



City of
**LONE GROVE,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

**THE CITY OF LONE GROVE,
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

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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, 2023, 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, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 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 A, 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, 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 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 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*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 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 provision 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
December 9, 2023

CITY OF LONE GROVE, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 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, 2023. 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 \$650,524, and the assets of the City exceed its liabilities at June 30, 2023, by \$9,865,597 (net position). Of this amount, \$2,546,143 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2023, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,435,166.
- At the end of fiscal year 2023, unassigned fund balance on a modified cash basis for the General Fund was \$447,825 or 29% 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

(Unaudited. See accompanying auditor's report.)

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.

(Unaudited. See accompanying auditor's report.)

CITY OF LONE GROVE, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

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 26-37 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, 2023, net position on a modified cash basis for the governmental and business-type activities increased \$605,524.

Net Position (Modified Cash Basis)
June 30, 2023

	Governmental Activities	Business-type Activities	Total
Beginning net position	\$ 3,270,858	\$ 5,944,215	\$ 9,215,073
Change in net position	248,613	401,911	650,524
Ending net position	\$ 3,519,471	\$ 6,346,126	\$ 9,865,597

A portion of the City's net position, \$7,319,454, represents resources that are invested in capital assets or are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$2,546,143, may be used to meet the government's ongoing needs.

(Unaudited. See accompanying auditor's report.)

CITY OF LONE GROVE, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2023

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2023	2022	2023	2022	2023	2022	
Revenues:							
Program revenues:							
Charges for Services	\$ 150,466	\$ 165,776	\$ 1,874,827	\$ 1,691,511	\$ 2,025,293	\$ 1,857,287	9.0%
Operating Grants & Contributions	98,176	85,870	-	-	98,176	85,870	14.3%
Capital Grants & Contributions	-	-	523,867	-	523,867	-	-100.0%
General Revenues:							
Sales and Use Taxes	1,812,036	1,681,020	-	-	1,812,036	1,681,020	7.8%
Other Taxes	227,498	191,249	-	-	227,498	191,249	19.0%
Grants and contributions not restricted	-	-	-	447,205	-	447,205	-100.0%
Other General Revenues	46,144	54,687	8,854	2,881	54,998	57,568	-4.5%
Total Revenues	2,334,320	2,178,602	2,407,548	2,141,597	4,741,868	4,320,199	9.8%
Program Expenses:							
General Government	\$ 495,711	\$ 454,482	-	-	495,711	454,482	9.1%
Public Safety	1,088,775	1,024,831	-	-	1,088,775	1,024,831	6.2%
Highways and Streets	435,104	387,392	-	-	435,104	387,392	12.3%
Cemetery/Culture and Recreation	44,368	30,840	-	-	44,368	30,840	43.9%
Interest on Long-Term Debt	1,543	2,545	-	-	1,543	2,545	-39.4%
Water	-	-	644,256	528,479	644,256	528,479	21.9%
Wastewater	-	-	920,589	951,350	920,589	951,350	-3.2%
Sanitation	-	-	460,998	451,490	460,998	451,490	2.11%
Total Expenses	2,065,501	1,900,090	2,025,843	1,931,319	4,091,344	3,831,409	6.8%
Excess (Deficiency)	268,819	278,512	381,705	210,278	650,524	488,790	33.1%
Net Transfers In (Out)	(20,206)	(42,768)	20,206	42,768	-	-	-
Change in Net Position	\$ 248,613	\$ 235,744	\$ 401,911	\$ 253,046	\$ 650,524	\$ 488,790	33.1%
Beginning Net Position	3,270,858	3,035,114	5,944,215	5,691,169	9,215,073	8,726,283	5.6%
Ending Net Position	\$ 3,519,471	\$ 3,270,858	\$ 6,346,126	\$ 5,944,215	\$ 9,865,597	\$ 9,215,073	7.1%

Governmental Activities

The City's governmental activities had an increase in net position of \$248,613. Sales and use taxes increased \$131,016 over the amount received in the prior year while other revenues and expenses remained fairly consistent with the prior year.

