

City of Grove, Oklahoma

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2022



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CITY OF GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2022

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**CITY OF GROVE, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS**

June 30, 2022

MAYOR AND CITY COUNCIL

Ed Trumbull	Mayor, Ward 1
Ivan Devitt	Vice Mayor, At-Large
Steven Thomas	Ward 2
Matt Henderson	Ward 3
Martin Dyer	Ward 4

ADMINISTRATION

Debbie Bottoroff	City Manager
Vacant	Assistant City Manager
Lisa Allred	City Treasurer
Bonnie Buzzard	City Clerk
Darren Cook	City Attorney
Mike Reed	Fire Chief
Mark Morris	Police Chief
Deric Douthit	Director, Public Works
Lisa Jewett	Airport Manager
Craig Criger	Superintendent, Buildings and Grounds



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Grove, Oklahoma

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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'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's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and other post-employment benefit schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, and schedule of revenue debt service coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Elfrink and Associates, PLLC
Tulsa, Oklahoma
February 23, 2023



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Management of the City of Grove (the City) provides this discussion and analysis of the City's financial performance as an overview of the City's financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Financial Highlights

- Total net position of the City increased by \$9,147,150 or 16.1% from the prior year. The increase is from an increase in sales tax receipts and the decrease in expenses due to the change in net pension liability.
- The City's governmental activities net position increased by \$6,680,606 or 34.6% due in part to a continued trend of higher tax receipts as well as controlled spending in nearly every department.
- Net position of the business-type activities increased by \$2,466,544 or 6.6%, due to increased charge or services in utilities and the airport and transfer of assets from Rural Water, Sewer, Gas and Solid Waste Management District #6.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include (or are comprised of) three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (pension information and budgetary schedules) and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The statements are prepared using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. The government-wide financial statements include the following:

The *statement of net position* presents information on all of the City's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the four reported *as net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The *governmental activities* of the City include administrative, culture and recreation, public safety, community development, and streets. The *business-type activities* of the City include three enterprise activities: the water system, the sewer system, and the sanitation system.

The government-wide financial statements include the City of Grove, the Grove Municipal Services Authority (GMSA), Grove Municipal Airport Managing Authority (GMAMA), and the Grove Economic Development Authority (GEDA) (all blended component units) which comprise the primary government.

The government-wide financial statements can be found immediately following this discussion and analysis on pages 15-16 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating governments' near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City reports sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and Capital Improvement Fund, which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found immediately following the government-wide statements on pages 17-20.

Proprietary funds. These funds are used to report activities that operate like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses one enterprise fund to account for the operations of its natural gas, water, sanitary sewer, and sanitation services, one fund to account for the operation of its airport, and another fund to account for its economic development activities. These funds are considered major proprietary funds for presentation purposes. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements on pages 21-23.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements, beginning on page 24.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's pension plan and the budgets for each major fund. A budgetary comparison statement has been provided for each major governmental fund to demonstrate compliance with these budgets. Required supplementary information can be found immediately following the notes to the financial statements beginning on page 51.

Other Information. The combining statements referred to earlier as well as schedules of revenue debt coverage and federal expenditures are presented following the required supplementary information beginning on page 64.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position is the difference between total assets plus total deferred outflows of resources less total liabilities and deferred inflows of resources and is an indicator of the current fiscal health of the City. For the year ended June 30, 2022, the City's combined net position increased by \$9.1 million. The following table provides a summary of the City's net position:

Summary of Net Position

(Table 1 - In millions)

	Governmental Activities		Business Type Activities		Total		Total % Change
	2022	2021	2022	2021*	2022	2021	2021-2022
Current and other assets	\$ 15.6	\$ 11.0	\$ 14.8	\$ 11.8	\$ 30.4	\$ 22.8	33%
Capital assets	13.0	11.7	39.0	40.2	52.0	51.9	0%
Total assets	28.6	22.7	53.8	52.0	82.4	74.7	10%
Deferred outflows of resources	1.4	1.7	2.2	2.2	3.6	3.9	-8%
Long-term debt outstanding	0.1	0.2	10.5	11.8	10.6	12.0	-12%
Other liabilities	3.5	4.6	4.4	4.7	7.9	9.3	-15%
Total liabilities	3.6	4.8	14.9	16.5	18.5	21.3	-13%
Deferred inflows of resources	0.4	0.3	1.0	0.1	1.4	0.4	250%
Net position							
Net investment in capital	13.0	11.7	30.6	30.6	43.6	42.3	3%
Restricted	0.5	0.3	0.4	0.5	0.9	0.8	13%
Unrestricted	12.5	7.3	9.1	6.5	21.6	13.8	57%
Total net position	\$ 26.0	\$ 19.3	\$ 40.1	\$ 37.6	\$ 66.1	\$ 56.9	16%

* restated

The table above reflects an increase of 34.6% for governmental activities net position and an increase of approximately 6.6% for business-type activities. The City's overall financial position improved during fiscal year 2022.

The City's governmental activities net position increased by \$6.7 million, primarily due to higher tax revenues and lower spending in nearly every department when compared to the amount that was budgeted.

The net position of the City's business type activities increased by \$2.5 million. The increase was due to the transfer of utility lines from the Cherokee Nation as well as higher dedicated sales tax receipts.

The following table provides a summary of the City's changes in net position:

**Summary of Changes in Net Position
Table 2 (In millions)**

	Governmental Activities		% Inc. (Dec.)	Business Type Activities		% Inc. (Dec.)	Total		Total % Change
	2022	2021		2022	2021		2022	2021	2020-2021
<i>Revenues:</i>									
Program revenues									
Charges for services	\$ 0.8	\$ 0.5	60%	\$ 10.6	\$ 9.6	10%	\$ 11.4	\$ 10.1	13%
Operating grants and contributions	0.9	0.9	0%	-	-	0%	0.9	0.9	0%
Capital grants and contributions	-	-	0%	-	-	0%	-	-	0%
General revenues									
Sales and use taxes	9.1	8.4	8%	1.1	1.0	10%	10.2	9.4	9%
Other taxes	0.5	0.3	67%	0.2	0.1	100%	0.7	0.4	75%
Intergovernmental revenue	0.6	0.6	0%	-	-	0%	0.6	0.6	0%
Other	0.2	0.1	100%	-	-	0%	0.2	0.1	100%
Total revenues	<u>12.1</u>	<u>10.8</u>	12%	<u>11.9</u>	<u>10.7</u>	11%	<u>24.0</u>	<u>21.5</u>	12%
<i>Expenses:</i>									
General government	1.0	1.0	0%	-	-	-	1.0	1.0	0%
Public safety and judiciary	0.8	3.6	-78%	-	-	-	0.8	3.6	-78%
Public works	1.6	1.7	-6%	-	-	-	1.6	1.7	-6%
Culture, parks, recreation & promotion	1.4	1.3	8%	-	-	-	1.4	1.3	8%
Utilities operations	-	-	-	8.9	9.5	-6%	8.9	9.5	-6%
Airport operations	-	-	-	0.7	0.5	40%	0.7	0.5	40%
Economic development operations	-	-	-	0.4	0.4	0%	0.4	0.4	0%
Total expenses	<u>4.8</u>	<u>7.6</u>	-37%	<u>10.0</u>	<u>10.4</u>	-4%	<u>14.8</u>	<u>18.0</u>	-18%
Increase in net position before transfers & extraordinary items	7.3	3.2	128%	1.9	0.3	533%	9.2	3.5	163%
Transfers, net	(0.6)	(0.7)	-14%	0.6	0.7	-14%	-	-	
Change in net position	<u>\$ 6.7</u>	<u>\$ 2.5</u>	168%	<u>\$ 2.5</u>	<u>\$ 1.0</u>	150%	<u>\$ 9.2</u>	<u>\$ 3.5</u>	163%

The results of 2022 were shaped largely by a continued slow but steady growth in the local economy. Total net position increased by 16.1% or \$9.2 million. Significant changes were related to:

Governmental Activities:

- Governmental revenues increased by 12% as the higher receipts from sales and use tax were largely offset by lower grant receipts.
- Governmental expenses decreased 37% partially due to the change of the net pension liability in the prior year to a net pension asset in the current year.
- Net transfers decreased by \$0.1 million compared to prior year due to higher grant subsidies related to American Rescue Plan Act.

Business-type Activities:

- Charges for services were higher from the prior year due to increase in new service installations, increase in sewer receipts, and the member credit monies received from the merger with RWD #6.
- Expenses for utilities were slightly lower, also reflecting decreased natural gas usage and an increase in employee salaries and benefits.

Governmental Activities:

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Table 3 presents the cost of each of the City's four largest programs—public safety and judiciary (police, fire, and court), general government, public works (streets), cultural (parks, library, cemetery, and senior citizens). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental Activities
Table 3
(In Thousands)

	Total Cost of Services		%	Net (Expense) Revenue from Services		%
	2022	2021		2022	2021	
General government	\$ 998	\$ 932	7%	\$ (330)	\$ (334)	-1%
Public safety and judiciary	814	3,579	-77%	(261)	(3,346)	-92%
Public works	1,633	1,757	-7%	(1,198)	(1,251)	-4%
Cultural, parks, recreation	1,365	1,367	0%	(1,347)	(1,349)	0%
	<u>\$ 4,810</u>	<u>\$ 7,635</u>	-37%	<u>\$ (3,136)</u>	<u>\$ (6,280)</u>	-50%

Overall, the City's governmental activities' total costs decreased 36% over last year and net costs decreased by 49%. The explanations on the previous page account for the majority of decreases in total costs of services as well as net costs of services in the governmental activities.

Business-type Activities:

Overall, total cost of services for the City's business-type activities decreased 3% from last year.

Business-Type Activities
Table 4
(In Thousands)

	Total Cost of Services		%	Net (Expense)Revenue from Services		%
	2022	2021		2022	2021	
Utilities operations	\$ 8,893	\$ 9,485	-6%	\$ 1,173	\$ (232)	-606%
Airport operations	433	519	-17%	(355)	(219)	62%
Economic development	702	413	70%	(213)	(354)	-40%
	<u>\$ 10,028</u>	<u>\$ 10,417</u>	-4%	<u>\$ 605</u>	<u>\$ (805)</u>	-175%

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's Funds

The General Fund is the City's primary operating fund and the source of day-to-day operations. The fund balance increased by \$717,025, or 11.1% from the prior year.

General Fund Budgetary Highlights

Excluding transfers, the general fund revenues were \$2,320,709 higher than originally budgeted and charges to appropriations were \$1,130,244 lower than originally budgeted, reflecting higher sales and use tax receipts and lower spending than planned in nearly every department.

Capital Asset and Debt Administration

At the end of June 30, 2022, the City had \$52.0 million invested in capital assets including police and fire equipment, buildings, park facilities, streets and drainage systems, and gas, water, and sewer infrastructure. Additions to capital assets included street improvements, purchase of land, airport taxiway improvements, transfer of assets from Rural Water, Sewer, Gas and Solid Waste Management District #6, and acquisition of equipment and vehicles. Information on capital assets is located in Note 3.E.

Capital Assets
Table 5
Net of Accumulated Depreciation
(In millions)

	Governmental		Business-type		Totals		Total % Change
	Activities		Activities				
	2022	2021	2022	2021*	2022	2021	
<i>Non-Depreciable Assets</i>							
Land	\$ 1.2	\$ 0.4	\$ 2.6	\$ 2.5	\$ 3.8	\$ 2.9	31%
Construction-in-progress	0.2	0.1	1.5	1.2	1.7	1.3	31%
<i>Depreciable Assets</i>							
Buildings	13.0	12.9	24.4	24.4	37.4	37.3	0%
Equipment and furniture	4.3	3.8	5.7	5.3	10.0	9.1	10%
Vehicles	3.2	3.1	0.9	0.9	4.1	4.0	3%
Infrastructure	8.9	7.7	42.7	42.5	51.6	50.2	3%
<i>Accumulated Depreciation</i>	(17.8)	(16.3)	(38.8)	(36.6)	(56.6)	(52.9)	7%
Totals	\$ 13.0	\$ 11.7	\$39.0	\$40.2	\$ 52.0	\$ 51.9	0%

* restated

Debt Administration

At year-end, the City had \$10.6 million in outstanding notes, bonds and capital leases. Additional debt information can be found in note 3.G.

