

CITY OF GROVE, OKLAHOMA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 2015

CITY OF GROVE, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Grove
Grove, OK 74344

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Grove, State Oklahoma ("the City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

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, 2015, 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.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension information on pages 4-12, 46-47 and 48-49 be presented to supplement the basic financial statements. Such information, 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015 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.

Very truly yours,

A handwritten signature in cursive script that reads "Ober & Littlefield, PLLC".

OBER & LITTLEFIELD, CPAs, PLLC
MIAMI, OKLAHOMA

December 8, 2015

CITY OF GROVE, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

The following discussion and analysis of the City of Grove's ("the City's") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements, which begin on page 13.

Financial Highlights

- ❖ The assets of the City of Grove exceeded its liabilities at the close of the most recent fiscal year by \$40,238,010 (net position). Of this amount, \$2,845,535 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ The government's total net position increased by \$930,385 for the year ended June 30, 2015.
- ❖ As of the close of the current fiscal year the City of Grove's governmental funds reported combined ending fund balances of \$4,695,772 and increase of \$1,256,144 in comparison with the prior year. Approximately \$1,653,499 is available for spending at the government's discretion (unassigned fund balance).
- ❖ The City's total debt increased by \$87,692 during the current fiscal year. The key factor in this increase is the addition of a Lease/Purchase agreement to purchase a Freightliner Ten Wheeler with a snow plow & and salt spreader, with offsetting principal payments reducing the balance of existing debt.
- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,610,525, or 37%, of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Grove's basic financial statements. The City of Grove's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 view of the City of Grove's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Grove's assets and liabilities with the difference between the two reported as net position. Over time, de/increases or de/increases in net position may serve as a useful indicator of whether the financial position of the City of Grove 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Grove 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 and charges (business-type activities). The governmental activities of the City of Grove include general government, public safety, public works, and culture and recreation. The business-type activities of the City of Grove, which include the City's natural gas, water, wastewater, and sanitation utility operations, include the Grove Municipal Services Authority and the Grove Municipal Airport Managing Authority.

The government-wide financial statements include not only the City of Grove itself (known as the primary government), but also the legally separate authorities (Grove Municipal Services Authority, Grove Municipal Airport Managing Authority, and the Grove Industrial Development Authority) for which the City of Grove is financially accountable. Financial information for these component units is blended with the primary government itself. The government-wide financial statements can be found on pages 13–14 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 of Grove, 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 of Grove can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 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 a government's near-term financing requirements.

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 maintains ten 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 the capital projects fund, both of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and capital projects funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

Proprietary funds - The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility services, Economic Development operations and municipal airport operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Grove Municipal Services Authority, the Grove Economic Development Authority and the Grove Municipal Airport Managing Authority, which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 18–20 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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 on pages 21–38 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on pages 39-40 of this report.

The combining statements referred to earlier, in connection with nonmajor governmental funds, nonmajor enterprise funds, and internal service funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the major governmental fund. Combining statements and schedules can be found on pages 41-42 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$40,238,010 at the close of the most recent fiscal year.

CITY OF GROVE, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

By far, the largest portion of the City's net position (85%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

		NET POSITION					
		Governmental		Business-Type		Total	
		Activities		Activities			
		2015	2014	2015	2014	2015	2014
Current assets		\$ 5,498,390	\$ 4,020,959	\$ 5,514,445	\$ 5,738,091	\$ 11,012,835	\$ 9,759,050
Capital and other		10,587,148	11,297,365	44,088,619	44,216,039	54,675,768	55,513,404
	Total assets	<u>16,085,538</u>	<u>15,318,324</u>	<u>49,603,064</u>	<u>49,954,130</u>	<u>65,688,602</u>	<u>65,272,454</u>
Deferred outflows of resources		559,488	-	2,413,568	2,415,000	2,973,056	2,415,000
Current liabilities		874,366	629,955	2,911,287	3,941,790	3,785,653	4,571,745
Long-term liabilities		1,813,986	896,661	19,079,938	20,496,424	20,893,924	21,393,085
	Total liabilities	<u>2,688,352</u>	<u>1,526,616</u>	<u>21,991,226</u>	<u>24,438,214</u>	<u>24,679,577</u>	<u>25,964,830</u>
Deferred inflows of resources		935,961	-	2,808,113	2,415,000	3,744,074	2,415,000
Net position							
	Invested in capital assets,						
	Net of related debt	10,331,794	11,093,558	23,888,752	22,702,361	34,220,546	33,795,919
	Restricted	3,003,430	2,666,171	919,006	-	3,922,436	2,666,171
	Unrestricted	(314,509)	31,979	2,409,538	2,813,556	2,095,029	2,845,535
	Total net position	<u>\$ 13,020,715</u>	<u>\$ 13,791,708</u>	<u>\$ 27,217,296</u>	<u>\$ 25,515,917</u>	<u>\$ 40,238,010</u>	<u>\$ 39,307,625</u>

