City of LONE GROVE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2022

THE CITY OF LONE GROVE, OKLAHOMA

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CITY OF LONE GROVE, OKLAHOMA ANNUAL FINANCIAL REPORT As of and for the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the City Council City of Lone Grove, Oklahoma

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City of Lone Grove, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Lone Grove, Oklahoma's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lone Grove, Oklahoma, 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 B.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lone Grove, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted 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 Lone Grove, Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial
 doubt about the City of Lone Grove, Oklahoma'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.

Other Matters

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the management's discussion and analysis and budgetary comparison schedule (modified cash basis)- general fund, combining balance sheet (modified cash basis), combining statement of revenues, expenditures and changes in fund balance (modified cash basis), schedule of expenditures of federal and state awards (modified cash basis) and schedule of debt service coverage requirement but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

Sund & Williams CFAs PC

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2023, on our consideration of the City of Lone Grove Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lone Grove, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Lone Grove, Oklahoma's internal control over financial reporting and compliance.

Oklahoma City, Oklahoma

January 6, 2023

The management of the City of Lone Grove is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2022. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analysis in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$488,790, and the assets of the City exceed its liabilities at June 30, 2022, by \$9,215,073 (net position). Of this amount, \$2,026,930 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2022, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,213,564.
- At the end of fiscal year 2022, unassigned fund balance on a modified cash basis for the General Fund was \$605,728 or 42% of General Fund revenues.

ABOUT THE CITY

The City of Lone Grove is a charter city operating under a Council-Manager form of government authorized by the charter and Title 11 of the Oklahoma state statutes. The governing body of the City is the City Council comprised of five elected members. The appointed City Manager is the administrative head of the City.

The City provides typical municipal services such as public safety, streets, cemetery, culture and recreation, utility services including water, wastewater, and sanitation activities.

The City's Financial Reporting Entity

This annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity consists of the following separate legal entities.

- The City of Lone Grove that operates the public safety, streets, cemetery, culture and recreation, and administrative activities
- The Lone Grove Water Trust Authority (LGWTA) that operates the water, wastewater, and sanitation services of the City blended as a proprietary fund considered part of the primary government presentation for reporting purposes

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the reporting entity presented herein include all of the activities of the City of Lone Grove (the "City"), the Lone Grove Water Trust Authority (the "Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City as applicable to the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions with selected modifications.

In the Statement of Net Position and the Statement of Activities, we divide the City's primary government into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, wastewater, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City utilizes two kinds of funds – governmental and proprietary.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances.

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds - When the City, through the Water Trust Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting. The City's proprietary fund is the Lone Grove Water Trust Authority that accounts for the operation of the water, wastewater, and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27-39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedules for the General Fund, a federal and state award schedule, combining and individual fund financial statements and schedules, and a debt service coverage schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2022, net position on a modified cash basis for the governmental and business-type activities increased \$488,790.

Net Position (Modified Cash Basis) June 30, 2022

	 vernmental Activities	siness-type Activities	Total			
Beginning net position Change in net position	\$ 3,035,114 235,744	\$ 5,691,169 253,046	\$	8,726,283 488,790		
Ending net position	\$ 3,270,858	\$ 5,944,215	\$	9,215,073		

A portion of the City's net position, \$7,188,143, represents resources that are invested in capital assets nor are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$2,026,930, may be used to meet the government's ongoing needs.

Changes in Net Position (Modified Cash Basis) Year Ended June 30, 2022

	Govern	mental	Busine	ess-type			Total Percentage
	Activ	ities	Acti	vities	To	otal	Change
	2022	2021	2022	2021	2022	2021	
Revenues:							
Program revenues:							
Charges for Services	\$ 165,776	\$ 160,766	\$ 1,691,511	\$ 1,504,833	\$ 1,857,287	\$ 1,665,599	11.5%
Operating Grants & Contributions	85,870	494,492	-	-	85,870	494,492	-82.6%
General Revenues:							
Sales and Use Taxes	1,681,020	1,589,365	-	-	1,681,020	1,589,365	5.8%
Other Taxes	191,249	173,007	-	-	191,249	173,007	10.5%
Grants and contributions not restricted	-	-	447,205	-	447,205	-	100.0%
Other General Revenues	54,687	89,287	2,881	244,058	57,568	333,345	-82.7%
Total Revenues	2,178,602	2,506,917	2,141,597	1,748,891	4,320,199	4,255,808	1.5%
Program Expenses:							
General Government	\$ 454,482	\$ 436,963	-	-	454,482	436,963	4.0%
Public Safety	1,024,831	933,697	-	-	1,024,831	933,697	9.8%
Highways and Streets	387,392	361,183	-	-	387,392	361,183	7.3%
Cemetery/Culture and Recreation	30,840	20,186	-	-	30,840	20,186	52.8%
Interest on Long-Term Debt	2,545	3,765	-	-	2,545	3,765	-32.4%
Water	-	-	528,479	452,942	528,479	452,942	16.7%
Wastewater	-	-	951,350	919,487	951,350	919,487	3.5%
Sanitation		-	451,490	389,490	451,490	389,490	15.92%
Total Expenses	1,900,090	1,755,794	1,931,319	1,761,919	3,831,409	3,517,713	8.9%
Excess (Deficiency)	278,512	751,123	210,278	(13,028)	488,790	738,095	-33.8%
Net Transfers In (Out)	(42,768)	(262,613)	42,768	262,613	_		
Change in Net Position	\$ 235,744	\$ 488,510	\$ 253,046	\$ 249,585	\$ 488,790	\$ 738,095	-33.8%
Beginning Net Position	3,035,114	2,546,604	5,691,169	5,441,584	8,726,283	7,988,188	9.2%
Ending Net Position	\$3,270,858	\$3,035,114	\$ 5,944,215	\$ 5,691,169	\$ 9,215,073	\$8,726,283	5.6%

Governmental Activities

The City's governmental activities had an increase in net position of \$235,744. Operating grants and contributions decreased \$408,622 due primarily to the CARES Act grant received in the prior year.