These debts are further detailed below as follows:

Outstanding Debt
Table 6
(in millions)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2022	2021	2022	2021	2022	2021	
Notes Payable	\$ -	\$ -	\$ 10.4	\$ 11.6	\$ 10.4	\$ 11.6	-10%
Capital Leases	0.1	0.2	0.1	0.2	0.2	0.4	-50%
Totals	\$ 0.1	\$ 0.2	\$ 10.5	\$ 11.8	\$ 10.6	\$ 12.0	-12%

Economic Factors and Next Year's Budget

The City of Grove has anticipated a slight downturn in the economy due to the overall economic downturn in our national economy and continued inflation. The City has the same difficulties in budgeting and cashflow as others when it comes to rising costs of products and supplies, as well getting those products and supplies delivered. Management will continue to strive for fiscal connectiveness while developing plans to improve the systems and operations to meet citizens' needs.

The fiscal year 2022-2023 government wide budget of \$47.7 million is a \$2.5 million increase over the prior year as the budgeting of a \$3.4 million airport taxiway project and the receipt of additional American Rescue Plan Act funds.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Grove's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Treasurer, City of Grove, 104 W. 3rd St, Grove, OK 74344 or phone (918) 786-6107.

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BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

City of Grove, Oklahoma
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 10,806,779	\$ 9,288,001	\$ 20,094,780
Cash and cash equivalents - restricted	-	416,081	416,081
Due from other governments	2,308,617	-	2,308,617
Accounts receivable, net	45,502	964,666	1,010,168
Prepaid expenses	2,345	17,341	19,686
Inventory	-	632,039	632,039
Due from other funds	703,691	208,996	912,687
TIF receivable, current - restricted	-	75,000	75,000
Total current assets	<u>13,866,934</u>	<u>11,602,124</u>	<u>25,469,058</u>
Noncurrent assets:			
Land held for sale	-	390,360	390,360
Restricted assets:			
TIF receivable, net of current portion	-	2,000,000	2,000,000
Net pension asset	1,709,989	860,401	2,570,390
Capital assets:			
Land and construction in progress	1,358,284	4,082,559	5,440,843
Depreciable buildings, property, and equipment, net	11,648,571	34,872,929	46,521,500
Total noncurrent assets	<u>14,716,844</u>	<u>42,206,249</u>	<u>56,923,093</u>
Total assets	<u>28,583,778</u>	<u>53,808,373</u>	<u>82,392,151</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflow from pensions	1,273,640	339,848	1,613,488
Deferred outflow from OPEB	127,080	28,487	155,567
Unamortized asset retirement obligation	-	1,787,336	1,787,336
Total deferred outflows of resources	<u>1,400,720</u>	<u>2,155,671</u>	<u>3,556,391</u>
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued liabilities	1,003,806	688,519	1,692,325
Accrued interest payable	3,372	78,725	82,097
Due to other funds	731,723	180,964	912,687
Current portion of long-term debt	66,908	1,464,673	1,531,581
Total current liabilities	<u>1,805,809</u>	<u>2,412,881</u>	<u>4,218,690</u>
Noncurrent liabilities:			
Deposits subject to refund	5,379	1,183,737	1,189,116
Other post employment benefit liability	665,551	149,193	814,744
Accrued compensated absences	1,125,015	264,841	1,389,856
Asset retirement obligation	-	1,861,808	1,861,808
Noncurrent portion of long-term debt	35,184	9,032,236	9,067,420
Total noncurrent liabilities	<u>1,831,129</u>	<u>12,491,815</u>	<u>14,322,944</u>
Total liabilities	<u>3,636,938</u>	<u>14,904,696</u>	<u>18,541,634</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflow from pensions	277,843	981,137	1,258,980
Deferred inflow from OPEB	92,591	20,755	113,346
Total deferred inflows of resources	<u>370,434</u>	<u>1,001,892</u>	<u>1,372,326</u>
NET POSITION			
Net investment in capital assets	13,006,855	30,533,579	43,540,434
Restricted by:			
Enabling legislation	508,962	-	508,962
External contracts	-	416,081	416,081
Unrestricted	12,461,309	9,107,796	21,569,105
Total net position	<u>\$ 25,977,126</u>	<u>\$ 40,057,456</u>	<u>\$ 66,034,582</u>

See accompanying notes to the basic financial statements.

City of Grove, Oklahoma
Statement of Activities
For the fiscal year ended June 30, 2022

Functions/ Programs	Expenses	Program Revenues			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	\$ 997,941	\$ 40,652	\$ 626,805	\$ -	\$ (330,484)	\$ -	\$ (330,484)
Public safety and judiciary	814,057	501,305	51,535	-	(261,217)	-	(261,217)
Public works	1,632,538	233,513	201,051	-	(1,197,974)	-	(1,197,974)
Culture, parks, recreation and promotion	1,365,661	18,650	-	-	(1,347,011)	-	(1,347,011)
Total governmental activities	<u>4,810,197</u>	<u>794,120</u>	<u>879,391</u>	<u>-</u>	<u>(3,136,686)</u>	<u>-</u>	<u>(3,136,686)</u>
Business-type activities							
Utilities	8,893,356	10,066,149	-	-	-	1,172,793	1,172,793
Economic development	433,418	78,232	-	-	-	(355,186)	(355,186)
Airport	701,727	488,828	-	-	-	(212,899)	(212,899)
Total business-type activities	<u>10,028,501</u>	<u>10,633,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>604,708</u>	<u>604,708</u>
Total primary government	<u>\$ 14,838,698</u>	<u>\$ 11,427,329</u>	<u>\$ 879,391</u>	<u>\$ -</u>	<u>(3,136,686)</u>	<u>604,708</u>	<u>(2,531,978)</u>
General revenues:							
Sales and use taxes					9,132,652	1,100,838	10,233,490
Franchise and public service taxes					447,891	-	447,891
Property tax					-	146,155	146,155
Intergovernmental revenue not restricted to specific programs					638,597	-	638,597
Investment income					38,328	31,521	69,849
Miscellaneous					143,146	-	143,146
Transfers					<u>(583,322)</u>	<u>583,322</u>	<u>-</u>
Total general revenues and transfers					<u>9,817,292</u>	<u>1,861,836</u>	<u>11,679,128</u>
Change in net position					6,680,606	2,466,544	9,147,150
Net position - beginning (restated)					19,296,520	37,590,912	56,887,432
Net position - ending					<u>\$ 25,977,126</u>	<u>\$ 40,057,456</u>	<u>\$ 66,034,582</u>

See accompanying notes to the basic financial statements

**City of Grove, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2022**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,022,500	\$ 3,381,758	\$ 1,402,521	\$ 10,806,779
Receivables:				
Due from other governments	2,044,183	-	264,434	2,308,617
Accounts receivable, net	45,502	-	-	45,502
Prepays	2,345	-	-	2,345
Due from other funds	-	703,691	-	703,691
Total assets	<u>\$ 8,114,530</u>	<u>\$ 4,085,449</u>	<u>\$ 1,666,955</u>	<u>\$ 13,866,934</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable and accrued liabilities	\$ 227,753	\$ 753,148	\$ 22,905	\$ 1,003,806
Deposits subject to refund	5,379	-	-	5,379
Due to other funds	731,723	-	-	731,723
Total liabilities	<u>964,855</u>	<u>753,148</u>	<u>22,905</u>	<u>1,740,908</u>
Fund balance:				
Restricted	-	-	508,962	508,962
Committed	-	3,332,301	-	3,332,301
Assigned	1,713,800	-	1,135,088	2,848,888
Unassigned	5,435,875	-	-	5,435,875
Total fund balance	<u>7,149,675</u>	<u>3,332,301</u>	<u>1,644,050</u>	<u>12,126,026</u>
Total liabilities and fund balance	<u>\$ 8,114,530</u>	<u>\$ 4,085,449</u>	<u>\$ 1,666,955</u>	<u>\$ 13,866,934</u>

See accompanying notes to the basic financial statements.

City of Grove, Oklahoma
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balance of governmental funds	\$ 12,126,026
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	13,006,855
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds:	
Accrued compensated absences	(1,125,015)
Accrued interest payable	(3,372)
Net pension (liability) asset	1,709,989
Other post-employment benefit obligation	(665,551)
Capital leases	(102,092)
Deferred outflows and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	1,273,640
Deferred outflows of resources related to OPEB	127,080
Deferred inflows of resources related to pensions	(277,843)
Deferred inflows of resources related to OPEB	(92,591)
Net position of governmental activities	\$ 25,977,126

See accompanying notes to the basic financial statements.

City of Grove, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2022

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 6,827,201	\$ 2,753,342	\$ -	\$ 9,580,543
Intergovernmental	239,189	-	399,408	638,597
Grants	47,500	156,051	675,840	879,391
Licenses and permits	143,521	-	-	143,521
Charges for services	226,397	-	3,810	230,207
Fines and forfeitures	111,443	-	288,699	400,142
Rental income	18,250	-	2,000	20,250
Investment income	34,667	-	3,661	38,328
Reimbursements	26,571	527	-	27,098
Miscellaneous	101,570	6,222	2,578	110,370
Total revenues	<u>7,776,309</u>	<u>2,916,142</u>	<u>1,375,996</u>	<u>12,068,447</u>
Expenditures:				
Current expenditures:				
General government	1,132,469	6,838	-	1,139,307
Public safety and judiciary	2,739,584	120,005	536,671	3,396,260
Public works	1,311,648	255,167	-	1,566,815
Culture & recreation	131,322	-	100	131,422
Community development	242,673	-	-	242,673
Cemetery	4,266	-	-	4,266
Capital outlay	694	2,722,528	139,991	2,863,213
Total expenditures	<u>5,562,656</u>	<u>3,104,538</u>	<u>676,762</u>	<u>9,343,956</u>
Excess (deficiency) of revenues over (under) expenditures	2,213,653	(188,396)	699,234	2,724,491
Other financing sources (uses):				
Transfers in	60,000	1,070,041	338,400	1,468,441
Transfers out	(1,556,628)	(427,094)	(68,041)	(2,051,763)
Total other financing source (uses)	<u>(1,496,628)</u>	<u>642,947</u>	<u>270,359</u>	<u>(583,322)</u>
Net change in fund balances	717,025	454,551	969,593	2,141,169
Fund balances, beginning	6,432,650	2,877,750	674,457	9,984,857
Fund balances, ending	<u>\$ 7,149,675</u>	<u>\$ 3,332,301</u>	<u>\$ 1,644,050</u>	<u>\$ 12,126,026</u>

See accompanying notes to the basic financial statements.

City of Grove, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2022

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance of governmental funds	\$	2,141,169
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		2,863,213
Loss on disposition of assets		5,678
Depreciation expense		(1,592,051)
Repayment of debt principal is an expenditure in the governmental funds, and debt issuance is considered an other financing source, but repayment reduces long-term debt principal in the Statement of Net Position		
Principal payments on long-term debt		119,915
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		
Accrued compensated absences		(112,801)
Accrued interest		-
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:		
Pension expense		3,353,615
OPEB expense		(98,132)
Change in net position of governmental activities	\$	<u>6,680,606</u>

See accompanying notes to the basic financial statements.

City of Grove, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds			Total Enterprise Funds
	GMSA	GEDA	GMAMA	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,033,005	\$ 244,382	\$ 10,614	\$ 9,288,001
Accounts receivable, net	923,090	-	41,576	964,666
Due from other funds	208,996	-	-	208,996
Prepaid expense	5,372	-	11,969	17,341
Inventory	527,068	-	104,971	632,039
Restricted assets:				
TIF receivable, current portion	-	75,000	-	75,000
Restricted cash and cash equivalents	60,831	355,250	-	416,081
Total current assets	10,758,362	674,632	169,130	11,602,124
Noncurrent assets:				
Restricted assets:				
TIF receivable, net of current portion	-	2,000,000	-	2,000,000
Net pension asset	818,738	-	41,663	860,401
Land held for sale	-	390,360	-	390,360
Land and construction in progress	1,815,941	1,105,557	1,161,061	4,082,559
Other capital assets, net	28,971,128	2,022,372	3,879,429	34,872,929
Total noncurrent assets	31,605,807	5,518,289	5,082,153	42,206,249
Total assets	42,364,169	6,192,921	5,251,283	53,808,373
DEFERRED OUTFLOWS OF RESOURCES:				
Related to defined benefit pension plan	323,392	-	16,456	339,848
Related to OPEB	27,130	-	1,357	28,487
Unamortized asset retirement obligation	1,787,336	-	-	1,787,336
Total deferred outflows of resources	2,137,858	-	17,813	2,155,671
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 655,622	\$ -	\$ 32,897	\$ 688,519
Accrued interest payable	69,777	8,948	-	78,725
Due to other funds	-	-	180,964	180,964
Long term obligations, current portion	1,279,673	185,000	-	1,464,673
Total current liabilities	2,005,072	193,948	213,861	2,412,881
Noncurrent liabilities:				
Accrued compensated absences	244,489	-	20,352	264,841
Deposits subject to refund	1,183,737	-	-	1,183,737
Other post-employment benefit liability	142,088	-	7,105	149,193
Asset retirement obligation	1,861,808	-	-	1,861,808
Long-term obligations	6,797,236	2,235,000	-	9,032,236
Total noncurrent liabilities	10,229,358	2,235,000	27,457	12,491,815
Total liabilities	12,234,430	2,428,948	241,318	14,904,696
DEFERRED INFLOWS OF RESOURCES:				
Related to defined benefit pension plan	933,628	-	47,509	981,137
Related to OPEB	19,767	-	988	20,755
Total deferred outflows of resources	953,395	-	48,497	1,001,892
NET POSITION				
Net investment in capital assets	22,710,160	2,782,929	5,040,490	30,533,579
Restricted for debt service	60,831	355,250	-	416,081
Unrestricted	8,543,211	625,794	(61,209)	9,107,796
Total net position	\$ 31,314,202	\$ 3,763,973	\$ 4,979,281	\$ 40,057,456

See accompanying notes to the basic financial statements.