CITY OF GROVE, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

An additional portion of the City's net position (9.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,095,029) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net position increased by \$930,385 during the current fiscal year. This increase resulted from the acquisition of fixed assets, namely the Airport Improvements.

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues						
Charges for services	\$ 459,591	\$ 421,090	\$ 9,099,942	\$ 9,870,022	\$ 9,559,533	\$ 10,291,112
Capital and other	1,913,428	1,430,915	40,768	12,500	1,954,196	1,443,415
General revenues	6,595,378	6,141,055	1,165,128	1,002,916	7,760,506	7,143,971
Total revenues	<u>8,968,397</u>	<u>7,993,060</u>	<u>10,305,838</u>	<u>10,885,438</u>	<u>19,274,235</u>	<u>18,878,498</u>
Expenses						
General government/ administration	656,703	648,571	-	-	656,703	648,571
Public safety	2,192,219	2,575,924	-	-	2,192,219	2,575,924
Public works	1,965,846	2,417,581	-	-	1,965,846	2,417,581
Culture and recreation	741,629	599,845	-	-	741,629	599,845
Utilities	-	-	9,619,364	9,706,441	9,619,364	9,706,441
Airport	-	-	558,783	778,767	558,783	778,767
Economic Development	-	-	443,035	422,527	443,035	422,527
Total expenses	<u>5,556,397</u>	<u>6,241,921</u>	<u>10,621,183</u>	<u>10,907,735</u>	<u>16,177,579</u>	<u>17,149,656</u>
Increase (decrease) in net assets	3,412,000	1,751,139	(315,344)	(22,297)	3,096,656	1,728,842
Transfers, net	(2,525,343)	(2,131,370)	2,525,343	2,131,370	-	-
Increase (decrease) in net assets	886,657	(380,231)	2,209,999	2,109,073	3,096,656	1,728,842
Net assets, beginning, as restated	12,134,058	14,171,939	25,007,296	23,406,844	37,141,354	37,578,783
Net assets, ending	<u>\$ 13,020,715</u>	<u>\$ 13,791,708</u>	<u>\$ 27,217,295</u>	<u>\$ 25,515,917</u>	<u>\$ 40,238,010</u>	<u>\$ 39,307,625</u>

CITY OF GROVE, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

The government's net position increased by \$930,385. The key elements of this increase were the acquisition of fixed assets.

	Governmental Activities			
	Program Revenues		Cost of Services	
	2015	2014	2015	2014
General government	\$ 65,912	\$ 105,051	\$ 656,703	\$ 648,571
Public safety	2,288,236	459,441	2,192,219	2,575,924
Public works	18,871	1,287,513	1,965,846	2,417,581
Culture and recreation	-	-	741,629	599,845
Total governmental activities	<u>\$ 2,373,019</u>	<u>\$ 1,852,005</u>	<u>\$ 5,556,397</u>	<u>\$ 6,241,921</u>

For the most part, decreases in expenses were because of the tightening of the budget.

Business-type activities - Business-type activities increased the City's net position by \$1,701,379.