Business-type Activities

The City's business-type activities had an increase in net position of \$253,046. The increase is due primarily to receipt of the American Rescue Plan Act grant in the amount of \$447,205 in the current year. Other general revenues also decreased \$241,177 from the prior year due to the City receiving a donation from the Chickasaw Nation in the amount of \$228,000 in the prior year.

Net Revenue (Expense) of Governmental Activities (In Thousands)

		Expense rvices	% Inc. (Dec.)	Net Ro (Expo of Se	% Inc. (Dec.)	
	<u>2022</u>	2021		2022	2021	
General government	\$ 454	\$ 453	0%	\$ (383)	\$ (401)	-4%
Public safety	1,025	962	7%	(908)	(814)	12%
Highways and streets	387	343	13%	(338)	(294)	15%
Cemetery/Culture and recreation	31	20	54%	(17)	(14)	21%
Interest on long-term debt	3	3	0%	(3)	(3)	0%
Total	\$ 1,900	\$1,781	7%	\$(1,649)	\$(1,526)	8%

Net Revenue (Expense) of Business-Type Activities (In Thousands)

		Total Expense of Services			% Inc. Dec.	-	Net R (Exp of Se	ense)	% Inc. Dec.
	2	021	2	2020			2021		2020	
Water	\$	528	\$	499	6%	\$	339	\$	268	26%
Wastewater		951		918	4%		(650)	\$	(634)	3%
Sanitation	M1	452		418	8%		71		21	238%
Total	\$ 1	,931	_\$1	,835	5%	\$	(240)	\$	(345)	-30%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2022 fiscal year, the governmental funds reported a combined fund balance of \$2,213,564. For the year ended June 30, 2022, the General Fund's total fund balance increased by \$85,123 to 1,001,536, or 69.7% of annual revenues.

Budgetary Highlights

For the year ended June 30, 2022, the General Fund reported actual budgetary basis revenues over final estimates by \$150,880 or a 10.3% positive variance. General Fund actual expenditures were under final appropriations by \$121,785 or a 7.4% positive variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2022, the City had approximately \$15.1 million invested in capital assets, net of depreciation, including land, buildings, machinery and equipment, water and sewer systems, roads and bridges. This represents a net decrease of approximately \$270,000 compared to last year.

Below are the details regarding the City's capital assets for the years ended June 30, 2022 and 2021.

Capital Assets (In Thousands) (Net of accumulated depreciation)

	Gover	nme	ntal								
	 Act	ivitie	!S	 Business-t	ype A	Activities	Total				
	 2022		2021	 2022		2021		2022		2021	
Land	\$ 216	\$	216	\$ 3	\$	3	\$	219	s	219	
Buildings	436		433	228		225	•	664	•	658	
Computers and electronics	194		188	94		93		288		281	
Vehicles	1,202		1,194	233		215		1,435		1,409	
Machinery and equipment	1,254		1,202	470		464		1,724		1,666	
Infrastructure	1,796		1,716	28,731		28,650		30,527		30,366	
Construction-in-progress	 -		-	281		71		281		71	
Totals	 5,098		4,949	30,040		29,721		35,138		34,670	
Less Accumulated Depreciation	 (3,961)		(3,815)	 (16,116)		(15,524)		(20,077)		(19,339)	
Totals, Net	\$ 1,137	S	1,134	\$ 13,924	\$	14,197	\$	15,061	\$	15,331	

This year's more significant capital asset additions include:

- New water tower project costs of \$209,117
- \$67,402 for police and fire communication upgrades
- \$80,000 road improvements

Long-Term Debt

At year-end, the City had approximately \$9.1 million in long-term debt outstanding, which represents approximately a \$342,000 decrease from the prior year.

Long-Term Debt (In Thousands)

	Gov	vernmenta	ıl Acti	vities		Busine	ss-type	2	 Tota	ıl		
	20	022		2021	-	2022		2021	 2022	2021		
Notes payable	\$	80	\$	121		8,945		9,251	9,025	9,372		
Due to depositors		-		-		107		102	107	102		
Totals	\$	80	\$	121	\$	9,052	\$	9,353	\$ 9,132	\$ 9,474		

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

One of the primary responsibilities of City management is to prepare and submit to the City Council an annual budget for the upcoming year that is balanced, meets the needs and expectations of the City, and is appropriate to the economic conditions of the City.

This management is committed to the fiduciary responsibility that we have in managing public resources.

For FY 2022-2023 the City has budgeted for road materials and road equipment totaling \$157,000, a console recorder for the police and fire departments totaling \$27,000, a lease purchase of a police unit in the amount of \$23,250, and two used police vehicles totaling \$40,000.

For FY 2022-2023, the Water Trust and Sewer Authority has budgeted various sewer improvements totaling \$250,000, the purchase of additional smart meters in the amount of \$75,000, and the lease purchase of a new backhoe in the amount of \$25,000.

The City is optimistic that the sales tax revenue will remain steady during FY 2022-2023 and have budgeted accordingly.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at P.O. Box 304, Lone Grove, Oklahoma 73443 or telephone at 580-657-3111.



BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

Statement of Net Position (Modified Cash Basis) - June 30, 2022

	F	rima	ry Governmen	it	
	 vernmental Activities		siness-type Activities		Total
ASSETS					
Cash and Cash Equivalents	\$ 1,571,670	\$	834,240	\$	2,405,910
Investments	641,402		239,353		880,755
Internal Balances	1,531		(1,531)		-
Capital Assets:					
Land and construction in progress	216,499		282,966		499,465
Other capital assets, net of depreciation	920,363		13,641,225		14,561,588
Total Assets	 3,351,465		14,996,253		18,347,718
LIABILITIES					
	1,039		_		1,039
Other payables Long-term liabilities:	1,000				1,000
Due within one year	36,501		323,576		360,077
Due in more than one year	43.067		8,728,462		8,771,529
Total liabilities	80,607		9,052,038		9,132,645
NET POSITION					
Net investment in capital assets	1,057,295		4,978,967		6,036,262
Restricted via:					
State statute	33,763		-		33,763
Enabling legislation	1,118,118		-		1,118,118
Unrestricted	1,061,682		965,248		2,026,930
Total net assets	\$ 3,270,858	\$	5,944,215	\$	9,215,073

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

					Progra	am Revenue	1	Ne		ue and Chang iry Governme	Net Position				
Functions/Programs Primary government	Ē	Expenses	-	Charges for Services						perating ants and stributions	Capital Grants and Contributions		vernmental Activities	siness-type Activities	<u>Total</u>
Governmental Activities General Government Public Safety Highways and Streets Cemetery/Culture and Recreation Interest on Long-term debt Total governmental activities	\$	454,482 1,024,831 387,392 30,840 2,545 1,900,090	\$	39,441 112,335 - 14,000 - 165,776	\$	32,258 4,763 48,849 	\$ - - - - -	\$	(382,783) (907,733) (338,543) (16,840) (2,545) (1,648,444)	\$ 	\$ (382,783) (907,733) (338,543) (16,840) (2,545) (1,648,444)				
Business-type activities Water Wastewater Sanitation Total business-type activities Total primary government		528,479 951,350 451,490 1,931,319 3,831,409		867,716 301,523 522,272 1,691,511 1,857,287		85,870	-		(1,648,444)	 339,237 (649,827) 70,782 (239,808) (239,808)	 339,237 (649,827) 70,782 (239,808) (1,888,252)				
	Gi Ui M Tran	neral revenue ixes: Sales tax and Franchise tax rants and confinestricted inw iscellaneous isfers Total genera Change ir position - begi	I use to es and tributio estmen al rever n net p inning	d public serving ons not restrict ont earnings nues and tran	eted to s		ams		1,681,020 191,249 3,192 51,495 (42,768) 1,884,188 235,744 3,035,114 3,270,858	 447,205 1,386 1,495 42,768 492,854 253,046 5,691,169 5,944,215	 1,681,020 191,249 447,205 4,578 52,990 2,377,042 488,790 8,726,283 9,215,073				



BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet (Modified Cash Basis) - June 30, 2022

	General Fu	nd	Special Sales Tax Fund				Sewer Sales Tax Fund			Capital rovement Fund	Gove	Other ernmental Funds	Total Governmental Funds	
ASSETS Cash and cash equivalents Investments Due from other funds Total assets	\$ 801, 200, 1, 1,002,	000 306	\$	260,287	\$	284,225 441,402 - 725,627	\$	192,351 - - 192,351	\$	33,538 225 33,763	\$	1,571,670 641,402 1,531 2,214,603		
LIABILITIES AND FUND BALANCES Liabilities: Payable to other governments Other payables Total liabilities		40 999 039						-				40 999 1,039		
Fund balances: Restricted for: Streets Cemetery Capital improvements		-		- - 200,140		- - 725,627		- - 192,351		23,861 9,902		23,861 9,902 1,118,118		
Assigned to: Capital improvements Senior citizens Software and technology Subsequent year's budget Unassigned Total fund balances Total liabilities and fund balances	62, 109, 223, 605, 1,001, \$ 1,002,	307 902 728	\$	60,147 - - 260,287 260,287		725,627 725,627	s	192,351 192,351	 \$	33,763		60,147 62,099 109,807 223,902 605,728 2,213,564 2,214,603		

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) – Year Ended June 30, 2022

	General Fund	Special Sales Tax Fund	Sewer Sales Tax Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						4 4 4 4 4 4 4 4 4
Taxes	\$ 1,183,795	\$ 324,245	\$ 324,245	\$ -	\$ -	\$ 1,832,285
Intergovernmental	65,985	-	-	•	48,849	114,834
Licenses and permits	39,441	-	-	-		39,441
Charges for services	12,250	13,065	-	-	1,750	27,065
Fines and forfeitures	99,270	-	-	-	-	99,270
Investment earnings	2,071	-	1,121	-	-	3,192
Miscellaneous	34,493	28,015			7	62,515
Total revenues	1,437,305	365,325	325,366	_	50,606	2,178,602
EXPENDITURES						
Current:						
General Government	374,537	69,680	-	=	-	444,217
Public Safety	848,384	102,648	-	-	-	951,032
Highways and Streets	269,070	30,257	-	-	26,457	325,784
Cemetery/Culture and Recreation	28,554	-	-	-	-	28,554
Capital Outlay	11,637	86,876	108,699	-	26,119	233,331
Debt Service:						
Principal	-	19,751	_	22,040	•	41,791
Interest and other charges	-	1,347	-	1,198	-	2,545
Total Expenditures	1,532,182	310,559	108,699	23,238	52,576	2,027,254
Excess (deficiency) of revenues over						
expenditures	(94,877)	54,766	216,667	(23,238)	(1,970)	151,348
OTHER FINANCING SOURCES (USES)						
Transfers in	180,000	-	-	100,677	-	280,677
Transfers out		-	(150,000)	(90,000)	-	(240,000)
Total other financing sources and uses	180,000	*	(150,000)	10,677		40,677
Net change in fund balances	85,123	54,766	66,667	(12,561)	(1,970)	192,025
Fund balances - beginning	916,413	205,521	658,960	204,912	35,733	2,021,539
Fund balances - ending	\$ 1,001,536	\$ 260,287	\$ 725,627	\$ 192,351	\$ 33,763	\$ 2,213,564