City of Grove, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2022

	Enterprise Funds			Total Enterprise Funds
	GMSA	GEDA	GMAMA	
Operating revenues:				
Charges for services:				
Water	\$ 3,634,545	\$ -	\$ -	\$ 3,634,545
Gas	4,474,016	-	-	4,474,016
Wastewater/Sewer	1,072,991	-	-	1,072,991
Sanitation	607,022	-	-	607,022
Service fees	14,700	35,489	64,085	114,274
Fuel sales	-	-	423,401	423,401
Other	262,875	42,743	1,342	306,960
Total operating revenues	10,066,149	78,232	488,828	10,633,209
Operating expenses:				
Administration	1,523,061	-	-	1,523,061
Gas	2,751,721	-	-	2,751,721
Water	1,161,180	-	-	1,161,180
Wastewater/Sewer	726,725	-	-	726,725
Sanitation	551,313	-	-	551,313
Economic development	-	156,108	-	156,108
Airport	-	-	459,596	459,596
Depreciation and amortization	1,916,503	154,098	242,131	2,312,732
Total operating expenses	8,630,503	310,206	701,727	9,642,436
Operating income (loss)	1,435,646	(231,974)	(212,899)	990,773
Non-operating revenues (expenses):				
Taxes	1,100,838	146,155	-	1,246,993
Investment income	30,331	1,148	42	31,521
Miscellaneous	-	-	-	-
Interest expense and fiscal charges	(262,853)	(123,212)	-	(386,065)
Total non-operating revenues (expenses)	868,316	24,091	42	892,449
Excess (deficiency) of revenues over (under) expenses before capital contributions and transfers	2,303,962	(207,883)	(212,857)	1,883,222
Transfers in	60,794	238,472	346,850	646,116
Transfers out	(60,794)	-	(2,000)	(62,794)
Change in net position	2,303,962	30,589	131,993	2,466,544
Net position - beginning, as previously reported	28,210,240	3,733,384	4,837,202	36,780,826
Prior period adjustment	800,000	-	10,086	810,086
Net position - beginning, restated	29,010,240	3,733,384	4,847,288	37,590,912
Net position - ending	\$ 31,314,202	\$ 3,763,973	\$ 4,979,281	\$ 40,057,456

See accompanying notes to the basic financial statements.

City of Grove, Oklahoma
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2022

	<u>Enterprise Funds</u>			<u>Total Enterprise Funds</u>
	<u>GMSA</u>	<u>GEDA</u>	<u>GMAMA</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 9,982,435	\$ 78,232	\$ 488,855	\$ 10,549,522
Payments to suppliers	(4,705,363)	(156,108)	(419,583)	(5,281,054)
Payments to or on behalf of employees	(2,300,008)	-	(93,826)	(2,393,834)
Receipt of customer deposits	1,441,474	-	-	1,441,474
Customer deposits refunded or applied	(1,387,393)	-	-	(1,387,393)
Net cash provided by (used in) operating activities	<u>3,031,145</u>	<u>(77,876)</u>	<u>(24,554)</u>	<u>2,928,715</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	344,850	344,850
TIF principal payments received	-	70,000	-	70,000
Principal paid on TIF note	-	(70,000)	-	(70,000)
Interest paid on TIF note	-	(48,720)	-	(48,720)
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>(48,720)</u>	<u>344,850</u>	<u>296,130</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(789,041)	-	(259,425)	(1,048,466)
Principal paid on capital debt	(1,084,287)	(110,000)	-	(1,194,287)
Interest and fiscal agent fees paid on capital debt	(259,802)	(76,216)	-	(336,018)
Receipt of tax revenue	1,082,879	146,155	-	1,229,034
Capital transfers from other funds	-	238,472	-	238,472
Transfers to other funds	-	-	(55,745)	(55,745)
Net cash provided by (used in) capital and related financing activities	<u>(1,050,251)</u>	<u>198,411</u>	<u>(315,170)</u>	<u>(1,167,010)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	30,331	1,148	42	31,521
Net cash provided by (used in) investing activities	<u>30,331</u>	<u>1,148</u>	<u>42</u>	<u>31,521</u>
Net increase (decrease) in cash and cash equivalents	<u>2,011,225</u>	<u>72,963</u>	<u>5,168</u>	<u>2,089,356</u>
Balances - beginning	7,082,611	526,669	5,446	7,614,726
Balances - ending	<u>\$ 9,093,836</u>	<u>\$ 599,632</u>	<u>\$ 10,614</u>	<u>\$ 9,704,082</u>
Reconciliation to the Statement of Net Position:				
Cash and cash equivalents	\$ 9,033,005	\$ 244,382	\$ 10,614	\$ 9,288,001
Restricted cash and cash equivalents	60,831	355,250	-	416,081
	<u>\$ 9,093,836</u>	<u>\$ 599,632</u>	<u>\$ 10,614</u>	<u>\$ 9,704,082</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,435,646	\$ (231,974)	\$ (212,899)	\$ 990,773
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,916,503	154,098	242,131	2,312,732
Changes in assets and liabilities:				
Decrease (increase) in receivables, net	(83,714)	-	27	(83,687)
Decrease (increase) in inventory	(58,166)	-	(53,919)	(112,085)
Decrease (increase) in prepaid expense	(5,372)	-	(32)	(5,404)
Increase (decrease) in accounts payable	201,822	-	9,966	211,788
Increase (decrease) in customer deposits	54,081	-	-	54,081
Increase (decrease) in accrued compensated absences	61,306	-	4,164	65,470
Increase (decrease) in accrued net pension liability	(453,874)	-	(13,878)	(467,752)
Increase (decrease) in accrued OPEB liability	(37,087)	-	(114)	(37,201)
Net cash provided by (used in) operating activities	<u>\$ 3,031,145</u>	<u>\$ (77,876)</u>	<u>\$ (24,554)</u>	<u>\$ 2,928,715</u>

See accompanying notes to the basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grove's (the City) accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Generally Accepted Accounting Principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant account principles and practices of the City are discussed in subsequent sections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the following:

Primary Government:	City of Grove
Component Units:	Grove Municipal Services Authority (GMSA)
	Grove Economic Development Authority (GEDA)
	Grove Municipal Airport Managing Authority (GMAMA)
	Grove Healthcare Authority <i>inactive</i> (GHA)

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and Statement No. 61, *The Financial Reporting Entity: Omnibus* and includes all component units of which the City is fiscally accountable.

Each of these component units is a Public Trust established pursuant to Title 60 of Oklahoma State Statutes. Public Trusts (Authorities) have no taxing power. 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 Authorities. The Authorities generally retain title to assets that are acquired or constructed with the Authorities debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation of 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.

BLENDED COMPONENT UNITS

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

The component units that are blended into the primary governments' fund categories are presented below:

Grove Municipal Services Authority (GMSA) - Created to finance, develop and operate the natural gas, water, sewer, and solid waste activities, or other forms or types of municipal services within and without the corporate boundaries of the City. The City Council appoints the governing body (Trustees). Any issuances of debt would require a two-thirds approval of the City Council. The GMSA is reported as an enterprise fund within the primary government presentation.

Grove Economic Development Authority (GEDA) - Created September 3, 1968, and amended February 1, 1984, for promoting economic development within the City. The City Council appoints the governing body (Trustees). Any issuance of debt would require a two-thirds approval of the City Council. The GEDA is reported as an enterprise fund within the primary government presentation.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Grove Municipal Airport Managing Authority (GMAMA) was created January 5, 1960, and amended December 22, 1975, to develop, construct, and operate a municipal airport in the City. The City Council appoints the governing body (Trustees). Any issuance of debt would require a two-thirds approval of the City Council. The GMAMA is reported as an enterprise fund within the primary government presentation.

Grove Healthcare Authority (GHA) was created September 21, 1999 to develop and maintain healthcare facilities to service the needs of the people of the City. The board of trustees consists of five members, one of which is a member of the City Council, with the remaining four trustees being members at large. The City is the beneficiary of the trust, which is currently inactive.

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

The statement of net position and statement of activities display information about the city as a whole. They include all financial activities of the reporting entity. Eliminations have been made to minimize the double reporting of transactions involving internal activities. Individual funds are not displayed in these statements. Instead, the statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different governmental functions and business-type activities to arrive at the net revenue or expense of the function or activity prior to the use of taxes and other general revenues. Program revenues include (1) fees, fines, and services charges generated by the program or activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the program or activity, and (3) capital grants and contributions that are restricted to meeting the capital requirements of the program or activity and include assets donated by developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements:

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

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. A fund not meeting the criteria of (a) and (b), however management has elected to report the fund as a major fund due to its significance to users of the financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

FUND TYPES AND MAJOR FUNDS:

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as nonmajor funds. The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specified revenue sources that are restricted or committed to expenditures for specified purposes other than capital projects or debt service. The reporting entity includes the following special revenue funds: Street and Alley Fund, Library Fund, Olympus Cemetery Fund, Special Fire Department Fund, Drug Forfeiture Fund, Special Police Fund, Technology Fund, Animal Control Fund, Veterans' Memorial Perpetual Care Fund, and Grove Delaware County Fire Tax Fund. All of these funds are reported as non-major.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities or other capital assets. The reporting entity includes one capital project fund, the Capital Improvement Fund, which is reported as a major fund.

PROPRIETARY FUND TYPES

Proprietary funds include both enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided and charged to other funds or entities within the reporting entity. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Grove Municipal Services Authority enterprise fund. This fund accounts for activities of the public trust in providing natural gas, water, wastewater, and sanitation services to the public. The reporting entity also includes the Grove Economic Development Authority enterprise fund and the Grove Municipal Airport Managing Authority enterprise fund. All proprietary fund types are presented as major funds.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The government-wide financial statements and the proprietary fund statements report using the *economic resources* measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements report using the *"current financial resources"* measurement focus and the modified accrual basis of accounting. Under the current financial resources focus, only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

spendable financial resources at the end of the period. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Sales and use taxes, franchise taxes, hotel/motel taxes, court fines and interest are considered susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

1.D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Cash and Cash Equivalents

Cash and cash equivalents include all demand, savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Revenue bond account investments in money market accounts are also considered cash equivalents and carried at cost.

Investments

Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months, investments in U.S. Government Securities, and securities that are guaranteed by the U.S. Government. All non-negotiable certificates of deposit are carried at cost. Investments in U.S. Government Securities and those backed by the U.S. Government are carried at fair value. The City places no limit on the amount it may invest in any one issuer. The City has not adopted a formal deposit and investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates other than restrictions set forth in state statutes.

Receivables

Material receivables in the governmental fund types and the governmental activities include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. These are reported as *Due From Other Governments*. Non-exchange transactions collectible but not available are deferred in the fund financial statements. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Business-type activities and the proprietary type funds consist of revenues earned at year-end and not yet received. Billed and unbilled utility accounts receivable comprise the majority of these receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

The City maintains a materials inventory related to the natural gas, water, and sewer facilities, natural gas in transit, and aviation fuel at the airport; inventory values are carried on a first-in first-out basis.