Business-type Activities

The City's business-type activities had an increase in net position of \$401,911. The increase is due primarily to receipt of the American Rescue Plan Act grant monies in the amount of \$451,445 and capital grants for water purposes of \$63,886 in the current year. Charges for services also increased from the prior in the amount of \$183,316. Water expenses increased by \$115,777 due primarily to an increase in operating costs.

(Unaudited. See accompanying auditor's report.)

CITY OF LONE GROVE, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
	General government	\$ 496		\$ 454	9%	
Public safety	1,089	1,025	6%	(969)	(908)	7%
Highways and streets	435	387	12%	(390)	(338)	15%
Cemetery/Culture and recreation	44	31	43%	(39)	(17)	129%
Interest on long-term debt	2	3	-33%	(2)	(3)	-33%
Total	<u>\$ 2,066</u>	<u>\$ 1,900</u>	9%	<u>\$ (1,817)</u>	<u>\$ (1,649)</u>	10%

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
	Water	\$ 644		\$ 528	22%	
Wastewater	921	951	-3%	(640)	\$ (650)	-2%
Sanitation	461	452	2%	81	71	14%
Total	<u>\$ 2,026</u>	<u>\$ 1,931</u>	5%	<u>\$ (79)</u>	<u>\$ (240)</u>	-67%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2023 fiscal year, the governmental funds reported a combined fund balance of \$2,435,166. For the year ended June 30, 2023, the General Fund's total fund balance increased by \$179,778 to 1,181,314, or 76.5% of annual revenues.

Budgetary Highlights

For the year ended June 30, 2023, the General Fund reported actual budgetary basis revenues over final estimates by \$241,094 or a 16.3% positive variance. General Fund actual expenditures were under final appropriations by \$162,586 or a 9.5% positive variance.

(Unaudited. See accompanying auditor's report.)

CITY OF LONE GROVE, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the City had approximately \$14.9 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 \$124,000 compared to last year.

Below are the details regarding the City's capital assets for the years ended June 30, 2023 and 2022.

	Capital Assets (In Thousands) (Net of accumulated depreciation)					
	Governmental		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 216	\$ 216	\$ 4	\$ 3	\$ 220	\$ 219
Buildings	496	436	234	228	730	664
Computers and electronics	240	194	94	94	334	288
Vehicles	1,205	1,202	375	233	1,580	1,435
Machinery and equipment	1,233	1,254	501	470	1,734	1,724
Infrastructure	1,796	1,796	28,819	28,731	30,615	30,527
Construction-in-progress	-	-	504	281	504	281
Totals	5,186	5,098	30,531	30,040	35,717	35,138
Less Accumulated Depreciation	(4,059)	(3,961)	(16,721)	(16,116)	(20,780)	(20,077)
Totals, Net	\$ 1,127	\$ 1,137	\$ 13,810	\$ 13,924	\$ 14,937	\$ 15,061

This year's more significant capital asset additions include:

- New water tower project costs of \$125,036
- \$53,700 for communication upgrades

Long-Term Debt

At year-end, the City had approximately \$8.9 million in long-term debt outstanding, which represents approximately a \$255,000 decrease from the prior year.

	Long-Term Debt (In Thousands)					
	Governmental Activities		Business-type		Total	
	2023	2022	2023	2022	2023	2022
Notes payable	\$ 43	\$ 80	8,737	8,945	8,780	9,025
Due to depositors	-	-	97	107	97	107
Totals	\$ 43	\$ 80	\$ 8,834	\$ 9,052	\$ 8,877	\$ 9,132

(Unaudited. See accompanying auditor's report.)

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 2023-2024 the City has budgeted for road materials totaling \$225,000 and a financed purchase of a police unit in the amount of \$23,250.

For FY 2023-2024, 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 financed purchase of a new backhoe in the amount of \$25,000. Also, a new water storage tower, water well, and water lines funded through an EDA grant of \$2,400,000, an Indian Health Services grant of \$635,000, and ARPA monies of \$673,466.

The City is optimistic that the sales tax revenue will remain steady during FY 2023-2024 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.

(Unaudited. See accompanying auditor's report.)