Reconciliations of Governmental Fund and Government-Wide Financial Statements (Modified Cash Basis) – Year Ended June 30, 2022

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

Total fund balance, governmental funds	\$ 2,213,564
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position	1,136,862
	1,150,002
Some liabilities, (such as Notes Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the	
Statement of Net Position	(79,568)
Net Position of Governmental Activities in the Statement of Net Position	3,270,858

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities:

Governmental Lands to the Statement of Metrylless	
Net change in fund balances - total governmental funds:	\$ 192,025
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. Capital asset purchases capitalized Depreciation expense	148,026 (146,098)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position: Principal payments on long-term debt	41,791
Change in net position of governmental activities	\$ 235,744



BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

Proprietary Fund Statement of Net Position (Modified Cash Basis) - June 30, 2022

	Lone Grove Water Trust Authority	
ASSETS		
Current assets:		
Cash and cash equivalents	\$	602,394
Investments		200,502
Restricted:		
Cash and cash equivalents		231,846
Investments		38,851
Total current assets		1,073,593
Non-current assets:		
Capital Assets:		
Land and construction in progress		282,966
Other capital assets, net of accumulated depreciation		13,641,225
Total non-current assets		13,924,191
Total assets		14,997,784
Current Liabilities: Due to other funds Deposits subject to refund Notes payable Total current liabilities Non-current liabilities: Deposits subject to refund Notes payable Total non-current liabilities Total liabilities		1,531 10,682 312,894 325,107 96,132 8,632,330 8,728,462 9,053,569
NET POSITION		
Net investment in capital assets		4,978,967
Unrestricted	Ф.	965,248
Total net position	\$	5,944,215

<u>Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2022</u>

REVENUES Water \$ 763,584 Wastewater 265,338 Sanitation 459,596 Penalties 43,237 Miscellaneous 159,756 Total operating revenues 1,691,511 OPERATING EXPENSES Administration 240,173 Water 317,657 Wastewater 131,326 Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue Miscellaneous revenue 1,495 Interest and investment revenue (expenses) (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position - beginning 5,691,406 Total net position - beginning 5,691,406 Tota		Lone Grove Water Trust Authority	
Wastewater 265,338 Sanitation 459,596 Penalties 43,237 Miscellaneous 159,756 Total operating revenues 1,691,511 OPERATING EXPENSES Administration 240,173 Water 317,657 Wastewater 131,326 Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) 1,495 Interest and investment revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169			
Sanitation 459,596 Penalties 43,237 Miscellaneous 159,756 Total operating revenues 1,691,511 OPERATING EXPENSES Administration 240,173 Water 317,657 Wastewater 131,326 Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	******	\$	763,584
Penalties 43,237 Miscellaneous 159,756 Total operating revenues 1,691,511 OPERATING EXPENSES Administration 240,173 Water 317,657 Wastewater 131,326 Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) 1,386 Miscellaneous revenue 1,495 Interest and investment revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169			265,338
Miscellaneous 159,756 Total operating revenues 1,691,511 OPERATING EXPENSES Administration 240,173 Water 317,657 Wastewater 131,326 Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169			459,596
Total operating revenues 1,691,511 OPERATING EXPENSES Administration 240,173 Water 317,657 Wastewater 131,326 Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169			43,237
OPERATING EXPENSES Administration 240,173 Water 317,657 Wastewater 131,326 Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169			159,756
Administration 240,173 Water 317,657 Wastewater 131,326 Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) 1,386 Interest and investment revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	Total operating revenues		1,691,511
Water 317,657 Wastewater 131,326 Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	OPERATING EXPENSES		
Water 317,657 Wastewater 131,326 Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	Administration		240.173
Wastewater 131,326 Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	Water		
Sanitation 377,334 Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	Wastewater		·
Depreciation 591,518 Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	Sanitation		
Total Operating Expenses 1,658,008 Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	Depreciation		
Operating income 33,503 NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	•		
NON-OPERATING REVENUES (EXPENSES) Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	· · · · · · · · · · · · · · · · · · ·		
Interest and investment revenue 1,386 Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169			
Miscellaneous revenue 1,495 Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	NON-OPERATING REVENUES (EXPENSES)		
Interest expense (220,489) Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169			1,386
Total non-operating revenue (expenses) (217,608) Income (loss) before contributions and transfers (184,105) Capital contributions - grant 447,205 Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	Miscellaneous revenue		1,495
Income (loss) before contributions and transfers Capital contributions - grant Transfers in Change in net position Cotal net position - beginning (184,105) 447,205 295,877 (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	Interest expense		(220,489)
Income (loss) before contributions and transfers (184,105) Capital contributions - grant Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	Total non-operating revenue (expenses)		(217,608)
Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	Income (loss) before contributions and transfers		
Transfers in 295,877 Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169	Capital contributions - grant		447 205
Transfers out (305,931) Change in net position 253,046 Total net position - beginning 5,691,169			·
Change in net position 253,046 Total net position - beginning 5,691,169	Transfers out		•
Total net position - beginning 5,691,169			
	· · · · · · · · · · · · · · · · · · ·		
Total not position - Graing a 9,944.219	Total net position - ending	\$	5,944,215