Capital Assets and Depreciation

The accounting treatment over property, plant and equipment (capital assets) 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

In the government-wide financial statements and the proprietary fund type, property, plant and equipment are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets that are recorded at their estimated fair value at the date of donation. The City capitalizes all capital purchases of land, buildings and improvements, infrastructure, and leasehold improvements regardless of cost, and furniture and equipment with an individual cost more than \$500. Computer hardware and software is expensed when purchased.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

- Buildings and Improvements 20-50 years
- Furniture and Equipment 5-10 years
- Infrastructure 20-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Restricted Assets

Restricted assets reported in the fund financial statements include current assets of the governmental and enterprise funds that are legally restricted as to their use. The primary restricted assets are related to the revenue bond trustee accounts restricted for debt service.

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the City that are applicable to a future reporting period. At June 30, 2022, the City reported deferred outflows of resources related to its defined benefit pension plans, other post-employment benefits (OPEB), and unamortized asset retirement obligation.

Long-Term Debt

Accounting treatment of long-term debt varies depending upon the source of repayment and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources and business-type and similar discretely presented component unit resources are reported as liabilities as incurred. The long-term debt consists primarily of revenue notes payable. This long-term debt is reported net of unamortized premiums, and discounts, if any.

Long-term debt of 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 reported as expenditures.

Deferred Inflows of Resources

Deferred inflows are the acquisitions of net position by the City that are applicable to a future reporting period. At June 30, 2022, the City reported deferred inflows of resources related to its defined benefit pension plans and OPEB.

Compensated Absences

Employees earn from 12 to 24 days of vacation per year, depending upon years of service. A maximum of two years of vacation leave may be accumulated. Compensatory time must be used prior to taking vacation leave.

Governmental funds do not report accrued compensated absences unless currently payable (due to termination); however, the accrual is reported for governmental activities at the governmentwide level. Both proprietary funds and business-type presentations include an accrual for compensated absences.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Pensions

The City participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Defined Benefit Plan</u>
Oklahoma Police Pension and Retirement Plan (OPPRS)	Cost Sharing Multiple Employer
Oklahoma Firefighters Pension and Retirement Plan (OFPRS)	Cost Sharing Multiple Employer
Oklahoma Public Employees Retirement System (OPERS)	Cost Sharing Multiple Employer

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's retirement plans and additions to/deductions from the City's fiduciary net positions have been determined on the same basis as they are reported by each respective plan or system. For this purpose, benefit payments are recognized when due and payable in accordance with the respective plan benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OPPRS, OFPRS, and OPERS plans' fiduciary net position is available in a separately issued financial report for each plan. Those reports may be obtained as follows: Oklahoma Police Pension and Retirement System – www.ok.gov/OPPRS and the Oklahoma Firefighters Pension and Retirement System – www.ok.gov/FPRS and the Oklahoma Public Employees Retirement System at www.opers.ok.gov.

Equity Classifications

Government-Wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. 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 or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other Net Position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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 positions are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Since the City implemented GASB Statement 54, 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.

Unrestricted:

- a. Committed – includes 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.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

- b. 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.
- c. 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 fund balance amounts require that restricted amounts would be reduced first, followed by committed amounts and then assigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The City levies a three and four/tenths-cent sales tax on taxable sales within the city. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax is recorded as revenue in the funds as follows:

- 2 of the 3.4% levied (58.8%) is for the general use of the City and is deposited in the General Fund.
- The remainder is deposited to the Capital Improvement Fund to be used only for capital purchases

Property Tax

Under State statutes, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. The City has not levied any property tax; however, the City has designated a tax increment district for which incremental additional property tax will be paid to the City for a specified term. The property tax is recognized in the financial presentation of GEDA.

Property taxes are collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October.

Pledged Revenue

The City has pledged its water and sewer system revenue as well as levied sales tax to secure revenue notes issued by the Grove Municipal Services Authority.

Expenditures and Expenses

In the government-wide financial statements, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by function, capital outlay and debt service. In the proprietary fund financial statements, expenses are reported by object or activity.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out. Transfers both in and out of a fund in the same period between the same funds and for the same purpose are eliminated.

Government-Wide Financial Statements:

Interfund activity related to services provided and used is not eliminated in the process of consolidating the government-wide financial statements. All other interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements, as follows:

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds is not eliminated in the statement of activities.

1.G. USE OF ESTIMATES

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations.

2.A. DEFICIT FUND BALANCES OR NET POSITION

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2022, the City did not have any deficit fund balances.

2.B. DEPOSITS AND INVESTMENTS REQUIREMENTS

In accordance with State Statutes, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds, or certain letters of credit. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

Investments of a City (excluding Public Trusts) are limited by State Statute to the following:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2022, the City and its public trusts, complied with the above investment restrictions.

2.C. DEBT RESTRICTIONS AND COVENANTS

Revenue Debt

The revenue notes issued by the GMSA contain a number of financial restrictions or covenants. These include covenants requiring flow of funds through special accounts, required reserve account balances and revenue debt service coverage requirements. The GMSA complied with the requirements of the debt covenants in all material respects for the fiscal year ended June 30, 2022.

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

3.A. DEPOSITS AND INVESTMENTS

The City's policies regarding deposits of cash and investments are discussed in Note 2.B.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Deposits

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.

As of June 30, 2022, the City was not exposed to custodial credit risk as defined above.

As of June 30, 2022, the City's reporting entity had the following deposits:

Type	Fair Value	Credit Rating
Demand deposits and cash on hand	\$ 20,094,780	n/a
Money market fund - federal obligations	416,081	AAA
	\$ 20,510,861	
Reconciliation to Statement of net position:		
Cash and cash equivalents	\$ 20,094,780	
Restricted - cash and cash equivalents	416,081	
	\$ 20,510,861	

Investments

The City's investment policy requires diversification in order to eliminate the risk of loss resulting from the over-concentration of assets with a specific maturity date, issuer, or class of securities.

3.B. ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consist of service fee receivables, business-type activities consist of customer utilities, hangar, and airport land lease receivables.

3.C. RESTRICTED ASSETS

The amounts reported as restricted assets in the fund financial statements are comprised of cash and investments held by the trustee banks on behalf of the various public trusts (authorities) related to their required revenue note accounts as described in Note 2.B., and deposits held for refund.

3.D. ASSET RETIREMENT OBLIGATION

The City reports an asset retirement obligation in accordance with GASB Statement No. 83 in the Grove Municipal Services Authority. The liability reported is based on the best estimate, using all available evidence, of the current value of outlays expected to be incurred. The City has identified a legally enforceable liability associated with the retirement of the wastewater treatment plant capital asset due to requirements included in Title 27A of the Oklahoma State Statutes. The estimated remaining useful life of the tangible capital is 50 years. The City has recorded an asset retirement obligation of approximately \$1.9 million, measured at its current value. The overall estimate is based on professional judgment, experience, and historical cost data. The liability could change over time as new information becomes available as a result of changes in technology, legal or regulatory requirements, and types of equipment, facilities or services that will be used to meet the obligation to retire the tangible capital asset.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance <u>July 1, 2021</u>	<u>Restatement</u>	Restated <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>
<i>Governmental Activities:</i>						
Capital assets not being depreciated:						
Land	\$ 419,766	\$ -	\$ 419,766	\$ 754,878	\$ -	\$ 1,174,644
Construction-in-progress	102,477	-	102,477	173,640	(92,477)	183,640
Total Capital assets not being depreciated	<u>522,243</u>	<u>-</u>	<u>522,243</u>	<u>928,518</u>	<u>(92,477)</u>	<u>1,358,284</u>
Depreciable assets						
Buildings and improvements	12,934,617	-	12,934,617	57,290	-	12,991,907
Equipment and furniture	3,837,534	-	3,837,534	550,869	(34,635)	4,353,768
Vehicles	3,090,785	-	3,090,785	170,680	(58,408)	3,203,057
Infrastructure	7,680,549	-	7,680,549	1,254,334	-	8,934,883
Total depreciable assets	<u>27,543,485</u>	<u>-</u>	<u>27,543,485</u>	<u>2,033,173</u>	<u>(93,043)</u>	<u>29,483,615</u>
Less accumulated depreciation	<u>16,335,713</u>	<u>-</u>	<u>-</u>	<u>1,592,051</u>	<u>(92,720)</u>	<u>17,835,044</u>
Net depreciable assets	<u>11,207,772</u>	<u>-</u>	<u>27,543,485</u>	<u>441,122</u>	<u>(323)</u>	<u>11,648,571</u>
Governmental activities capital assets, net	<u>\$ 11,730,015</u>	<u>\$ -</u>	<u>\$ 28,065,728</u>	<u>\$ 1,369,640</u>	<u>\$ (92,800)</u>	<u>\$ 13,006,855</u>
<i>Business -type Activities:</i>						
Capital assets not being depreciated:						
Land	\$ 2,501,061	\$ 21,030	\$ 2,522,091	\$ 61,928	\$ -	\$ 2,584,019
Construction-in-progress	908,382	242,019	1,150,401	348,139	-	1,498,540
Total Capital assets not being depreciated	<u>3,409,443</u>	<u>263,049</u>	<u>3,672,492</u>	<u>410,067</u>	<u>-</u>	<u>4,082,559</u>
Depreciable Assets:						
Buildings and improvements	24,627,182	(242,019)	24,385,163	19,334	-	24,404,497
Equipment and furniture	5,306,376	-	5,306,376	429,969	(32,999)	5,703,346
Vehicles	865,622	-	865,622	46,250	(35,867)	876,005
Infrastructure	41,789,052	778,970	42,568,022	132,760	-	42,700,782
Total depreciable assets	<u>72,588,232</u>	<u>536,951</u>	<u>73,125,183</u>	<u>628,313</u>	<u>(68,866)</u>	<u>73,684,630</u>
Less accumulated depreciation	<u>36,577,921</u>	<u>(10,086)</u>	<u>36,567,835</u>	<u>2,312,732</u>	<u>(68,866)</u>	<u>38,811,701</u>
Net depreciable assets	<u>36,010,311</u>	<u>547,037</u>	<u>36,557,348</u>	<u>(1,684,419)</u>	<u>-</u>	<u>34,872,929</u>
Business-type activities capital assets, net	<u>\$ 39,419,754</u>	<u>\$ 810,086</u>	<u>\$ 40,229,840</u>	<u>\$ (1,274,352)</u>	<u>\$ -</u>	<u>\$ 38,955,488</u>

Depreciation expense was charged to functions in the statement of activities as follows:

Primary Government:	
Governmental Activities:	
General government	\$ 74,482
Public safety and judiciary	271,843
Culture, parks, and recreation	244,697
Public works	1,001,029
Total depreciation expense - governmental activities	<u>\$ 1,592,051</u>
Business-Type Activities:	
Utilities	\$ 1,916,503
Economic development	154,098
Airport	242,131
Total depreciation expense - business-type activities	<u>\$ 2,312,732</u>

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.F. TIF (TAX ANTICIPATION) RECEIVABLE

The City adopted and approved the Harbor Point Economic Development Plan dated August 15, 2011 pursuant to the Oklahoma Local Development Act, Title 62, Oklahoma Statutes, Section 850, as amended and created Increment District No. 1, City of Grove. The plan assists a developer in the redevelopment of a former hospital site by providing funding for the construction of public infrastructure and other site improvements through the issuance of debt to be repaid by incremental additional property taxes generated by development within the District. In the event the ad valorem taxes are insufficient to make the scheduled payment, the developer has executed an agreement to reimburse the shortfall.

On September 1, 2011, the Grove Economic Development Authority issued the Grove Economic Development Authority Tax Increment Revenue Note, Taxable Series 2011 in the amount of \$2,415,000, bearing a variable interest rate of 2.29%, not to exceed 14% and payable in 50 semi-annual installments.

GEDA has recorded a TIF (tax anticipation) Receivable equal to the outstanding balance on the related note. For the year ended June 30, 2022, Debt service was \$117,269, ad valorem taxes received were \$74,526, and developer payments were \$42,743.

Changes in the TIF (Tax Anticipation) Receivable

	Balance July 1, 2021	Advanced	Received	Balance June 30, 2022	Amounts Due in One Year
TIF Receivable (Harbor Point)	\$ 2,145,000	\$ -	\$ 70,000	\$ 2,075,000	\$ 75,000

3.G. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities, and business-type activities.