	Business-type Activities			
	Program Revenues		Cost of Services	
	2015	2014	2015	2014
Gas	\$ 4,969,470	\$ 5,704,266	\$ 3,377,760	\$ 3,988,375
Water	2,481,370	2,559,793	1,157,262	1,589,171
Wastewater	518,771	553,183	1,648,938	1,935,714
Sanitation	549,375	517,857	-	488,464
Service charges	44,607	42,664	-	-
Airport	444,944	387,129	554,982	778,767
Administration/other	394,529	38,908	3,002,521	1,704,717
Economic development	78,109	78,722	196,753	426,579
Total business type activities	<u>\$ 9,481,176</u>	<u>\$ 9,882,522</u>	<u>\$ 9,938,217</u>	<u>\$ 10,911,787</u>

Decreases in program revenues of \$401,357 were due to a decrease in natural gas revenues. Decrease in costs of \$973,570 had to do with the decreases in natural gas purchases.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,695,772, an increase of \$1,344,619, in comparison with the prior year. Approximately 35% of this total amount (\$1,653,499) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance of the general fund was \$1,610,525. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. The unassigned portion of the fund balance (\$1,610,525) represents 35% of total general fund expenditures.

The fund balance of the City's general fund increased by \$707,750 during the current fiscal year. The key component of this increase was the tightening of the budget and not spending as much.

The capital projects fund has a total fund balance of \$2,954,568, all of which is reserved for capital improvements. The net increase in fund balance during the current year in the capital projects fund was \$583,029, due to carry over for next year's capital projects. The major revenue during the year was sales tax.

Major capital projects fund expenditures included:

- Airport improvements

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Grove Municipal Services Authority, as of the end of the year, amounted to \$2,351,061. The total decrease in net position was \$287,795. Operating revenues decreased \$543,443 over the previous year, which had to do with a decrease in natural gas revenues. An increase of \$100,955 in expenses was primarily due to an increase in costs.

The Grove Municipal Airport Managing Authority had an increase in operating revenues of \$56,092 due to increased fuel sales.

General Fund Budgetary Highlights

There were only slight differences between the original budget and the final budget for the general fund. Overall, actual revenues, on the budgetary basis of \$5,167,303, were \$210,503 more than the estimated revenues in the budget, of \$4,956,800. Actual expenditures, of \$4,549,507, were \$407,293 less than the \$4,956,800 approved in budget appropriations.

CITY OF GROVE, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities, as of June 30, 2015, amounts to \$52,217,279 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and vehicles.

Major capital asset events during the current fiscal year included the following:

- Airport improvements

	Capital Assets (net of depreciation)			
	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Land	\$ 411,076	\$ 411,075	\$ 2,292,666	\$ 2,292,666
Construction in progress	576,546	492,216	2,555,200	7,167,701
Buildings and improvements	8,825,368	9,584,725	34,495,616	29,088,874
Equipment	385,898	474,421	2,244,868	2,792,231
Vehicles	388,261	334,928	41,781	69,207
Capital assets, net	<u>\$ 10,587,149</u>	<u>\$ 11,297,365</u>	<u>\$ 41,630,131</u>	<u>\$ 41,410,679</u>

Long-term debt - As of the end of the current fiscal year, the City had total debt outstanding of \$22,469,861. This represents debt secured solely by specified revenue sources (i.e., revenue bonds and notes) of \$18,263,039, a TIF Note of \$2,405,000, other notes payable of \$1,495,000 capital lease obligations totaling \$322,172, and accrued compensated absences of \$931,556.

	Outstanding Debt			
	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Revenue notes	\$ -	\$ -	\$ 18,263,039	\$ 17,764,997
Revenue bonds	-	-	-	-
TIF notes	-	-	2,405,000	2,415,000
Other notes	-	-	1,495,000	1,880,000
Capital lease obligations	255,354	246,049	51,468	76,123
Total outstanding debt	<u>\$ 255,354</u>	<u>\$ 246,049</u>	<u>\$ 22,214,507</u>	<u>\$ 22,136,120</u>

The City's total debt increased by \$87,692 during the current fiscal year. The key factors in the change was the addition of a Lease/Purchase agreement to purchase a Freightliner Ten Wheeler Truck, with offsetting principal payments reducing the balance of existing debt.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. Being as the main revenue for the City is Sales Tax, we must consider the economy, as well as unemployment, which affect sales tax revenue.

These indicators were taken into account when adopting the general fund budget for 2015.

- Population Growth
- Stagnant Sales Tax Revenue
- Commercial Growth
- Changes in Commodity Prices

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

During the current fiscal year, fund balance in the general fund increased to \$1,610,525. This is an increase of \$707,750 from last fiscal year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, funding agencies, investors, and creditors with a general overview of the City'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 of Grove, 104 West 3rd Street, Grove, Oklahoma 74344.