Proprietary Fund Statement of Cash Flows (Modified Cash Basis) - Year Ended June 30, 2022

		Lone Grove Water Trust Authority		
CASH FLOWS FROM OPERATING ACTIVITIES Receipts from customers Payments to suppliers Payments to employees Receipts of customer meter deposits	\$	1,693,006 (713,154) (353,336) 17,225		
Refunds of customer meter deposits Interfund receipts/payments Net cash provided by operating activities		(12,760) 742 631,723		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES Transfers from other funds Transfers to other funds Net cash provided by (used in) noncapital financing activities		295,877 (305,931) (10,054)		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Purchases of capital assets Principal paid on debt Capital contribution - grant Interest and fiscal agent fees paid on debt Net cash provided by (used in) capital and related financing activities		(320,458) (305,508) 447,205 (220,489) (399,250)		
CASH FLOWS FROM INVESTING ACTIVITIES Interest and dividends Net cash provided by investing activities		1,386 1,386		
Net increase in cash and cash equivalents		223,805		
Balances - beginning of year		610,435		
Balances - end of year	\$	834,240		
Reconciliation to Statement of Net Position: Cash and cash equivalents Restricted cash and cash equivalents - current Total cash and cash equivalents, end of year		602,394 231,846 834,240		
Reconciliation of operating income to net cash provided by operating activities: Operating income Adjustments to reconcile operating income to net cash provided by Operating activities:	\$	33,503		
Depreciation expense Miscellaneous revenue Change in assets and liabilities:		591,518 1,495		
Due to other funds Deposits subject to refund Net cash provided by operating activities	\$	742 4,465 631,723		

CITY OF LONE GROVE, OKLAHOMA ANNUAL FINANCIAL REPORT As of and for the Year Ended June 30, 2022

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to Basic Financial Statements

A. Financial Reporting Entity

The City's financial reporting entity consists of the primary government (including one blended component unit) as follows.

- The City of Lone Grove that operates the public safety, streets, cemetery, culture and recreation, and administrative activities, governed by the City Council
- The Lone Grove Public Works Authority (LGWTA) that operates the water, wastewater, and sanitation services of the City governed by the City Council members as trustees

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Statement No. 14, *The Financial Reporting Entity*, as amended.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities
- capital assets
- long-term debt

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

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits and operating grants
- Public safety: Fine revenue and operating grants
- Highways and streets: Gas excise taxes and commercial vehicle taxes
- Cemetery/Culture and recreation: Cemetery lot sales

Business-type activities are also reported on a modified cash basis.

Governmental Funds:

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

Major Funds:

- General Fund accounts for all activities not accounted for in other special-purpose funds.
- Special Sales Tax Fund a capital project fund that accounts for a one-cent sales tax to be used for capital improvements
- Sewer Sales Tax Fund a capital project fund that accounts for a one-cent sales tax to be used for sewer capital improvements
- Capital Improvement Fund a capital project fund that accounts for a \$5 charge on all utility bills to be used for capital improvements

Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue Funds:

• Street & Alley Fund - accounts for commercial vehicle and gas excise tax to be used for street expenditures

Capital Project Fund:

• Cemetery Care Fund - accounts for 12.5 percent of cemetery revenue restricted by State law for cemetery capital improvements

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

Proprietary Fund:

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

Enterprise Fund:

• Lone Grove Water Trust Authority – accounts for the operation of the water, wastewater, and sanitation activities.

The proprietary fund is also reported on a modified cash basis.

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

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

For the year ended June 30, 2022, the City recognized \$4,578 of investment income. Due to the minimal rates of return on allowable investments in the current environment, all of the City's deposits are in demand and short-term time deposits.

At June 30, 2022, the primary government held the following deposits and investments:

Carrying
<u>Value</u>
\$ 400
2,405,510
880,755_
\$ 3,286,665
\$ 2,405,910
880,755
\$ 3,286,665

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

At June 30, 2022, the City was not exposed to custodial credit risk.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

At June 30, 2022, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

Investment Credit Risk

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) 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; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2022, all of the City's deposits are in demand and short-term time deposits and therefore was not exposed to investment credit risk as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2022, the City had no concentration of credit risk as defined above.

Restricted Cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts restricted for utility deposits and debt service. The restricted assets as of June 30, 2022 are as follows:

	(Current			
	Cash and Cash		Current		
Type of Restricted Assets	Restricted Assets Equivalents Inves			<u>estments</u>	
Utility Deposits	\$	95,641	\$	38,851	
2013 OWRB Trust Account		136,205		-	
Total Restricted Assets	\$	231,846	\$	38,851	

D. Capital Assets and Depreciation

Capital assets consist of land, construction in progress, buildings, improvements, machinery and equipment, computer equipment, and infrastructure. Capital assets are recorded at actual or estimated historical cost. Capital assets are defined by the City as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

•	Buildings	50 years
•	Building Improvements	20 years
•	Infrastructure	50 years
6	System infrastructure	30 years

CITY OF LONE GROVE, OKLAHOMA ANNUAL FINANCIAL REPORT As of and for the Year Ended June 30, 2022