Governmental Activities

As of June 30, 2022, the long-term debt payable from governmental activities consisted of the following:

Lease/Purchase obligations:

Equipment lease payable to Grand Savings Bank, original issue amount of \$60,120, secured by radio equipment, nominal annual rate of 4.125%, with final maturity of July 2023.	\$ 25,140
Equipment lease payable to the Bank of Oklahoma, original issue amount of \$105,000, secured by a fire brush truck, nominal annual rate of 3.68%, with final maturity of April 2024.	43,916
Equipment lease payable to the Bank of Grand Lake, original issue amount of \$126,000, secured by a street sweeper, nominal annual rate of 3.23%, with final maturity of April 2023.	<u>33,036</u>
Total long-term debt payable from governmental resources	<u>\$ 102,092</u>

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Business-Type Activities:

As of June 30, 2022, the long-term debt payable from business-type activities resources consisted of the following:

Direct borrowings and private placements:

\$7,500,000 GMSA, Series 2003 Small Community Clean Water SRF Promissory Note to the Oklahoma Water Resources Board, dated November 6, 2003, for improvements to the wastewater treatment plant, payable semi-annually, maturing September 2024, interest rate of 2.66%, and secured by revenues 427 generated by the utility system plus a pledge of 2.4% sales tax from the City. In the event of default, the lender may 1) file suit to require any or all of the borrower covenants be performed; 2) accelerate the payment of principal and issuance on the note; 3) appoint temporary trustees to take over, operate, and maintain the system on a profitable basis or 4) file suit to enforce or enjoin the action or inaction of the borrower under the loan agreement. \$ 1,151,009

\$2,050,000 GMSA, Sales Tax Revenue Note Series 2011 payable to the Bank of Grove, dated October 2011 to finance an automated meter reading system for water and gas meters, payable semi-annually, maturing September 2026, interest rate of 3.18%, and secured by a pledge of sales tax from the City. In the event of default, the note may be declared due and payable in the manner provided in the indenture. 750,000

\$8,765,000 GMSA, Series 2013 Drinking Water SRF Promissory Note payable to the Oklahoma Water Resources Board, dated June 2013 for improvements to the water treatment plant, payable semi-annually, maturing March 2034, interest rate of 2.75%, and secured by revenues generated by the utility system plus a pledge of sales tax from the City. In the event of default, the lender may 1) file suit to require any or all of the borrower covenants be performed; 2) accelerate the payment of principal and issuance on the note; 3) appoint temporary trustees to take over, operate, and maintain the system on a profitable basis or 4) file suit to enforce or enjoin the action or inaction of the borrower under the loan agreement. 5,842,456

\$5,350,000 GMSA, Series 2020 Clean Water SRF Promissory Note to the Oklahoma Water Resources Board, dated December 22, 2020, to construct sewer system improvements. During The construction phase, loan is treated as a line-of-credit with interest only paid. Upon completion of construction, the loan is payable semi-annually, maturing September 2052, interest rate of 1.15% plus an administrative fee of .50%, and secured by revenues generated by the utility system plus a pledge of sales tax from the City. In the event of default, the lender may 1) file suit to require any or all of the borrower covenants be performed; 2) accelerate the payment of principal and issuance on the note; 3) appoint temporary trustees to take over, operate, and maintain the system on a profitable basis or 4) file suit to enforce or enjoin the action or inaction of the borrower under the loan agreement. 10,000

\$273,750 GMSA, capital lease payable to Welch State Bank, interest rate of 4.07%, and secured by a vac-con sewer truck, final payment May 2024. 112,524

\$1,435,000 GEDA, Promissory Note Series 2010 payable to the Bank of Oklahoma, dated February 2010 to finance the construction of a municipal swimming pool, payable semi-annually, maturing February 2025 maturing February 2025, interest rate of 3.47%. In the event of default, the note may be declared due and payable in the manner provided in the indenture. 345,000

\$2,415,000 GEDA, Tax Increment Revenue Note, Taxable Series 2011, payable to the Bank of Oklahoma, dated July 2011 to finance the public infrastructure and site development, payable semi-annually, maturing June 2036, variable interest rate initially 2.29%, reset June and December not to exceed 14%. In the event of default, the note may be declared due and payable in the manner provided in the indenture. 2,075,000

Total notes payable, payable from business-type activities \$ 10,285,989

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

On September 16, 2021 the Grove Municipal Services Authority issued a \$1,000,000 Series 2021 Clean Water SRF Promissory Note (the "Note") with the Oklahoma Water Resources Board. The Note bears a fixed interest rate of 1.15% plus an administrative fee of 0.50%, for an all-in borrowing rate of 1.65%. The purpose of the Note is to purchase sludge processing equipment for the Wastewater Treatment Plant. Payments will be payable semi-annually and begin no later than one year following project completion with a maturity of no later than 20 years. The effect of the issuance was to increase restricted cash and increase long term debt payable. As of June 30, 2022, there were no borrowings on the Note.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2022</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Lease/Purchase obligations	\$ 222,007	\$ -	\$ 119,915	\$ 102,092	\$ 66,908
Total Governmental Activities	<u>\$ 222,007</u>	<u>\$ -</u>	<u>\$ 119,915</u>	<u>\$ 102,092</u>	<u>\$ 66,908</u>
Business Type Activities:					
GMSA:					
Notes payable	\$ 8,995,695	\$ 10,000	\$ 1,041,310	\$ 7,964,385	\$ 1,224,535
Lease/Purchase obligations	165,501	-	52,977	112,524	55,138
GEDA:					
Notes payable	2,600,000	-	180,000	2,420,000	185,000
Total Business Type Activities	<u>\$ 11,761,196</u>	<u>\$ 10,000</u>	<u>\$ 1,274,287</u>	<u>\$ 10,496,909</u>	<u>\$ 1,464,673</u>

Payment requirements to maturity:

Year Ending June 30,	GMSA		GEDA		City of Grove	
	Direct Borrowings and Private Placements					
	Principal	Interest	Principal	Interest	Principal	Interest
2023	1,279,673	214,232	185,000	58,134	66,908	3,028
2024	1,090,741	183,886	200,000	52,542	35,184	1,046
2025	822,454	153,308	210,000	46,461	-	-
2026	606,049	134,343	100,000	41,220	-	-
2027	533,152	113,733	115,000	38,873	-	-
2028-2032	2,409,102	375,323	745,000	148,907	-	-
2033-2037	1,335,738	56,474	865,000	46,773	-	-
Total	<u>\$ 8,076,909</u>	<u>\$ 1,231,299</u>	<u>\$ 2,420,000</u>	<u>\$ 432,910</u>	<u>\$ 102,092</u>	<u>\$ 4,074</u>

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.H. INTERFUND TRANSACTION AND BALANCES

Interfund transfers for the year ended June 30, 2022 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Nature of Interfund Transfer</u>
* General Fund	* GEDA	\$ 60,000	Economic development
* General Fund	* Capital Improvement Fund	1,000,000	Capital outlay projects
* General Fund	* GMAMA	50,000	Debt service payments
* General Fund	* GMAMA	8,000	Airport operations
* General Fund	* GMAMA	45,000	CARES Fund expenditures
* General Fund	* GEDA	55,228	Pool operations
* General Fund	Emergency Management Fund	110,400	Operating
* General Fund	911 Emergency Communications Fund	228,000	Operating
Street and Alley Fund	* Capital Improvement Fund	68,041	Overlay projects
* GMAMA	* Capital Improvement Fund	2,000	Airport site plan project
* Capital Improvement Fund	* General Fund	60,000	Economic development
* Capital Improvement Fund	* GEDA	123,244	2010 Note payment
* Capital Improvement Fund	* GMAMA	243,850	Airport projects
		<u>\$ 2,053,763</u>	

* Represents major fund

Reconciliation to Fund Financial Statements:

	<u>Transfers in</u>	<u>Transfers out</u>	<u>Total</u>
Governmental Funds	\$ 1,468,441	\$ 2,051,763	\$ (583,322)
Proprietary Funds	585,322	2,000	583,322
Total funds	<u>2,053,763</u>	<u>2,053,763</u>	<u>-</u>

Interfund receivable/payable balances at June 30, 2022 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>	
* Capital Improvement	* General Fund	522,727	Sales tax accrual	
* Capital Improvement	* GMAMA	163,905	Interfund financing - T hangar	
* Capital Improvement	* GMAMA	17,059	Interfund financing - terminal	
* GMSA	* General Fund	208,996	Sales tax accrual	
Total		<u>\$ 912,687</u>		
			Due From	Due To
Reconciliation to Fund Financial Statements:			Other Funds	Other Funds
Governmental Funds		\$ 703,691	\$ 731,723	\$ (28,032)
Proprietary Funds		208,996	180,964	28,032
Total		<u>\$ 912,687</u>	<u>\$ 912,687</u>	<u>\$ -</u>

* Fund is a major fund

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.I. FUND BALANCES AND NET POSITION

Government Wide Financial Statements:

Net Position Restrictions at June 30, 2022 were as follows:

Fund	Restricted By	Amount
Olympus Cemetery Fund	State statute	20,611
911 Emergency Communications Fund	State statute	259,593
Delaware County Fire Tax Fund	County levy - external	228,758
GMSA	Debt covenants - external	60,831
GEDA	Debt covenants - external	355,250
		<u>\$ 925,043</u>

Fund Level Financial Statements:

	General Fund	Capital Improvement Fund	Other Governmental Fund	Total
Fund Balance:				
Restricted For:				
Cemetery	\$ -	\$ -	\$ 20,611	\$ 20,611
Emergency services (911)	-	-	259,593	259,593
Fire services (county controlled)	-	-	228,758	228,758
Sub-total restricted	-	-	508,962	508,962
Committed For:				
Capital improvements - city ordinance	-	3,332,301	-	3,332,301
Sub-total committed	-	3,332,301	-	3,332,301
Assigned for:				
Budgetary - council resolution	1,713,800	-	-	1,713,800
Police and judiciary -council resolution	-	-	311,549	311,549
Fire services -council resolution	-	-	39,020	39,020
Emergency management - council resolution	-	-	29,852	29,852
CARES Act - council resolution	-	-	114,550	114,550
ARPA Fund - council resolution	-	-	626,333	626,333
Cemetery -council resolution	-	-	8	8
Library operations-council resolution	-	-	5,953	5,953
Street and alleys -council resolution	-	-	7,823	7,823
Sub-total assigned	1,713,800	-	1,135,088	2,848,888
Unassigned:	5,435,875	-	-	5,435,875
TOTAL FUND BALANCE	\$ 7,149,675	\$ 3,332,301	\$ 1,644,050	\$ 12,126,026

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Prior Period Restatement:

The opening net positions were restated as follows:

	Business-Type Activities
Beginning net position as previously reported at June 30, 2021:	\$ 36,780,826
Prior period adjustment:	
Transfer of operations	800,000
Correct recording of capital assets	10,086
Net position as restated July 1, 2021	\$ 37,590,912

NOTE 4. OTHER NOTES

4.A. DEFINED BENEFIT PENSION PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Defined Benefit Plan</u>
Oklahoma Police Pension and Retirement Plan (OPPRS)	Cost Sharing Multiple Employer
Oklahoma Firefighters Pension and Retirement Plan (OFPRS)	Cost Sharing Multiple Employer
Oklahoma Public Employees Retirement System (OPERS)	Cost Sharing Multiple Employer

Plan Descriptions

The City of Grove, as employer, contributes to two cost-sharing multiple-employer defined benefit pension plans on behalf of the policemen and firefighters and to the OPERS for all other eligible employees. The plans provide retirement and disability benefits, and death benefits to plan members and beneficiaries. The cost to administer the OPPRS, OFPRS and OPERS plans is financed through the contributions, insurance premium taxes, state appropriations, and investment earnings. Each plan issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained as follows: Oklahoma Police Pension and Retirement System – www.ok.gov/OPPRS and the Oklahoma Firefighters Pension and Retirement System – www.ok.gov/FPRS and the Oklahoma Public Employees Retirement System at www.okmrf.org.

The Oklahoma Police Pension and Retirement System is administrator of the Oklahoma Police Pension and Retirement Plan (OPPRS), a multi-employer, cost sharing defined benefit plan established by Oklahoma Statutes. The System is a component unit of the State of Oklahoma and is part of the State's reporting entity. Responsibility for administration of the OPPRS is assigned to a Board of Trustees comprised of thirteen members including six active members representing specific geographic areas of the state and one retired member; the remaining six members are either governmental office holders or appointees with demonstrated experience in finance or licensed to practice law or accounting in the state.

