
Maintenance and Operations	0	4,898	(4,898)
Total Animal Control	0	27,283	(27,283)
<u>Preservation Community</u>			
Maintenance and Operations	0	86	(86)
Total Preservation Community	0	86	(86)
Total Expenditures	0	457,312	(457,312)
<u>Revenue Over (Under) Expenditures</u>	0	(149,873)	149,873
<u>Other Financing Sources (Uses)</u>			
Transfer In	0	0	0
Transfer Out	0	(2,677)	2,677
Total Other Financing Sources (Uses)	0	(2,677)	2,677
<u>Revenue and Other Financing Sources</u>			
<u>Over (Under) Expenditures & Other Uses</u>	0	(152,550)	152,550
<u>Fund Balance, June 30, 2021</u>	0	312,056	(312,056)
Prior Period Adjustment	0	(84,591)	84,591
<u>Fund Balance, June 30, 2022</u>	<u>\$ 0</u>	<u>\$ 74,915</u>	<u>\$ (74,915)</u>

Please see accompanying notes to the financial statements.

City of Grandfield, OK
Nonmajor Governmental Funds
Balance Sheet
(Modified Cash Basis)
June 30, 2022

	Cemetery Fund	Bail Bond Fund	Library Fund	Fire Departmen t Fund	Ambulance Fund	Rodeo Fund	Vet Wall Fund	Disaster Relief Fund	Preservation Communtty Fund	ARPA Grant Fund	Total Non- Major Govt Funds
<u>Assets</u>											
Cash in Bank	\$ 29,941	\$ 13,262	\$ 10,014	\$ 6,317	\$ 0	\$ 3,725	\$ 249	\$ 777	\$ 100	\$ 81,477	\$ 145,862
Total Assets	<u>\$ 29,941</u>	<u>\$ 13,262</u>	<u>\$ 10,014</u>	<u>\$ 6,317</u>	<u>\$ 0</u>	<u>\$ 3,725</u>	<u>\$ 249</u>	<u>\$ 777</u>	<u>\$ 100</u>	<u>\$ 81,477</u>	<u>\$ 145,862</u>
<u>Liabilities</u>											
Cash in Bank Liability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 175	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 175
Total Liabilities	0	0	0	0	175	0	0	0	0	0	175
<u>Fund Equity</u>											
Fund Balance:											
Unrestricted	29,941	13,262	10,014	6,317	(175)	3,725	249	777	100	81,477	145,687
Liabilities & Equity	<u>\$ 29,941</u>	<u>\$ 13,262</u>	<u>\$ 10,014</u>	<u>\$ 6,317</u>	<u>\$ 0</u>	<u>\$ 3,725</u>	<u>\$ 249</u>	<u>\$ 777</u>	<u>\$ 100</u>	<u>\$ 81,477</u>	<u>\$ 145,862</u>

Please see accompanying notes to the financial statements.

City of Grandfield, OK
Nonmajor Governmental Funds
Schedule of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Year Ended June 30, 2022

	Cemetery Fund	Bail Bond Fund	Library Fund	Fire Department Fund	Ambulance Fund	Rodeo Fund	Vet Wall Fund	Disaster Relief Fund	Preservation Community Fund	ARPA Grant Fund	Total Non- Major Govt Funds
<u>Revenue</u>											
Ambulance Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,861	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,861
Donations	1,790	0	0	18,263	0	420	0	0	0	0	20,473
Fines	0	8,517	0	0	0	0	0	0	0	0	8,517
Miscellaneous	0	0	6,000	0	0	0	0	0	0	0	6,000
Cemetery Income	1,232	0	0	0	0	0	0	0	0	0	1,232
Interest	14	0	0	0	0	0	0	0	0	0	14
Total Revenue	3,036	8,517	6,000	18,263	33,861	420	0	0	0	0	70,097
<u>Expenditures</u>											
Maintenance & Operations	0	890	1,045	16,323	36,335	0	180	0	0	0	54,773
Capital Outlay	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	0	890	1,045	16,323	36,335	0	180	0	0	0	54,773
<u>Revenue Over (Under) Expenditures</u>	3,036	7,627	4,955	1,940	(2,474)	420	(180)	0	0	0	15,324
Transfer (to)/from other accounts	0	0	0	100	0	0	0	0	100	81,477	81,677
<u>Fund Balance, June 30, 2021</u>	26,905	5,635	5,059	4,277	2,299	3,305	429	777	0	0	48,686
<u>Fund Balance, June 30, 2022</u>	<u>\$ 29,941</u>	<u>\$ 13,262</u>	<u>\$ 10,014</u>	<u>\$ 6,317</u>	<u>\$ (175)</u>	<u>\$ 3,725</u>	<u>\$ 249</u>	<u>\$ 777</u>	<u>\$ 100</u>	<u>\$ 81,477</u>	<u>\$ 145,687</u>

Please see accompanying notes to the financial statements.

City of Grandfield, OK
Notes to Supplementary Information
Year Ended June 30, 2022

Note 1 – Budgets and Budgetary Accounting

The City's annual operating budget should represent appropriations as authorized by the Governing Board in accordance with the provisions of the Oklahoma statutes.

The City operates under the guidelines of the "Municipal Budget Act" which allows the Governing Board to prepare its budgets based upon its estimated revenue. In addition, revisions may be made to the budget throughout the year as authorized by the Governing Board. The legal level of control of the budget is the expenditure category. The expenditure categories required by the applicable state statutes are:

1. Personal Services
2. Maintenance and Operations
3. Capital Outlays

It is the City's policy that all appropriations lapse at the end of the fiscal year.

The operating budgets of the grants cover the period designated in the grant documents. The City should prepare its annual operating budget on the modified cash basis of accounting, the same basis used to account for actual revenues and expenditures.

The City did not prepare an annual operating budget for any funds for fiscal year ending June 30, 2022.

Note 2 – Individual Fund Disclosures

The Ambulance Fund had an excess of expenditures over appropriations in the amount of \$175 for the fiscal year ending June 30, 2022.