Vehicles, office and computer equipment
 Machinery and equipment
 10 years

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:		Business-Type Act	ivities:	
General government	\$ 9,986	Water	\$	87,616
Public safety	73,800	Sewer		503,901
Highways and streets	60,024			
Cemetery/Culture and recreation	2,286			
	\$ 146,096		\$	591,517

For the year ended June 30, 2022, capital asset balances changed as follows:

	Balance							Balance at
a de la	July 1, 2	2021	Ac	lditions	Di	sposals	Ju	ne 30, 2022
Governmental activities:								
Capital assets not being depreciated:	\$ 21	6.400	\$		s		s	216,499
Land	\$ 21	6,499	Э	80,000	3	80,000	Þ	210,499
Construction in progress		6,499		80,000		80,000		216,499
Total capital assets not being depreciated		0,499		80,000		80,000		210,497
Other capital assets:	42	3,221		2,892				436,113
Buildings		8,354		5,652		-		194,006
Computers and electronics		3,691		8,000		•		1,201,691
Vehicles						-		1,253,838
Machinery and equipment		2,357		51,481		-		
Infrastructure		5,974		80,000				1,795,974
Total other capital assets at historical cost	4,73	3,597		148,025				4,881,622
Less accumulated depreciation for:	20	7.664		12.000				200 554
Buildings		7,654		12,900		-		300,554
Computers and electronics		7,848		4,241		-		182,089
Vehicles		0,390		45,320		-		1,065,710
Machinery and equipment		3,212		44,272		-		1,037,484
Infrastructure		6,059		39,363		-		1,375,422
Total accumulated depreciation		5,163		146,096				3,961,259
Other capital assets, net		8,434		1,929				920,363
Governmental activities capital assets, net	\$ 1,13	4,933	\$	81,929	\$	80,000	\$	1,136,862
Business-type activities:								
Capital assets not being depreciated:								
Land	\$	2,500	\$	-	\$	-	\$	2,500
Construction in progress	7	1,349		209,117		_		280,466
Total capital assets not being depreciated	7.	3,849		209,117		-		282,966
Other capital assets:								
Buildings	22	4,510		4,633		-		229,143
Computers and electronics	9	2,662		1,443		-		94,105
Vehicles	21	4,765		18,000		-		232,765
Machinery and equipment	46	3,921		5,715		-		469,636
Infrastructure	28,64	9,851		81,550				28,731,401
Total other capital assets at historical cost	29,64	5,709		111,341		-		29,757,050
Less accumulated depreciation for:								
Buildings	14	4,140		6,136		_		150,276
Computers and electronics	6	4,888		4,790				69,678
Vehicles		3,198		9,113		-		212,311
Machinery and equipment		4,108		31,028		-		295,136
Infrastructure		7,974		540,450		-		15,388,424
Total accumulated depreciation	15,52			591,517		_		16,115,825
Other capital assets, net	14,12			(480,176)				13,641,225
Business-type activities capital assets, net	\$ 14,19			(271,059)	\$	-	\$	13,924,191
				,,	-	***		

E. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for the proprietary fund is the same in the fund financial statements as it is in the government-wide statements.

For the year-ended June 30, 2022 the reporting entity's long-term debt changed as follows:

Type of Debt	Balance <u>July 1, 2021</u>	Additions	<u>Deductions</u>	Balance June 30, 2022	Amount Due Within One Year
Governmental Activities: Notes Payable - Direct Borrowing	\$ 121,359	\$ -	\$ 41,792	\$ 79,567	\$ 36,501
Business-Type Activities:					
Note Payable-Direct Borrowing Deposits Subject to Refund	9,250,732 102,349	17,225	305,508 12,760	8,945,224 106,814	312,894 10,682
Total Business-Type Activities	\$ 9,353,081	\$ 17,225	\$ 318,268	\$ 9,052,038	\$ 323,576

Governmental Activities long-term debt:

Note

e Payable – Direct Borrowing:	
\$68,556 note payable for purchase of a 2018 Case Backhoe, payable in monthly installments with an annual interest rate of 3.0%, final payment due September 2024. If the City defaults, the collateralized equipment will be returned to the lender.	\$ 32,185
\$89,207 note payable for purchase of Police cars, payable in monthly installments of \$1,937 with an annual interest rate of 2.0%, final payment due July 2024. If the City defaults, the collateralized equipment will be returned to the lender.	47,382
Total Notes Payable	\$ 79,567
Current portion	36,501
Noncurrent portion	43,066
Total Notes Payable	\$ 79,567

Long-term debt service requirements to maturity are as follows:

Governmental Activities

Year Ended	Note	Notes Payable-Direct Borrowing							
June 30,	<u>P</u> :	rincipal	<u>In</u>	terest					
2023	\$	36,501	\$	8,432					
2024		37,392		645					
2025		5,674		22					
Total	\$	79,567	\$	9,099					

Business-Type Activities long-term debt:

Note Payable – Direct Borrowing:

2013 CWSRF Note Payable to Oklahoma Water Resources Board dated January 31, 2013 original amount of \$11,755,000 with an annual interest rate of 2.37% due in semi-annual installments of principal and interest beginning September 15, 2014, final installment due March 15, 2044, payable from and secured by utility revenues. In the event of default, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint tempory trustees to take over, operate, and maintain the System on a profitable basis and ensure the payment of principal, interest, and administrative fees; or 4) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the note indenture.