The Oklahoma Firefighters Pension Retirement System is administrator of the Oklahoma Firefighters Pension and Retirement Plan (OFPRS). The System is a part of the State financial reporting entity, which is combined with other similar funds to comprise the fiduciary pension trust funds of the State. Responsibility for administration of the OFPRS is assigned to the Oklahoma Firefighters Pension and Retirement System Board of Trustees comprised of thirteen members including the five members of the Board of Trustees of the Oklahoma State Firefighters Association, one member of the Professional Firefighters Associations, one member of the Oklahoma State Retired Firefighters Association, one member each appointed by the Oklahoma House and Senate, two members appointed by the Oklahoma Municipal League, and the State Insurance Commissioner or designee.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

The Oklahoma Public Employees Retirement System is administrator of the OPERS plan. The System is part of the Oklahoma State financial reporting entity, which is combined with other funds to comprise the fiduciary pension trust of funds of the State. Responsibility for administration of the OPERS is assigned to the Oklahoma Public Employees Retirement System Board of Trustees, comprised of thirteen members.

Plan Benefits

All three plans provide defined retirement benefits based on the members final average compensation, age, and term of services. In addition, the retirement programs provide for benefits upon disability and to survivors upon the death of eligible members. Benefits are established and amended by state statute. Retirement provisions for each plan are as follows:

OPPRS

The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

OFPRS

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

OPERS

Full time employees at the City other than police officers and firefighters participate in the OPERS plan.

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member on or after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90). Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Member and Employer Contributions

The contribution requirements of the OPPRS and OFPRS plans are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. The City Council has the authority to set and amend contribution rates by ordinance for the OPERS benefit plan in accordance with O.S. Title 11, Section 48-102. Specific requirements for each plan are as follows:

OPPRS

All persons employed by the City as police officers and expected to work more than 25 hours per week are required to participate in the Plan. Required employer contribution levels are 13% of base salary and each participant contributes 8% of his/her actual paid base salary. The Oklahoma Legislature has authority to establish and amend contribution amounts. Additional funds are provided to the Plan by the State of Oklahoma, a non-employer contributing entity, through a 14% allocation of the tax on premiums collected by insurance companies operating in Oklahoma and by the net investment income generated on assets held by the Plan. The Plan is responsible for paying administrative costs. Administrative costs of the Plan are paid by using the earnings from the invested assets of the Plan.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

OFPRS

Required employer contribution levels are 14% of applicable earnings and firefighters contribute 9%, however, the City contributes the firefighters' contribution as well, bringing the total City employer contribution to 23% of covered payroll. In addition, member cities contribute \$60 for each volunteer firefighter. The Oklahoma Legislature has the authority to establish and amend contribution amounts. The State of Oklahoma, a non-employer contributing entity, presently allocates 36% of the insurance premium tax collected from various types of insurance policies to the Plan. The State of Oklahoma may also appropriate additional funds annually as needed to pay current costs and to amortize the unfunded actuarial present value of accumulated plan benefits. No such appropriations were received during the year ended June 30, 2021 (the measurement date).

OPERS

The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. For the year ended June 30, 2022, employees contributed 3.5% of eligible salary and the City contributed 16.5%.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the City of Grove reported an asset for its proportionate share of the net pension asset. The net pension asset for all three plans was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension asset was based on the City's share of contributions in the respective pension plan relative to the total contributions of all participating plan employers, since the plans are cost sharing-multiple employer type plans. At June 30, 2021, the City's proportionate share was 0.2947% of the total OPERS plan, 0.100552% of the total OFPRS plan, and 0.1355171% of the OPERS plan.

For the year ended June 30, 2022, the City recognized pension (income) expense of (\$3,231,288), (\$5,558), and (\$584,523) for the OPERS, OFPRS, and OPERS plans, respectively.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

At June 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to the three defined benefit pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPPRS		
Difference between expected and actual plan experience	\$ 20,298	\$ (55,800)
Net difference between projected and actual earnings on pension plan investments	345,898	(1,377,170)
Differences due to changes in assumptions	21,498	-
Contributions subsequent to the measurement date	142,339	-
OFPRS		
Difference between expected and actual plan experience	240,166	11,629
Net difference between projected and actual earnings on pension plan investments	65,119	591,542
Differences due to changes in assumptions	-	14,688
Contributions subsequent to the measurement date	59,743	-
OPERS		
Difference between expected and actual plan experience	-	45,733
Net difference between projected and actual earnings on pension plan investments	-	2,028,358
Differences due to changes in assumptions	134,024	-
Difference due to change in proportion	146,419	-
Contributions subsequent to the measurement date	437,984	-
Total for all plans	<u>\$ 1,613,488</u>	<u>\$ 1,258,980</u>

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$640,066 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the aggregated three pension plans will be recognized in pension expense (revenue) as follows:

Fiscal Year:	
2023	\$ 140,683
2024	(11,878)
2025	(103,254)
2026	(313,487)
2027	<u>2,378</u>
	<u>\$ (285,558)</u>

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Actuarial Assumptions

For all plans, valuations are based on actuarial assumptions, the benefit provisions, and census of system members. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. Any unfunded actuarial accrued liability is amortized based on a level percentage of payroll.

The total pension asset/liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>OPPRS</u>	<u>OFPRS</u>	<u>OPERS</u>
Inflation	2.75%	2.75%	2.50%
Salary increases	3.50% - 12.00%	2.75% - 10.50%	3.50% - 9.25%
Salary inflation	3.50%	2.75%	3.25%
Investment rate of return	7.50%, net of investment expenses	7.50%, net of investment expenses	6.50%, net of investment expenses
Cost-of-living adjustments	Officers eligible to receive increased benefits based on a repealed statute receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase of base salary of 3.5%	Half of the dollar amount of a 2.75% assumed increase in base pay for firefighters with 20 years of service as of May 26, 1983. No COLA is assumed for members not eligible for this increase	No current provision
Mortality rates	RP-2000 Combined Blue Collar Healthy Table with generational mortality improvement using scale AA	Pub-2010 Public Safety Table with generational mortality improvement using Scale MP-2018	Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019.

The most recent experience study for OFPRS considered actual System experience for the period July 1, 2013 through June 30, 2018. The most recent experience study for OPPRS considered actual System experience for the period July 2012 through June 2017. The most recent experience study for OPERS considered System experience for the three-year period ending June 30, 2019. Total Pension Asset for all plans as of June 30, 2022, is based on the results of an actuarial valuation date of July 1, 2021.

The long-term expected rate of return on pension plan investments for all plans was determined using the building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension asset/liability was 7.5% for OPPRS and OFPRS and 6.5% for OPERS. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at the contractually required rates, determined by State statutes. Projected cash flows also assume that the State of Oklahoma will continue contributing 14% and 36% of the insurance premium for the OPPRS and OFPRS, respectively, as established by statute. The pension plans' fiduciary net positions were expected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended GASB discount rate is equal to the long-term rate of return of 7.50% for the OPPRS and OFPRS plans and 6.50% for the OPERS plan.

Sensitivity of the City's proportionate share of the net pension asset/liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension asset/liability calculated using the specified discount rate, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the specified current rate:

Discount rate used >	1% Decrease	Current Discount	1% Increase
City of Grove's Net Pension Liability (Asset)			
Cost sharing plans - proportionate share			
OPPRS	(530,194)	(1,413,736)	(2,160,837)
OFPRS	1,034,827	662,203	350,238
OPERS	(168,859)	(1,818,857)	(3,213,497)
Total net pension liability (asset)	335,774	(2,570,390)	(5,024,096)
Reconciliation to the Statement of Net Position:			
Governmental activities		(1,709,989)	
Business-type activities		(860,401)	
Total net pension liability		(2,570,390)	

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial reports for each pension system.

Both the OPPRS and the OFPRS issue a publicly available financial report that includes financial statements and the required supplementary information for each pension system. Those reports may be obtained as follows: Oklahoma Police Pension and Retirement System (OPPRS) – www.ok.gov/OPPRS and the Oklahoma Firefighters Pension and Retirement System (OFPRS) – www.ok.gov/FPRS and the Oklahoma Public Employees Retirement System at www.opers.ok.gov.

Payables to the pension plans

At June 30, 2022 the City reported no payables to the defined benefit pension plans for legally required employer contributions.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

4.B. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Postemployment Health Insurance Implicit Rate Subsidy Plan

Plan description - The City offers post-employment benefit (OPEB) options for medical and RX, insurance benefits for retired employees and their dependents under the age of 65 that elect to make required premium benefit payments on a monthly basis. The plan is a single-employer defined benefit OPEB plan. The benefits are provided through a substantive plan in which retired employees and dependents under the age of 65 may continue on their medical plan through the City. A substantive plan is one in which the plan terms are understood by the employer and the plan members. This understanding is based on communications between the employer and plan member and the historical pattern of practice with regard to the sharing of benefit costs. All of the City's employees may become eligible for those post-retirement benefits if they are retired members of the Oklahoma Police Pension and Retirement System, Oklahoma Firefighter's Pension and Retirement System, or the Oklahoma Public Employees Retirement System. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided - The Plan covers all current retirees of the City who elected postretirement medical coverage through the City Health Plan and future retired employees of the City fully insured health plan. In accordance with administrative policy, the benefit levels are the same as those afforded to active employees; this creates an implicit rate subsidy. The benefits offered by the City to retirees include health and RX benefits. The retiree retains coverage with the City, by making an election within 30 days of termination of service and have 10+ years of creditable service with the City.

The amount of benefit payments (net of retiree contributions) during fiscal year June 30, 2022 were \$8,717.

Employees Covered by Benefit Terms

Active Employees	92
Inactive not yet receiving benefits	0
Inactive or beneficiaries receiving benefits	<u>3</u>
Total	<u>95</u>

Total OPEB Liability – The total OPEB liability was determined based on an alternative measurement method valuation performed as of June 30, 2021 which is also the measurement date.

Actuarial Assumptions- The total OPEB liability in the June 30, 2022 valuation, was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Cost Method
- Discount Rate – 2.16% based on the 20 year municipal bond yield
- Retirement Age – Civilians - 55 with 10 years of service, Police and Fire 20 years of service
- Medical Trend Rates

<u>Year</u>	<u>Trend</u>
2013	4.62%
2014	7.35%
2015	5.01%
2016	6.12%
2017	6.09%
2018	6.05%

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

2019	6.02%
2020	5.99%
2025	5.86%
2030	5.99%
2035	5.87%
2040	5.33%
2045	5.15%
2050	5.03%
2060	4.87%

Changes in Total OPEB Liability –

	Total OPEB Liability
Balances at Beginning of Year	\$ <u>731,816</u>
Changes for the Year:	
Service cost	50,801
Interest expense	16,173
Differences between expected and actual experience	67,192
Change in assumptions	(42,521)
Benefits paid	(8,717)
Net Changes	<u>82,928</u>
Balances End of Year	\$ <u><u>814,744</u></u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2022, the City recognized OPEB expense of \$60,931. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 74,845	\$ 41,333
Changes of assumptions	80,722	72,013
Total	<u>\$ 155,567</u>	<u>\$ 113,346</u>

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30:	
2023	\$ (4,318)
2024	(4,318)
2025	1,772
2026	14,141
2027	19,917
Thereafter	15,027
	<u>\$ 42,221</u>

Sensitivity of the City's total OPEB liability to changes in the discount rate - The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)		Current Discount Rate (2.16%)		1% Increase (3.16%)
Employers' total OPEB liability	\$ 921,014	\$	814,744	\$	723,073

Sensitivity of the City's OPEB liability to changes in the healthcare cost trend rates - The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.95 percent decreasing to 3.87 percent) or 1-percentage-point higher (6.95 percent decreasing to 5.87 percent) than the current healthcare cost trend rates:

	1% Decrease (4.95% decreasing to 3.87%)		Current Discount Rate (5.95% decreasing to 4.87%)		1% Increase (6.95% decreasing to 5.87%)
Employers' total OPEB liability	\$ 708,848	\$	814,744	\$	944,154

4.C. 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's health and life; and natural disasters. The City manages these various risks of loss with purchased commercial insurance for all major programs. There have been no significant reductions insurance coverage, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

4.D. Transfer of Operations

Grove Municipal Services Authority (GMSA) entered into an agreement to combine with Rural Water, Sewer, Gas and Solid Waste Management District #6 (District). On December 14, 2021, the District transferred all assets to GMSA to allow GMSA to serve the District's existing customers. As a result of the transfer, GMSA recognized the following assets and net position:

Transferred Assets (Net)	Carrying Value
Land	\$ 21,030
Water lines	778,970
Total capital assets	<u>\$ 800,000</u>
Net Position of Transferred District	
Net investment in capital assets	<u>\$ 800,000</u>

4.D. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Contingencies:

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. 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. Any liability of reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The City is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual 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. 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. This statutory taxing ability is not available to the City's public trusts (Authorities).