CITY OF GROVE, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,913,928	\$ 2,354,522	\$ 5,268,450
Accounts receivable	304,047	291,257	595,304
Taxes receivable	1,335,871	-	1,335,871
Due from other funds	893,593	137,548	1,031,141
Inventory	-	758,757	758,757
Prepaid expense	8,246	30,980	39,226
Restricted assets - cash and investments	42,705	1,941,381	1,984,086
Total current assets	<u>5,498,390</u>	<u>5,514,445</u>	<u>11,012,835</u>
Noncurrent assets			
Investment in land held for sale	-	390,360	390,360
Capital assets, net of accumulated depreciation	10,587,148	43,698,259	54,285,407
Total noncurrent assets	<u>10,587,148</u>	<u>44,088,619</u>	<u>54,675,768</u>
Total assets	<u>16,085,538</u>	<u>49,603,064</u>	<u>65,688,602</u>
Deferred Outflows of Resources			
Tax Increment District	-	2,355,013	2,355,013
Current year pension plan contributions	559,488	58,555	618,043
Total deferred outflows of resources	<u>559,488</u>	<u>2,413,568</u>	<u>2,973,056</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	313,821	295,913	609,734
Payable from restricted assets:			
Accrued interest payable	11,762	172,317	184,078
Due to other funds	488,798	549,518	1,038,316
Current portion of long-term obligations	59,985	1,900,360	1,960,345
Total current liabilities	<u>874,366</u>	<u>2,918,108</u>	<u>3,792,474</u>
Noncurrent liabilities			
Deposits subject to refund	-	863,363	863,363
Accrued compensated absences	744,752	186,805	931,557
Net pension liability (asset)	873,865	120,623	994,488
Notes and capital leases payable	195,369	17,909,147	18,104,516
Total noncurrent liabilities	<u>1,813,986</u>	<u>19,079,938</u>	<u>20,893,924</u>
Total liabilities	<u>2,688,352</u>	<u>21,998,046</u>	<u>24,686,398</u>
Deferred Inflow of Resources			
Tax Increment District	-	2,405,000	2,405,000
Unamortized pension investment income	935,961	403,113	1,339,074
Total deferred inflow of resources	<u>935,961</u>	<u>2,808,113</u>	<u>3,744,074</u>
Net Position			
Invested in capital assets, net of related debt	10,331,794	23,888,752	34,220,546
Restricted for			
Capital improvements & Other	3,003,430	-	3,003,430
Debt service	-	919,006	919,006
Unrestricted	(314,509)	2,402,717	2,088,209
Total net position	<u>\$ 13,020,715</u>	<u>\$ 27,210,475</u>	<u>\$ 40,231,190</u>

The accompanying notes are an integral part of these financial statements

CITY OF GROVE, OKLAHOMA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015

	Governmental Funds			
	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 835,636	\$ 2,010,275	\$ 68,018	\$ 2,913,928
Accounts receivable	3,877	300,169	-	304,047
Taxes receivable	1,315,865	-	20,006	1,335,871
Due from other funds	49	893,544	-	893,593
Prepaid expenses	8,246	-	-	8,246
Restricted cash and investments	-	-	42,705	42,705
Total assets	<u>2,163,674</u>	<u>3,203,988</u>	<u>130,729</u>	<u>5,498,390</u>
Liabilities				
Accounts payable	64,350	249,421	50	313,821
Due to other funds	488,797	-	-	488,797
Total liabilities	<u>553,147</u>	<u>249,421</u>	<u>50</u>	<u>802,618</u>
Fund balances				
Restricted	-	2,954,568	48,862	3,003,430
Assigned	-	-	38,843	38,843
Unassigned	1,610,525	-	42,974	1,653,499
Total fund balances	<u>1,610,525</u>	<u>2,954,568</u>	<u>130,679</u>	<u>4,695,772</u>
Total liabilities and fund balances	<u>\$ 2,163,673</u>	<u>\$ 3,203,988</u>	<u>\$ 130,729</u>	<u>\$ 5,498,390</u>