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

Statement of Net Position (Modified Cash Basis) – June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,645,800	\$ 1,133,614	\$ 2,779,414
Investments	790,620	238,454	1,029,074
Internal Balances	1,531	(1,531)	-
Capital Assets:			
Land and construction in progress	216,499	507,978	724,477
Other capital assets, net of depreciation	910,879	13,301,785	14,212,664
Total Assets	3,565,329	15,180,300	18,745,629
LIABILITIES			
Due to other governmental agencies	970	-	970
Other payables	1,815	-	1,815
Long-term liabilities:			
Due within one year	37,391	339,012	376,403
Due in more than one year	5,682	8,495,162	8,500,844
Total liabilities	45,858	8,834,174	8,880,032
NET POSITION			
Net investment in capital assets	1,046,914	5,072,432	6,119,346
Restricted via:			
State statute	56,507	-	56,507
Enabling legislation	1,143,601	-	1,143,601
Unrestricted	1,272,449	1,273,694	2,546,143
Total net assets	\$ 3,519,471	\$ 6,346,126	\$ 9,865,597

See accompanying notes to the basic financial statements.

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2023

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	\$ 495,711	\$ 35,563	\$ 43,046	\$ -	\$ (417,102)	\$ -	\$ (417,102)
Public Safety	1,088,775	109,503	10,000	-	(969,272)	-	(969,272)
Highways and Streets	435,104	-	45,130	-	(389,974)	-	(389,974)
Cemetery/Culture and Recreation	44,368	5,400	-	-	(38,968)	-	(38,968)
Interest on Long-term debt	1,543	-	-	-	(1,543)	-	(1,543)
Total governmental activities	<u>2,065,501</u>	<u>150,466</u>	<u>98,176</u>	<u>-</u>	<u>(1,816,859)</u>	<u>-</u>	<u>(1,816,859)</u>
Business-type activities							
Water	644,256	1,052,009	-	523,867	-	931,620	931,620
Wastewater	920,589	281,064	-	-	-	(639,525)	(639,525)
Sanitation	460,998	541,754	-	-	-	80,756	80,756
Total business-type activities	<u>2,025,843</u>	<u>1,874,827</u>	<u>-</u>	<u>523,867</u>	<u>-</u>	<u>372,851</u>	<u>372,851</u>
Total primary government	<u>4,091,344</u>	<u>2,025,293</u>	<u>98,176</u>	<u>523,867</u>	<u>(1,816,859)</u>	<u>372,851</u>	<u>(1,444,008)</u>
General revenues:							
Taxes:							
Sales tax and use tax					1,812,036	-	1,812,036
Franchise taxes and public service taxes					227,498	-	227,498
Unrestricted investment earnings					7,832	7,843	15,675
Miscellaneous					38,312	1,011	39,323
Transfers					(20,206)	20,206	-
Total general revenues and transfers					<u>2,065,472</u>	<u>29,060</u>	<u>2,094,532</u>
Change in net position					248,613	401,911	650,524
Net position - beginning					3,270,858	5,944,215	9,215,073
Net position - ending					<u>\$ 3,519,471</u>	<u>\$ 6,346,126</u>	<u>\$ 9,865,597</u>

See accompanying notes to the basic financial statements.

**CITY OF LONE GROVE, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF LONE GROVE, OKLAHOMA
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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2023

	<u>General Fund</u>	<u>Special Sales Tax Fund</u>	<u>Sewer Sales Tax Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 833,675	\$ 216,799	\$ 422,307	\$ 125,847	\$ 47,172	\$ 1,645,800
Investments	349,218	-	441,402	-	-	790,620
Due from other funds	1,206	-	-	-	325	1,531
Total assets	<u>1,184,099</u>	<u>216,799</u>	<u>863,709</u>	<u>125,847</u>	<u>47,497</u>	<u>2,437,951</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Payable to other governments	1,015	-	-	-	-	1,015
Other payables	1,770	-	-	-	-	1,770
Total liabilities	<u>2,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,785</u>
Fund balances:						
Restricted for:						
Public safety	9,010	-	-	-	-	9,010
Streets	-	-	-	-	38,260	38,260
Cemetery	-	-	-	-	9,237	9,237
Capital improvements	-	154,045	863,709	125,847	-	1,143,601
Assigned to:						
Capital improvements	-	62,754	-	-	-	62,754
Senior citizens	62,099	-	-	-	-	62,099
Software and technology	127,409	-	-	-	-	127,409
Subsequent year's budget	534,971	-	-	-	-	534,971
Unassigned	447,825	-	-	-	-	447,825
Total fund balances	<u>1,181,314</u>	<u>216,799</u>	<u>863,709</u>	<u>125,847</u>	<u>47,497</u>	<u>2,435,166</u>
Total liabilities and fund balances	<u>\$ 1,184,099</u>	<u>\$ 216,799</u>	<u>\$ 863,709</u>	<u>\$ 125,847</u>	<u>\$ 47,497</u>	<u>\$ 2,437,951</u>

See accompanying notes to the basic financial statements.