Subsequent Events

On July 6, 2022, Grove Municipal Services Authority closed on a \$1,000,000 note payable with a fixed interest rate of 3.79% and a maturity date of July 1, 2025. This note was issued to provide funds for: (i) the purpose of assisting developers with infrastructure improvements to enhance residential development and (ii) paying transaction costs.

Management has evaluated subsequent events through the date of this report and has determined that no additional information needs to be added to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules –
 - General Fund
 - Capital Improvement Fund
- Notes to RSI – Budgetary Comparison Schedules
- Schedule of City of Grove’s Share of Net Pension Liability
- Schedule of Employer Contributions
- Schedule of Changes in Net OPEB Liability and Related Ratios

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GROVE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to final Favorable (unfav)</u>
Beginning budgetary fund balance	\$ 2,520,700	\$ 2,575,700	\$ 6,432,650	\$ 3,856,950
Resources (inflows)				
Taxes				
Sales and Use taxes	4,450,000	4,450,000	6,379,310	1,929,310
Franchise tax	207,000	207,000	447,891	240,891
Total taxes	<u>4,657,000</u>	<u>4,657,000</u>	<u>6,827,201</u>	<u>2,170,201</u>
Intergovernmental				
Alcoholic beverage tax	100,000	100,000	167,238	67,238
Tobacco tax	65,000	65,000	71,951	6,951
Grants and contributions	112,000	157,000	47,500	(109,500)
Total intergovernmental	<u>277,000</u>	<u>322,000</u>	<u>286,689</u>	<u>(35,311)</u>
Licenses and permits				
Occupational licenses	25,000	25,000	57,868	32,868
Construction Permits	40,000	40,000	83,217	43,217
Animal license	2,000	2,000	2,436	436
Total licenses and permits	<u>67,000</u>	<u>67,000</u>	<u>143,521</u>	<u>76,521</u>
Charges for services				
Plots and interment	10,000	10,000	14,875	4,875
Miscellaneous fees	231,400	231,400	211,522	(19,878)
Total charges for services	<u>241,400</u>	<u>241,400</u>	<u>226,397</u>	<u>(15,003)</u>
Fines and forfeitures	87,000	87,000	111,443	24,443
Other income				
Investment income	3,600	3,600	34,667	31,067
Miscellaneous income	77,600	77,600	146,391	68,791
Total other income	<u>81,200</u>	<u>81,200</u>	<u>181,058</u>	<u>99,858</u>
Other financing sources				
Transfers in	4,010,000	5,550,000	60,000	(5,490,000)
	<u>4,010,000</u>	<u>5,550,000</u>	<u>60,000</u>	<u>(5,490,000)</u>
Amounts available for appropriation	<u>\$ 11,941,300</u>	<u>\$ 13,581,300</u>	<u>\$ 14,268,959</u>	<u>\$ 687,659</u>

(CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GROVE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

(CONTINUED)

Charges to appropriations (outflows)

General government:

Governing Board	608,400	608,400	240,474	367,926
Administration	699,600	699,600	669,917	29,683
Finance	88,800	88,800	90,108	(1,308)
Legal and Court	88,500	122,400	113,510	8,890
City Hall	32,900	32,900	18,460	14,440
Airport	58,000	103,000	-	103,000
Total general government	1,576,200	1,655,100	1,132,469	522,631

Public Safety

Police, Dispatch and Code Enforcement	2,075,600	2,157,100	2,025,739	131,361
Fire	944,600	889,300	713,845	175,455
Total public safety	3,020,200	3,046,400	2,739,584	306,816

Public works

Streets	773,300	773,300	683,093	90,207
Vehicle Maintenance	126,700	132,700	114,416	18,284
Building and Grounds	585,300	557,200	514,754	42,446
Total public works	1,485,300	1,463,200	1,312,263	150,937

Cultural, parks, recreation, and promotion

Library	21,700	23,700	15,823	7,877
Cemetery	3,500	6,800	4,266	2,534
Recreation	168,700	170,200	30,041	140,159
Community Development	223,300	233,500	247,259	(13,759)
Civic Center	76,400	76,400	67,468	8,932
Senior Citizens	17,600	17,600	13,483	4,117
Total cultural, parks, recreation, and promotion	511,200	528,200	378,340	149,860

Other financing uses

Transfers to other funds	5,348,400	6,888,400	1,556,628	5,331,772
Total other financing uses	5,348,400	6,888,400	1,556,628	5,331,772

Total charges to appropriations

	11,941,300	13,581,300	7,119,284	6,462,016
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Ending budgetary fund balance

	\$ -	\$ -	\$ 7,149,675	\$ 7,149,675
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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GROVE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
CAPITAL IMPROVEMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to final Favorable (unfav)</u>
Beginning budgetary fund balance	\$ 1,116,500	\$ 1,116,500	\$ 2,877,750	\$ 1,761,250
Resources (inflows)				
Taxes				
Sales tax	1,975,000	1,996,000	2,753,342	757,342
Intergovernmental				
Grants and Contributions	2,790,600	2,841,600	156,051	(2,685,549)
Miscellaneous	56,800	56,800	6,749	(50,051)
Total intergovernmental	2,847,400	2,898,400	162,800	(2,735,600)
Other income				
Investment income	-	-	-	-
Transfer in	3,040,000	3,886,000	1,070,041	(2,815,959)
Total other income	3,040,000	3,886,000	1,070,041	(2,815,959)
Amounts available for appropriation	8,978,900	9,896,900	6,863,933	(3,032,967)
Charges to appropriations (outflows)				
Administration	519,400	123,700	6,838	116,862
Public Safety	192,300	177,300	138,767	38,533
Public Works	145,900	145,900	109,498	36,402
Airport	3,041,500	3,083,500	-	3,083,500
Community Development	248,600	275,350	126,907	148,443
Capital outlay	2,669,200	3,104,150	2,722,528	381,622
Transfers out	2,162,000	2,987,000	427,094	2,559,906
Total charges to appropriations	8,978,900	9,896,900	3,531,632	6,365,268
Ending budgetary fund balance	\$ -	\$ -	\$ 3,332,301	\$ 3,332,301

**CITY OF GROVE, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
- d. By July 1, the adopted budget is filed with the Office of State Auditor and Inspector.

All funds of the City with revenues and expenditures are required to have annual budgets under this section of the state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department within a fund. The Budget Act recognizes the following object categories of control by department within a fund: Personal Services, Materials and Supplies, Other Services and Charges, Capital Outlay, Debt Service, and Interfund Transfers.

Transfers of appropriations between departments and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector. The City's actual spending did not exceed appropriations in the current year.

Budgetary Accounting

The annual operating budgets of the General Fund are prepared and presented on the modified accrual basis of accounting for revenues and on the cash basis for expenditures, excluding internal service account activity of the General Fund.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are reappropriated in the subsequent year's budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements.

CITY OF GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GROVE
SCHEDULE OF CITY OF GROVE'S SHARE OF NET PENSION LIABILITIES*
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Oklahoma Police Pension and Retirement Plan (OPPRS)</u>								
City's portion of net pension liability	0.2947%	0.3062%	0.3157%	0.3307%	0.3333%	0.3178%	0.3198%	0.3188%
City's proportionate share of the net pension liability/(asset)	\$ (1,413,736)	\$ 351,695	\$ (20,154)	\$ (157,537)	\$ 25,614	\$ 486,748	\$ 13,039	\$ (107,348)
City's covered-employee payroll	\$ 1,094,915	\$ 1,019,108	\$ 1,026,638	\$ 1,008,785	\$ 937,323	\$ 937,323	\$ 891,966	\$ 1,000,482
City's proportional share of the net pension liability as a percentage of its covered employee payroll	-129.118%	34.510%	-1.963%	-15.617%	2.733%	51.930%	1.462%	-10.730%
Plan fiduciary net position as a percentage of the total pension liability	117.07%	95.80%	100.24%	101.89%	93.50%	93.50%	99.82%	101.53%
<u>Oklahoma Firefighters Pension and Retirement Plan (OFPRS)</u>								
City's portion of net pension liability	0.1006%	0.0882%	0.0901%	0.0897%	0.0863%	0.0863%	0.0873%	0.0844%
City's proportionate share of the net pension liability	\$ 662,203	\$ 1,086,762	\$ 951,602	\$ 1,009,176	\$ 1,085,508	\$ 1,054,494	\$ 926,341	\$ 867,776
City's covered-employee payroll	\$ 426,736	\$ 319,193	\$ 278,493	\$ 266,643	\$ 241,436	\$ 241,436	\$ 238,457	\$ 260,389
City's proportional share of the net pension liability as a percentage of its covered employee payroll	155.18%	340.47%	341.70%	378.47%	449.60%	436.76%	388.47%	333.26%
Plan fiduciary net position as a percentage of the total pension liability	84.24%	69.98%	72.58%	70.73%	66.61%	64.87%	68.27%	68.12%
<u>Oklahoma Public Employees Retirement System (OPERS)</u>								
City's portion of net pension liability	0.1355%	0.1373%	0.1402%	0.1722%	0.1449%	0.1216%	0.1250%	0.1275%
City's proportionate share of the net pension liability/(asset)	\$ (1,818,857)	\$ 1,225,208	\$ 186,693	\$ 335,874	\$ 783,208	\$ 1,206,223	\$ 449,762	\$ 234,044
City's covered-employee payroll	\$ 2,654,448	\$ 2,447,527	\$ 2,235,891	\$ 2,696,673	\$ 2,361,642	\$ 2,183,952	\$ 2,262,005	\$ 2,065,133
City's proportional share of the net pension liability as a percentage of its covered employee payroll	-68.52%	50.06%	8.35%	12.46%	33.16%	55.23%	19.88%	11.33%
Plan fiduciary net position as a percentage of the total pension liability	112.51%	91.59%	98.60%	98.00%	94.30%	93.20%	93.60%	88.60%

*This information is reported for the cost sharing multiple employer plans and is as of 7/1 GASB Statement No. 68 requires ten years of information to be reported in this table. However, until a full 10-year trend is compiled, the City will present information that is available.

CITY OF GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GROVE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Oklahoma Police Pension and Retirement Plan (OPPRS)</u>							
Statutorily required contribution	\$ 142,339	\$ 132,484	\$ 132,905	\$ 131,142	\$ 129,294	\$ 115,956	\$ 130,063
Contributions related to the statutorily required contribution (does not include State contributions)	\$ 142,339	\$ 132,484	\$ 132,905	\$ 131,142	\$ 129,294	\$ 115,956	\$ 130,063
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,094,915	\$ 1,019,108	\$ 1,022,346	\$ 1,008,785	\$ 937,323	\$ 891,966	\$ 1,000,482
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.79%	13.00%	13.00%
<u>Oklahoma Firefighters Pension and Retirement Plan (OFPRS)</u>							
Statutorily required contribution	\$ 59,743	\$ 44,687	\$ 38,491	\$ 37,330	\$ 34,497	\$ 33,801	\$ 33,384
Contributions related to the statutorily required contribution (does not include State contributions)	\$ 59,743	\$ 44,687	\$ 38,491	\$ 37,330	\$ 34,497	\$ 33,801	\$ 33,384
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 426,736	\$ 319,193	\$ 274,936	\$ 266,643	\$ 246,407	\$ 241,436	\$ 238,457
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
<u>Oklahoma Public Employees Retirement System (OPERS)</u>							
Statutorily required contribution	\$ 437,984	\$ 403,842	\$ 411,175	\$ 368,922	\$ 386,884	\$ 360,352	\$ 373,231
Contributions related to the statutorily required contribution (does not include State contributions)	\$ 437,984	\$ 403,842	\$ 411,175	\$ 368,922	\$ 386,884	\$ 363,722	\$ 370,118
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,370	\$ (3,113)
City's covered-employee payroll	\$ 2,654,448	\$ 2,447,527	\$ 2,491,970	\$ 2,235,891	\$ 2,344,752	\$ 2,183,952	\$ 2,262,005
Contributions as a percentage of covered-employee payroll	16.50%	16.50%	16.50%	16.50%	16.50%	16.65%	16.36%

Data reported is for the City's fiscal year ending June 30

GASB Statement No. 68 requires ten years of information to be reported in this table. However, until a full 10-year trend is compiled, the City will present information that is available.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GROVE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Postretirement Medical Plan