\$ 8,945,22

Total Notes Payable	\$ 8,945,224
Current portion	312,894
Noncurrent portion	8,632,330
Total Notes Payable	\$ 8,945,224

Deposits Subject to Refund:

Current portion	10,682
Noncurrent portion	96,132
Total Refundable Grant Obligation	\$ 106,814

Long-term debt service requirements to maturity are as follows:

Business-Type Activities

Year Ended June 30,	 tes Payable-D Principal	irect Borrowing Interest		
2023	\$ 312,894	\$	213,104	
2024	319,899		206,098	
2025	328,190		197,807	
2026	336,124		189,873	
2027	344,249		181,748	
2028-2032	1,849,280		780,705	
2033-2037	2,084,486		545,500	
2038-2042	2,349,028		280,957	
2043-2045	 1,021,074		30,921	
Total	\$ 8,945,224	\$	2,626,713	

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, as described in Note B., liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due to employees upon termination is as follows:

General Fund \$17,761LGWTA \$12,292

G. Fund Balances and Net Position

Net Position:

Net position reported in the government-wide and proprietary fund financial statements is 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 amount of 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".

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.

Governmental Fund Statements:

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

- a. Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

H. Sales Tax Revenue

Sales tax revenue represents a 4 cent local tax on each dollar of taxable sales within the City. Two cents of the sales tax is received and recorded in the General Fund. One cent is received and recorded in the Special Sales Tax Fund and is to be used for capital improvements. The final cent is received and recorded in the Sewer Sales Tax Fund to be used for development and maintenance of the sewer system.

I. Property Tax Levy

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

J. Internal and Interfund Balances and Transfers

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

Internal balances between funds and legal entities for the year ended June 30, 2022, were as follows:

Due From	Due To		Amount		Nature of Balance		
General Fund Total	Lone Grove Water Trust		\$	1,531 1,531	telephone franch	ise fees correction	
Reconciliation to Fund Financial Statements:							
	Due From		D	ae To	Net Inte	rnal Balances	
Governmental Funds	\$	1,531	\$	-	S	1,531	
Proprietary Funds				(1,531)		(1,531)	
Total	\$	1,531	\$	(1,531)	\$	-	

Internal transfers between funds and activities for the year ended June 30, 2022, were as follows:

Transfer From	Transfer To		<u>xmount</u>	Nature of Transfer
Sewer Sales Tax Fund	Lone Grove Water Trust	\$	150,000	Sales tax pledge for debt service
General Fund	Lone Grove Water Trust		205,254	Operational subsidy
Capital Improvement Fund	Lone Grove Water Trust		90,000	Capital improvement fees
Lone Grove Water Trust	Capital Improvement Fund		100,677	Capital assets
		\$	545,931	
Reconciliation:				
	Transfers In	Trai	nsfers Out	Net Transfers
Governmental Funds	\$ 280,677	\$	(240,000)	\$ 40,677
Proprietary Funds	295,877		(305,931)	(10,054)
Total	\$ 576,554	\$	(545,931)	\$ 30,623
Reconciliation to Statement of	Activities:			
				Net Transfers
Net Transfers				\$ (10,054)
Business-type activities from gove	rnmental funds			52,822
Total Transfers - Internal Activity				\$ 42,768

K. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by participating in the Oklahoma Municipal Assurance Group risk entity pool and the State of Oklahoma Risk Management Division for coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

L. Pension Plan Participation

The City of Lone Grove participates in three pension or retirement plans:

- 1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) a statewide cost-sharing plan
- 2. Oklahoma Municipal Retirement System Master Defined Contribution Plan an agent multipleemployer defined contribution plan
- 3. Oklahoma Municipal Retirement System CMO Defined Contribution Plan

OFPRS:

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

Funding Policy. The paid firefighter contributes 9% to the plan, while the City is required by state law to contribute 14% per year per firefighter to the statewide plan. The City's obligation to fund the plan extends only to making the statutorily required contributions. Contributions for paid firefighters for the year ended June 30, 2022 were \$24,100. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The City is required by state law to contribute \$60 per year for each volunteer firefighter. Contributions for volunteers for the year ended June 30, 2022 totaled \$1,140. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 6601 Broadway Extension, Suite 100, Oklahoma City, OK 73116.

OkMRF Defined Contribution Plan:

Plan Summary Information. Effective, October 1, 2015, the City has provided a defined contribution plan and trust available to the employees of the City of Lone Grove. The trust is in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OkMRF). The plan is available for all eligible employees except the City Manager and those covered by the Firefighter Pension System. Administration of the City's individual plan rests with the City Council. The overall operations of OkMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months after hire date.

Funding Policy. Employees participating in the Plan are required to contribute 2%. The amount the City, as employer, is required to contribute varies from year to year. The City contributions for each employee (and interest allocated to the employee's account) are vested at incremental percentages beginning after one year of service and are 100% vested after five years of service. The authority to establish and amend the provisions of the plan rests with the City Council. For the year ended June 30, 2022, employer contributions to the plan were \$35,454, and employee contributions to the plan were \$15,686.

OkMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 1001 N.W. 63rd Street, Suite 260, Oklahoma City, Oklahoma, 73116.

OkMRF CMO Plan:

Plan Summary Information. Effective, October 1, 2015, the City has also provided a defined contribution plan and trust available to the City Manager of the City of Lone Grove. The trust is in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OkMRF). Administration of the City's individual plan rests with the City Council. The overall operations of OkMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. Benefits depend solely on amounts contributed to the plan plus investment earnings. The City Manager is eligible to participate immediately upon hire.

Funding Policy. The City Manager is allowed to make voluntary contributions to the plan. The City, as employer, is required to contribute 8% of covered payroll to the plan. The City contributions for the City Manager (and interest allocated to the employee's account) are immediately 100% vested. The authority to establish and amend the provisions of the plan rests with the City Council. For the year ended June 30, 2022, employer contributions to the plan were \$6,388, and there were no employee contributions.

OkMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 1001 N.W. 63rd Street, Suite 260, Oklahoma City, Oklahoma, 73116.

M. Commitments and Contingencies

Litigation:

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Lone Grove participates in various federal or state grant/loan programs from year to year. In 2022, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022

SUPPLEMENTARY AND OTHER INFORMATION

Budgetary Comparison Schedules (Modified Cash Basis) - Year Ended June 30, 2022

	General Fund							
							Fina	iance with al Budget -
						al Amounts,	-	Positive
		Budgeted	d Amo		Bud	getary Basis	(Negative)	
		<u>Original</u>		<u>Final</u>			_	
Beginning Budgetary Fund Balance	\$	500,000	\$	500,000	\$	916,413	\$	416,413
Resources (Inflows):								
Taxes		1,045,800		1,036,800		1,183,795		146,995
Intergovernmental		49,000		58,000		65,985		7,985
Licenses and Permits		19,600		19,600		39,441		19,841
Charges for services		3,000		3,000		12,250		9,250
Fines and forfeitures		143,075		143,075		99,270		(43,805)
Investment earnings		2,400		2,400		2,071		(329)
Miscellaneous		23,550		23,550		34,493		10,943
Other Financing Sources - Transfers In		180,000		180,000		180,000		-
Total Resources		1,466,425		1,466,425		1,617,305		150,880
Amount available for appropriation		1,966,425		1,966,425		2,533,718		567,293
Charges to Appropriations (Outflows):								
Departmental:								
General Government		418,281		418,281		382,649		35,632
Public Safety		938,623		935,623		851,909		83,714
Highways and Streets		268,683		268,683		269,070		(387)
Cemetery/Culture and Recreation		31,380		31,380		28,554		2,826
Total Charges to Appropriations		1,656,967		1,653,967		1,532,182		121,785
Ending Budgetary Fund Balance	\$	309,458	\$	312,458	\$	1,001,536	\$	689,078

Footnotes to Budgetary Comparison Schedules:

- 1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
- 2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the City Manager's approval, while supplemental appropriations require City Council approval.

NonMajor Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2022

	Speci	Special Revenue Capital Project Fund Fund				
	Stre	Street & Alley Cem			Gove	tal Other ernmental Funds
ASSETS Cash and cash equivalents	\$	23,861	\$	9,677	\$	33,538
Due from other funds	Ψ	20,001	Ψ	225	*	225
Total assets		23,861		9,902		33,763
Liabilities: Total liabilities		_				-
Fund balances:						
Restricted for:		00.004				00.004
Streets		23,861		- 0.000		23,861
Cemetery				9,902		9,902
Total fund balances	•	23,861	\$	9,902 9,902	\$	33,763
Total liabilities and fund balances	<u> </u>	23,861	<u> </u>	9,902	Φ	33,703

NonMajor Governmental Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2022

	ther
Total-O Street & Cemetery Governm Alley Fund Care Fund Fund	
REVENUES	
Intergovernmental \$ 48,849 \$ - \$	8,849
Miscellaneous 7	7
Total revenues 48,856 1,750 5	0,606
EXPENDITURES	
Current:	
Highways and streets 26,457 - 2	6,457
Capital Outlay 18,119 8,000 2	6,119
Total Expenditures 44,576 8,000 5	2,576
Net change in fund balances 4,280 (6,250)	(1,970)
	5,733
	3,763

Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2022

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal AL Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
U.S. DEPARTMENT OF TREASURY:				
American Rescue Plan Act - Tranche #1	21.027	ARPA	S 447,205 S	274,519
TOTAL FEDERAL ASSISTANCE			S 447,205 S	274,519

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal/State Grantor/Pass through agency Grantor/Program Title	Agency or Pass Thru Number	Program or Award Amount		 Contract Expenditures	
STATEAWARDS:					
OKLAHOMA DEPARTMENT OF AGRICULTURE:					
Operational Fire Grant	N/A	\$	4,763	\$ 4,763	
SOUTHERN OKLAHOMA DEVELOPMENT ASSOCIATION:					
Community Expansion for Nutrition Assistance	014 CENA 21		15,500	2,773	
Community Expansion for Nutrition Assistance	CENA 22-009		10,500	10,500	
Total Southern Oklahoma Development Association		\$	26,000	\$ 13,273	
TOTAL STATE AWARDS		\$	30,763	\$ 18,036	

Schedule of Debt Service Coverage Requirements - Year Ended June 30, 2022

	2013 CWSRF Promissory Note to OWRB
GROSS REVENUE AVAILABLE:	
Pledged operating revenues (water, sewer and sanitation)	\$1,488,518
Investment income	1,386
Sales tax appropriated and transferred from the City General Fund	150,000
Total Gross Revenue Available	1,639,904
OPERATING EXPENDITURES:	007.312
Total Operating Expenditures	826,317
Net Revenue Available for Debt Service	\$813,587
Maximum Annual Debt Service	\$525,997
Computed Coverage	155%
Coverage Requirement	125%

CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022

INTERNAL CONTROL AND COMPLIANCE

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Russell and Williams CPAs, PC

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

To the City Council City of Lone Grove, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lone Grove, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Lone Grove, Oklahoma's basic financial statements, and have issued our report thereon dated January 6, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lone Grove, Oklahoma's internal control over financial reporting (internal control) as a basis for designing 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 City of Lone Grove, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lone Grove, Oklahoma's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lone Grove, 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*.

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.

Oklahoma City, Oklahoma

Jurad & William CAA PC

January 6, 2023