**CITY OF LONE GROVE, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) – Year Ended June 30, 2023

	<u>General Fund</u>	<u>Special Sales Tax Fund</u>	<u>Sewer Sales Tax Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 1,293,068	\$ 353,202	\$ 353,202	\$ -	\$ -	\$ 1,999,472
Intergovernmental	72,462	10,053	-	-	45,130	127,645
Licenses and permits	35,563	-	-	-	-	35,563
Charges for services	4,725	11,730	-	-	675	17,130
Fines and forfeitures	97,773	-	-	-	-	97,773
Investment earnings	6,857	-	975	-	-	7,832
Miscellaneous	34,296	2,607	-	-	-	36,903
Total revenues	<u>1,544,744</u>	<u>377,592</u>	<u>354,177</u>	<u>-</u>	<u>45,805</u>	<u>2,322,318</u>
EXPENDITURES						
Current:						
General Government	410,452	74,532	-	-	-	484,984
Public Safety	894,299	91,678	-	-	-	985,977
Highways and Streets	184,863	28,087	-	-	30,731	243,681
Cemetery/Culture and Recreation	40,869	-	-	-	-	40,869
Capital Outlay	14,483	211,985	65,595	53,700	1,340	347,103
Debt Service:						
Principal	-	14,011	-	22,483	-	36,494
Interest and other charges	-	787	-	756	-	1,543
Total Expenditures	<u>1,544,966</u>	<u>421,080</u>	<u>65,595</u>	<u>76,939</u>	<u>32,071</u>	<u>2,140,651</u>
Excess (deficiency) of revenues over expenditures	<u>(222)</u>	<u>(43,488)</u>	<u>288,582</u>	<u>(76,939)</u>	<u>13,734</u>	<u>181,667</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	180,000	-	-	100,435	-	280,435
Transfers out	-	-	(150,500)	(90,000)	-	(240,500)
Total other financing sources and uses	<u>180,000</u>	<u>-</u>	<u>(150,500)</u>	<u>10,435</u>	<u>-</u>	<u>39,935</u>
Net change in fund balances	179,778	(43,488)	138,082	(66,504)	13,734	221,602
Fund balances - beginning	1,001,536	260,287	725,627	192,351	33,763	2,213,564
Fund balances - ending	<u>\$ 1,181,314</u>	<u>\$ 216,799</u>	<u>\$ 863,709</u>	<u>\$ 125,847</u>	<u>\$ 47,497</u>	<u>\$ 2,435,166</u>

See accompanying notes to the basic financial statements.

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Reconciliations of Governmental Fund and Government-Wide Financial Statements (Modified Cash Basis) – Year Ended June 30, 2023

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

Total fund balance, governmental funds	\$	2,435,166
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		1,127,378
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		<u>(43,073)</u>
Net Position of Governmental Activities in the Statement of Net Position		<u><u>3,519,471</u></u>

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

Net change in fund balances - total governmental funds:	\$	221,602
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		133,085
Depreciation expense		(142,568)
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		36,494
Change in net position of governmental activities	<u>\$</u>	<u><u>248,613</u></u>

See accompanying notes to the basic financial statements.

**CITY OF LONE GROVE, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

**CITY OF LONE GROVE, OKLAHOMA
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Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2023

	Lone Grove Water Trust Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 907,562
Investments	199,715
Restricted:	
Cash and cash equivalents	226,052
Investments	38,739
Total current assets	1,372,068
Non-current assets:	
Capital Assets:	
Land and construction in progress	507,978
Other capital assets, net of accumulated depreciation	13,301,785
Total non-current assets	13,809,763
Total assets	15,181,831
LIABILITIES	
Current Liabilities:	
Due to other funds	1,531
Deposits subject to refund	9,684
Notes payable	329,328
Total current liabilities	340,543
Non-current liabilities:	
Deposits subject to refund	87,159
Notes payable	8,408,003
Total non-current liabilities	8,495,162
Total liabilities	8,835,705
NET POSITION	
Net investment in capital assets	5,072,432
Unrestricted	1,273,694
Total net position	\$ 6,346,126

See accompanying notes to the basic financial statements.

CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2023

	Lone Grove Water Trust Authority
REVENUES	
Water	\$ 905,612
Wastewater	241,951
Sanitation	466,364
Penalties	107,923
Miscellaneous	152,977
Total operating revenues	1,874,827
OPERATING EXPENSES	
Administration	255,153
Water	401,643
Wastewater	128,771
Sanitation	387,268
Depreciation	605,400
Total Operating Expenses	1,778,235
Operating income	96,592
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	7,843
Miscellaneous revenue	1,011
Debt service:	
Interest expense	(216,641)
Total non-operating revenue (expenses)	(207,787)
Income (loss) before contributions and transfers	(111,195)
Capital contributions	85,783
Capital contributions - grants	526,658
Transfers in	240,500
Transfers out	(339,835)
Change in net position	401,911
Total net position - beginning	5,944,215
Total net position - ending	\$ 6,346,126

See accompanying notes to the basic financial statements.

CITY OF LONE GROVE, OKLAHOMA
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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2023

	<u>Lone Grove Water Trust Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,875,838
Payments to suppliers	(782,449)
Payments to employees	(390,386)
Receipts of customer meter deposits	1,282
Refunds of customer meter deposits	(11,253)
Net cash provided by operating activities	<u>693,032</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	240,500
Transfers to other funds	(339,835)
Net cash provided by (used in) noncapital financing activities	<u>(99,335)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(490,972)
Proceeds from debt	110,977
Principal paid on debt	(318,870)
Capital contribution - grant	526,658
Capital contribution	85,783
Interest and fiscal agent fees paid on debt	(216,641)
Net cash provided by (used in) capital and related financing activities	<u>(303,065)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	899
Interest and dividends	7,843
Net cash provided by investing activities	<u>8,742</u>
Net increase in cash and cash equivalents	299,374
Balances - beginning of year	<u>834,240</u>
Balances - end of year	<u>\$ 1,133,614</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	907,562
Restricted cash and cash equivalents - current	226,052
Total cash and cash equivalents, end of year	<u>1,133,614</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 96,592
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	605,400
Miscellaneous revenue	1,011
Change in assets and liabilities:	
Deposits subject to refund	(9,971)
Net cash provided by operating activities	<u>\$ 693,032</u>

See accompanying notes to the basic financial statements.

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

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.

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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.

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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, 2023, the City recognized \$15,675 of investment income. Due to the minimal rates of return on allowable investments in the current environment, all the City’s deposits are in demand and short-term time deposits.

At June 30, 2023, the primary government held the following deposits and investments:

<u>Primary Government</u>	Carrying Value
Deposits:	
Petty cash	\$ 400
Demand deposits	2,779,014
Time deposits - certificates of deposit	<u>1,029,074</u>
Total Deposits and Investments	<u>\$ 3,808,488</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 2,779,414
Investments	<u>1,029,074</u>
	<u>\$ 3,808,488</u>

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, 2023, 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, 2023, the City’s investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

**CITY OF LONE GROVE, OKLAHOMA
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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, 2023, 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, 2023, 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, 2023 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>	<u>Current Investments</u>
Utility Deposits	\$ 86,191	\$ 38,739
2013 OWRB Trust Account	139,861	-
Total Restricted Assets	<u>\$ 226,052</u>	<u>\$ 38,739</u>

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
- System infrastructure 30 years

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- Vehicles, office and computer equipment 5 years
- 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:

General government	\$ 10,727
Public safety	70,825
Highways and streets	58,857
Cemetery/Culture and recreation	2,159
	<u>\$ 142,568</u>

Business-Type Activities:

Water	\$ 99,195
Sewer	506,205
	<u>\$ 605,400</u>

For the year ended June 30, 2023, capital asset balances changed as follows:

	Balance at July 1, 2022	Additions	Disposals	Balance at June 30, 2023
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 216,499	\$ -	\$ -	\$ 216,499
Total capital assets not being depreciated	<u>216,499</u>	<u>-</u>	<u>-</u>	<u>216,499</u>
Other capital assets:				
Buildings	436,113	59,934	-	496,047
Computers and electronics	194,006	46,223	-	240,229
Vehicles	1,201,691	2,625	-	1,204,316
Machinery and equipment	1,253,838	24,302	44,965	1,233,175
Infrastructure	1,795,974	-	-	1,795,974
Total other capital assets at historical cost	<u>4,881,622</u>	<u>133,084</u>	<u>44,965</u>	<u>4,969,741</u>
Less accumulated depreciation for:				
Buildings	300,554	12,446	-	313,000
Computers and electronics	182,089	5,997	-	188,086
Vehicles	1,065,710	38,473	-	1,104,183
Machinery and equipment	1,037,484	45,845	44,965	1,038,364
Infrastructure	1,375,422	39,807	-	1,415,229
Total accumulated depreciation	<u>3,961,259</u>	<u>142,568</u>	<u>44,965</u>	<u>4,058,862</u>
Other capital assets, net	<u>920,363</u>	<u>(9,484)</u>	<u>-</u>	<u>910,879</u>
Governmental activities capital assets, net	<u>\$ 1,136,862</u>	<u>\$ (9,484)</u>	<u>\$ -</u>	<u>\$ 1,127,378</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 2,500	\$ 1,393	\$ -	\$ 3,893
Construction in progress	280,466	223,619	-	504,085
Total capital assets not being depreciated	<u>282,966</u>	<u>225,012</u>	<u>-</u>	<u>507,978</u>
Other capital assets:				
Buildings	229,143	4,662	-	233,805
Computers and electronics	94,105	-	-	94,105
Vehicles	232,765	142,633	-	375,398
Machinery and equipment	469,636	31,239	-	500,875
Infrastructure	28,731,401	87,426	-	28,818,827
Total other capital assets at historical cost	<u>29,757,050</u>	<u>265,960</u>	<u>-</u>	<u>30,023,010</u>
Less accumulated depreciation for:				
Buildings	150,276	6,331	-	156,607
Computers and electronics	69,678	4,958	-	74,636
Vehicles	212,311	16,132	-	228,443
Machinery and equipment	295,136	34,441	-	329,577
Infrastructure	15,388,424	543,538	-	15,931,962
Total accumulated depreciation	<u>16,115,825</u>	<u>605,400</u>	<u>-</u>	<u>16,721,225</u>
Other capital assets, net	<u>13,641,225</u>	<u>(339,440)</u>	<u>-</u>	<u>13,301,785</u>
Business-type activities capital assets, net	<u>\$ 13,924,191</u>	<u>\$ (114,428)</u>	<u>\$ -</u>	<u>\$ 13,809,763</u>

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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, 2023 the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
Notes Payable - Direct Borrowing	\$ 79,567	\$ -	\$ 36,494	\$ 43,073	\$ 37,391
Business-Type Activities:					
Note Payable-Direct Borrowing	8,945,224	110,977	318,870	8,737,331	329,328
Deposits Subject to Refund	106,814	1,282	11,253	96,843	9,684
Total Business-Type Activities	<u>\$ 9,052,038</u>	<u>\$ 112,259</u>	<u>\$ 330,123</u>	<u>\$ 8,834,174</u>	<u>\$ 339,012</u>

Governmental Activities long-term debt:

Note 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. \$ 18,174

\$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. 24,899

Total Notes Payable	<u>\$ 43,073</u>
Current portion	37,391
Noncurrent portion	5,682
Total Notes Payable	<u>\$ 43,073</u>

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

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

Year Ended June 30,	<u>Governmental Activities</u>	
	<u>Notes Payable-Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 37,391	\$ 645
2025	<u>5,682</u>	<u>22</u>
Total	<u>\$ 43,073</u>	<u>\$ 667</u>

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 temporary 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. \$ 8,632,330