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 50,801	\$ 33,009	\$ 31,677	\$ 37,451	\$ 41,978
Interest	16,173	19,594	20,946	20,970	16,372
Differences between expected and actual experience	67,192	22,892	(34,756)	(48,931)	-
Changes in assumptions (discount rate)	(42,521)	103,485	7,543	(47,466)	(48,654)
Expected net benefit payments	(8,717)	(6,992)	(6,828)	(6,528)	(3,209)
Net change in total OPEB liability	<u>82,928</u>	<u>171,988</u>	<u>18,582</u>	<u>(44,504)</u>	<u>6,487</u>
Balances at Beginning of Year	<u>731,816</u>	<u>559,828</u>	<u>541,246</u>	<u>585,750</u>	<u>579,263</u>
Balances End of Year	<u>\$ 814,744</u>	<u>\$ 731,816</u>	<u>\$ 559,828</u>	<u>\$ 541,246</u>	<u>\$ 585,750</u>
Covered employee payroll	\$ 3,899,000	\$ 3,598,000	\$ 3,575,000	\$ 3,640,000	\$ 3,640,000
Total OPEB liability as a percentage of covered- employee payroll	20.90%	20.34%	15.66%	14.87%	16.09%

Notes to Schedule:

Only four fiscal years are presented because 10-year data is not yet available

OTHER INFORMATION

Other information includes financial statements and schedules not required by the GASB, nor are a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Schedules – Non-major governmental funds
- Schedule of Revenue Bond and Note Coverage

CITY OF GROVE, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	<u>Street and Alley Fund</u>	<u>Library Fund</u>	<u>Olympus Cemetery Fund</u>	<u>Special Fire Dept Fund</u>	<u>Drug Forfeiture Fund</u>	<u>Special Police Fund</u>	<u>Police Technology Fund</u>	<u>Animal Control Fund</u>	<u>Veteran's Memorial Fund</u>	<u>Grove Del Co Fire Tax Fund</u>	<u>911 Emergency Communications Fund</u>	<u>Emergency Management Fund</u>	<u>CARES Act Fund</u>	<u>ARPA Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS															
Cash and cash equivalents	\$ -	\$ 5,953	\$ 20,611	\$ 40,676	\$ 291,358	\$ 4,891	\$ 10,678	\$ 7,027	\$ 8	\$ -	\$ 244,954	\$ 35,482	\$ 114,550	\$ 626,333	\$ 1,402,521
Receivables:															
Due from other governments	7,823	-	-	-	-	-	-	-	-	228,758	27,853	-	-	-	264,434
Total assets	<u>\$ 7,823</u>	<u>\$ 5,953</u>	<u>\$ 20,611</u>	<u>\$ 40,676</u>	<u>\$ 291,358</u>	<u>\$ 4,891</u>	<u>\$ 10,678</u>	<u>\$ 7,027</u>	<u>\$ 8</u>	<u>\$ 228,758</u>	<u>\$ 272,807</u>	<u>\$ 35,482</u>	<u>\$ 114,550</u>	<u>\$ 626,333</u>	<u>\$ 1,666,955</u>
LIABILITIES AND FUND BALANCE															
Liabilities:															
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 1,656	\$ -	\$ -	\$ 2,405	\$ -	\$ -	\$ -	\$ 13,214	\$ 5,630	\$ -	\$ -	\$ 22,905
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,656</u>	<u>-</u>	<u>-</u>	<u>2,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,214</u>	<u>5,630</u>	<u>-</u>	<u>-</u>	<u>22,905</u>
Fund balances:															
Restricted	-	-	20,611	-	-	-	-	-	-	228,758	259,593	-	-	-	508,962
Assigned	7,823	5,953	-	39,020	291,358	4,891	8,273	7,027	8	-	-	29,852	114,550	626,333	1,135,088
Total fund balances	<u>7,823</u>	<u>5,953</u>	<u>20,611</u>	<u>39,020</u>	<u>291,358</u>	<u>4,891</u>	<u>8,273</u>	<u>7,027</u>	<u>8</u>	<u>228,758</u>	<u>259,593</u>	<u>29,852</u>	<u>114,550</u>	<u>626,333</u>	<u>1,644,050</u>
Total liabilities and fund balances	<u>\$ 7,823</u>	<u>\$ 5,953</u>	<u>\$ 20,611</u>	<u>\$ 40,676</u>	<u>\$ 291,358</u>	<u>\$ 4,891</u>	<u>\$ 10,678</u>	<u>\$ 7,027</u>	<u>\$ 8</u>	<u>\$ 228,758</u>	<u>\$ 272,807</u>	<u>\$ 35,482</u>	<u>\$ 114,550</u>	<u>\$ 626,333</u>	<u>\$ 1,666,955</u>

CITY OF GROVE, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Street and Alley Fund	Library Fund	Olympus Cemetery Fund	Special Fire Dept Fund	Drug Forfeiture Fund	Special Police Fund	Police Technology Fund	Animal Control Fund	Veteran's Memorial Fund	Grove Del Co Fire Tax Fund	911 Emergency Communications Fund	Emergency Management Fund	CARES Act Fund	ARPA Fund	Total Nonmajor Governmental Funds
Revenues:															
Intergovernmental	\$ 68,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,742	\$ 228,850	\$ -	\$ -	\$ -	\$ 399,408
Grants and contributions	-	-	-	48,035	-	3,500	-	-	-	-	-	-	-	624,305	675,840
Charges for services	-	-	3,775	35	-	-	-	-	-	-	-	-	-	-	3,810
Fines and forfeitures	-	-	-	-	286,154	-	2,545	-	-	-	-	-	-	-	288,699
Rental income	-	-	-	-	-	-	-	-	-	-	-	2,000	-	-	2,000
Investment income	-	22	74	160	626	11	40	27	-	180	-	-	493	2,028	3,661
Miscellaneous	-	-	-	-	-	-	-	-	100	1,506	675	297	-	-	2,578
Total revenues	<u>68,816</u>	<u>22</u>	<u>3,849</u>	<u>48,230</u>	<u>286,780</u>	<u>3,511</u>	<u>2,585</u>	<u>27</u>	<u>100</u>	<u>103,428</u>	<u>229,525</u>	<u>2,297</u>	<u>493</u>	<u>626,333</u>	<u>1,375,996</u>
Expenditures:															
Current expenditures:															
Public safety and judiciary	-	-	-	16,907	-	-	2,723	-	-	16,480	371,905	103,626	25,030	-	536,671
Culture & recreation	-	-	-	-	-	-	-	-	100	-	-	-	-	-	100
Capital outlay	-	-	-	-	-	-	795	-	-	-	-	-	139,196	-	139,991
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,907</u>	<u>-</u>	<u>-</u>	<u>3,518</u>	<u>-</u>	<u>100</u>	<u>16,480</u>	<u>371,905</u>	<u>103,626</u>	<u>164,226</u>	<u>-</u>	<u>676,762</u>
Excess (deficiency) of revenues over (under) expenditures	68,816	22	3,849	31,323	286,780	3,511	(933)	27	-	86,948	(142,380)	(101,329)	(163,733)	626,333	699,234
Other financing sources (uses):															
Transfers in	-	-	-	-	-	-	-	-	-	-	228,000	110,400	-	-	338,400
Transfers out	(68,041)	-	-	-	-	-	-	-	-	-	-	-	-	-	(68,041)
Total other financing source (uses)	<u>(68,041)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,000</u>	<u>110,400</u>	<u>-</u>	<u>-</u>	<u>270,359</u>
Net change in fund balances	775	22	3,849	31,323	286,780	3,511	(933)	27	-	86,948	85,620	9,071	(163,733)	626,333	969,593
Fund balances, beginning	<u>7,048</u>	<u>5,931</u>	<u>16,762</u>	<u>7,697</u>	<u>4,578</u>	<u>1,380</u>	<u>9,206</u>	<u>7,000</u>	<u>8</u>	<u>141,810</u>	<u>173,973</u>	<u>20,781</u>	<u>278,283</u>	<u>-</u>	<u>674,457</u>
Fund balances, ending	<u>\$ 7,823</u>	<u>\$ 5,953</u>	<u>\$ 20,611</u>	<u>\$ 39,020</u>	<u>\$ 291,358</u>	<u>\$ 4,891</u>	<u>\$ 8,273</u>	<u>\$ 7,027</u>	<u>\$ 8</u>	<u>\$ 228,758</u>	<u>\$ 259,593</u>	<u>\$ 29,852</u>	<u>\$ 114,550</u>	<u>\$ 626,333</u>	<u>\$ 1,644,050</u>

**GROVE MUNICIPAL SERVICES AUTHORITY
SCHEDULE OF REVENUE BOND AND NOTE COVERAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Gross Revenue Available for Debt Service:

Water system revenues	\$ 3,634,545
Wastewater/Sewer system revenues	1,072,991
Gas system revenues	4,474,016
Investment income	30,331
Sales tax revenues (1)	<u>6,607,669</u>
 Total Gross Revenues Available	 15,819,552
 Water, waste water/sewer, and gas operating expense (2)	 <u>6,000,928</u>
 Net Revenues Available for Debt Service	 <u><u>\$ 9,818,624</u></u>

Average Annual Debt Service Requirements for Term:

2003 GMSA OWRB CWSRF Note	\$ 481,724
2011 GMSA Sales Tax Revenue Note	177,658
2013 GMSA OWRB DWSRF NOTE	556,885
2020 GMSA CWSRF OWRB NOTE	<u>219,200</u>
Total average annual Debt Service	<u><u>\$ 1,435,467</u></u>

Computed Coverage 6.84

Coverage Requirement - Revenue Bond and Note Indentures 1.25

(1) 2.4 % of the 3.4% of sales tax revenues levied by the City

(2) Excludes depreciation; administration expenses are prorated to all service revenues.



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 Honorable Mayor and City Council
City of 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Grove, Oklahoma ("City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 23, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of finding and management response, that we consider to be a material weakness. [2022-01].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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. We identified a deficiency in compliance, described in the accompanying schedule of finding and management response, that we consider to be a material weakness. [2022-01].

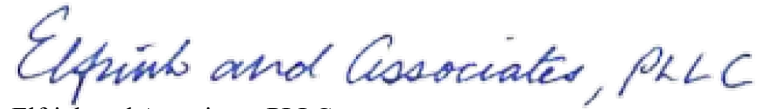
City of Grove's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Elfrink and Associates, PLLC". The signature is written in a cursive, flowing style.

Elfrink and Associates, PLLC

Tulsa, Oklahoma
February 23, 2023

CITY OF GROVE, OKLAHOMA
FISCAL YEAR ENDED JUNE 30, 2022
SCHEDULE OF FINDING AND RESPONSE

This schedule is presented as an addendum to accompany the “*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*”. Consideration of items listed should be made in conjunction with that report.

2022-01 – Internal Controls over Financial Reporting

CONDITION: Our review of capitalization of fixed asset costs revealed several material items that had not been properly capitalized.

CRITERIA: In accordance with Generally Accepted Auditing Standards (GAAS), the organization should have adequate design and implementation of controls over the preparation of the financial statements being audited such that the financial statements are fairly presented in conformity with generally accepted accounting principles.

EFFECT: The effect was to understate accounts payable and capital outlay in the capital improvement fund by \$375,000, understate accounts payable and capital assets of government activities by \$375,000, and understate capital assets and overstate operating expenses by \$42,296 in both the Grove Municipal Services Authority fund and business type activities.

RECOMMENDATION: We recommend that management consider policies and procedures to ensure that a thorough search for fixed asset additions is performed.

RESPONSE: This is done at the end of every fiscal year. With the addition of the CPA firm creating financial statements and trying to get all of the information to them timely, the capitalization of some assets were missed. We will try to do a more thorough job.

2022-02 – Cash Receipt Deposits

CONDITION: During our testing of cash deposits, we noted that deposits are not being made timely; some of the deposits were made 5 to 11 days after receipt.

CRITERIA: Title 62, section 511 requires that all funds coming into the treasurer’s possession shall be deposited daily (not later than the immediately next business day) in banks, trust companies, credit unions or savings and loan associations as designated by the State.

EFFECT: Various fraud schemes are possible when deposits are not made timely, including lapping of accounts receivable and/or misapplication of funds.

RECOMMENDATION: Management should enforce the policy of timely deposits, to include periodic monitoring by someone outside of the cash receipt process.

RESPONSE: Management will see what is causing the delays and take corrective action as well as do periodic monitoring.