2022 note payable to American Nation Bank dated October 17, 2022, original amount of \$110,977 with an annual interest rate of 4%, due in monthly installments beginning November 17, 2022, final installment due November 17, 2032. In the event of default, the collateralized equipment will be returned to lender. 105,001

Total Notes Payable	<u>\$ 8,737,331</u>
Current portion	329,328
Noncurrent portion	8,408,003
Total Notes Payable	<u>\$ 8,737,331</u>

Deposits Subject to Refund:

Current portion	9,684
Noncurrent portion	87,159
Total Refundable Grant Obligation	<u>\$ 96,843</u>

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

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

Year Ended June 30,	<u>Business-Type Activities</u>	
	<u>Notes Payable-Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 329,328	\$ 210,189
2025	338,020	201,497
2026	346,360	196,158
2027	354,908	184,609
2028	363,194	176,323
2029-2033	1,948,207	740,477
2034-2038	2,134,875	495,110
2039-2043	2,405,813	224,173
2044	516,626	9,372
Total	\$ 8,737,331	\$ 2,437,908

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 \$24,071
- LGWTA \$15,249

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.

**CITY OF LONE GROVE, OKLAHOMA
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Internal balances between funds and legal entities for the year ended June 30, 2023, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Lone Grove Water Trust	\$ 1,531	telephone franchise fees correction
Total		<u>\$ 1,531</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 1,531	\$ -	\$ 1,531
Proprietary Funds	-	(1,531)	(1,531)
Total	<u>\$ 1,531</u>	<u>\$ (1,531)</u>	<u>\$ -</u>

Internal transfers between funds and activities for the year ended June 30, 2023, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
Sewer Sales Tax Fund	Lone Grove Water Trust	\$ 150,500	Sales tax pledge for debt service
General Fund	Lone Grove Water Trust	180,000	Operational subsidy
Capital Improvement Fund	Lone Grove Water Trust	90,000	Capital improvement fees
Lone Grove Water Trust	Capital Improvement Fund	100,435	Capital assets
		<u>\$ 520,935</u>	

Reconciliation:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 280,435	\$ (240,500)	\$ 39,935
Proprietary Funds	240,500	(339,835)	(99,335)
Total	<u>\$ 520,935</u>	<u>\$ (580,335)</u>	<u>\$ (59,400)</u>

Reconciliation to Statement of Activities:

	<u>Net Transfers</u>
Net Transfers	\$ (99,335)
Business-type activities from governmental funds	119,541
Total Transfers - Internal Activity	<u>\$ 20,206</u>

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 multiple-employer 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, 2023 were \$24,886. 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, 2023 totaled \$840. 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, 2023, employer contributions to the plan were \$36,969, and employee contributions to the plan were \$14,784.

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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, 2023, employer contributions to the plan were \$6,577, 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 2023, 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, 2023**

SUPPLEMENTARY AND OTHER INFORMATION

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2023

	General Fund				Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis		
	Original	Final			
Beginning Budgetary Fund Balance	647,000	\$ 1,001,536	\$ 1,001,536	\$ -	
Resources (Inflows):					
Taxes	\$ 1,101,000	1,101,000	1,293,068	192,068	
Intergovernmental	49,000	59,000	72,462	13,462	
Licenses and Permits	36,600	36,600	35,563	(1,037)	
Charges for services	1,800	3,600	4,725	1,125	
Fines and forfeitures	73,500	73,500	97,773	24,273	
Investment earnings	900	900	6,857	5,957	
Miscellaneous	25,850	29,050	34,296	5,246	
Other Financing Sources - Transfers In	180,000	180,000	180,000	-	
Total Resources	<u>1,468,650</u>	<u>1,483,650</u>	<u>1,724,744</u>	<u>241,094</u>	
Amount available for appropriation	<u>2,115,650</u>	<u>2,485,186</u>	<u>2,726,280</u>	<u>241,094</u>	
Charges to Appropriations (Outflows):					
Departmental:					
General Government	454,941	459,941	411,747	48,194	
Public Safety	1,005,513	1,015,513	904,497	111,016	
Highways and Streets	193,518	193,518	184,863	8,655	
Cemetery/Culture and Recreation	38,580	38,580	43,859	(5,279)	
Total Charges to Appropriations	<u>1,692,552</u>	<u>1,707,552</u>	<u>1,544,966</u>	<u>162,586</u>	
Ending Budgetary Fund Balance	<u>\$ 423,098</u>	<u>\$ 777,634</u>	<u>\$ 1,181,314</u>	<u>\$ 403,680</u>	

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.

Budgetary Noncompliance:

The following department had excess expenditures over available appropriations:

General Fund:	
Cemetery/Culture and Recreation	\$5,279

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

NonMajor Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2023

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	<u>Street & Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 38,260	\$ 8,912	\$ 47,172
Due from other funds	-	325	325
Total assets	<u>38,260</u>	<u>9,237</u>	<u>47,497</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Streets	38,260	-	38,260
Cemetery	-	9,237	9,237
Total fund balances	<u>38,260</u>	<u>9,237</u>	<u>47,497</u>
Total liabilities and fund balances	<u>\$ 38,260</u>	<u>\$ 9,237</u>	<u>\$ 47,497</u>

NonMajor Governmental Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2023

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	<u>Street & Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 45,130	\$ -	\$ 45,130
Charges for services	-	675	675
Total revenues	<u>45,130</u>	<u>675</u>	<u>45,805</u>
EXPENDITURES			
Current:			
Highways and streets	30,731	-	30,731
Capital Outlay	-	1,340	1,340
Total Expenditures	<u>30,731</u>	<u>1,340</u>	<u>32,071</u>
Net change in fund balances	14,399	(665)	13,734
Fund balances - beginning	23,861	9,902	33,763
Fund balances - ending	<u>\$ 38,260</u>	<u>\$ 9,237</u>	<u>\$ 47,497</u>

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2023

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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>U.S. DEPARTMENT OF TREASURY:</u>				
American Rescue Plan Act - Tranche #1	21.027	ARPA	\$ -	\$ 113,929
American Rescue Plan Act - Tranche #2	21.027	ARPA	2,133	-
American Rescue Plan Act - Tranche #3	21.027	ARPA	449,312	-
Total U.S. Department of Treasury			451,445	113,929
<u>U.S. DEPARTMENT OF COMMERCE:</u>				
Economic Adjustment Assistance	11.307	08-79-05603	\$ 2,400,000	\$ -
TOTAL FEDERAL ASSISTANCE			\$ 2,851,445	\$ 113,929

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Federal/State Grantor/Pass through agency Grantor/Program Title	Agency or Pass Thru Number	Program or Award Amount	Contract Expenditures
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Operational Fire Grant	N/A	\$ 10,053	\$ 10,053
<u>OKLAHOMA OFFICE OF ATTORNEY GENERAL:</u>			
2023 Safe OK	N/A	10,000	990
<u>SOUTHERN OKLAHOMA DEVELOPMENT ASSOCIATION:</u>			
22 REAP	22-006	52,000	52,000
23 REAP	23-003	75,000	3,000
Subtotal REAP		127,000	55,000
Community Expansion for Nutrition Assistance - Supplemental	009 CENA 22	4,000	4,000
Community Expansion for Nutrition Assistance	003 CENA 23	13,900	13,900
Community Expansion for Nutrition Assistance - Supplemental	003 CENA 23	4,500	4,500
Subtotal Community Expansion for Nutrition Assistance		22,400	22,400
Total Southern Oklahoma Development Association		\$ 149,400	\$ 77,400
TOTAL STATE AWARDS		\$ 169,453	\$ 88,443

**CITY OF LONE GROVE, OKLAHOMA
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Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2023

	2013 CWSRF Promissory Note to OWRB
GROSS REVENUE AVAILABLE:	
Pledged operating revenues (water, sewer and sanitation)	\$1,613,927
Investment income	7,843
Sales tax appropriated and transferred from the City General Fund	150,000
Total Gross Revenue Available	1,771,770
 OPERATING EXPENDITURES:	
Total Operating Expenditures	917,682
Net Revenue Available for Debt Service	\$854,088
 Maximum Annual Debt Service	\$525,997
 Computed Coverage	162%
Coverage Requirement	125%

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

INTERNAL CONTROL AND COMPLIANCE

**CITY OF LONE GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

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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, 2023, 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 December 9, 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.

Handwritten signature in black ink that reads "Russell & Williams CPAs PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
December 9, 2023