Total fund balances-Governmental Funds \$ 4,695,772

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,587,148
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds:	
Capital lease obligations	(255,354)
Accrued interest on long-term debt	(11,762)
Accrued compensated absences	(744,752)
Net pension liability	(873,865)
Deferred outflows and 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	559,488
Deferred inflows of resources related to pensions	(935,961)
Net position of governmental activities	<u>\$ 13,020,715</u>

The accompanying notes are an integral part of these financial statements

CITY OF GROVE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015

	Governmental Funds			Total Governmental Funds
	General Fund	Capital Improvement Fund	Other Governmental Funds	
Revenues				
Taxes	\$ 4,508,834	\$ 1,839,445	\$ 107,170	\$ 6,455,449
License and permits	74,956	-	-	74,956
Intergovernmental	90,234	1,566,435	1,446	1,658,115
Fines and forfeitures	153,309	-	3,945	157,254
Charges for services	183,149	-	3,809	186,958
Other	67,643	91,464	11,659	170,765
Interest	38,674	3,801	1,250	43,725
Total revenues	<u>5,116,797</u>	<u>3,501,145</u>	<u>129,279</u>	<u>8,747,222</u>
Expenditures				
Current				
General government	805,321	-	-	805,321
Public safety	2,268,237	-	39,019	2,307,256
Public works	1,173,185	-	-	1,173,185
Cultural and recreational	104,081	-	5,848	109,929
Debt service	-	-	88,538	88,538
Capital outlay	-	489,505	-	489,505
Total expenditures	<u>4,350,823</u>	<u>489,505</u>	<u>133,405</u>	<u>4,973,734</u>
Excess of revenues over (under) expenditures	765,974	3,011,640	(4,126)	3,773,488
Other financing sources (uses)				
Transfers In/(Out)	<u>(58,223)</u>	<u>(2,428,612)</u>	<u>(30,508)</u>	<u>(2,517,343)</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	707,751	583,028	(34,634)	1,256,145
Beginning fund balance	<u>902,775</u>	<u>2,371,539</u>	<u>165,313</u>	<u>3,439,627</u>
Ending fund balance	<u>\$ 1,610,525</u>	<u>\$ 2,954,568</u>	<u>\$ 130,679</u>	<u>\$ 4,695,771</u>

The accompanying notes are an integral part of these 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 AND CHANGES IN NET POSITION
 JUNE 30, 2015**

Net change in fund balances – total governmental funds \$ 1,256,145

Adjustments for the statement of activities:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as a depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current reporting period.

Capital outlay expenditures - general government	31,964
Capital outlay expenditures - Public safety & judicial	136,448
Capital outlay expenditures - public works	214,048
Capital outlay expenditures - Cultural, parks, & recreation	23,845
Depreciation expense - general government	(138,907)
Depreciation Expense - Public safety & judicial	(223,713)
Depreciation expense - public works	(560,642)
Depreciation expense - Cultural, parks, & recreation	(282,580)
Gain on sale of assets	9,985
	<u>(789,552)</u>

Governmental Funds report note and lease payments as expenditures. However, in the Government-Wide Statement of Activities and Changes In Net Assets, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.

Principal payments on capital leases and debt	70,030
	<u>70,030</u>

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported in governmental funds.

Accrued interest payable on long-term capital leases and debt	(5,381)
Accrued compensated absences, net change	(51,898)
	<u>(57,279)</u>

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:

Employer and state (on behalf) pension contributions	203,190
Cost of benefits earned net of employee contributions.	204,124
	<u>407,313</u>

Change in net position of governmental activities \$ 886,657

The accompanying notes are an integral part of these financial statements

CITY OF GROVE, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities - Enterprise Funds			Total
	Grove Municipal Services Authority	Grove Economic Development Authority	Grove Municipal Airport Managing Authority	
Assets				
Current assets				
Cash and cash equivalents	\$ 2,162,907	\$ 90,414	\$ 101,201	\$ 2,354,522
Accounts receivable	249,845	2,000	39,412	291,257
Due from other funds	137,548	-	-	137,548
Inventory	703,208	-	55,550	758,757
Prepaid expenses and other assets	21,523	-	9,457	30,980
Restricted assets - cash and investments	1,448,330	493,050	-	1,941,381
Total current assets	4,723,361	585,464	205,620	5,514,445
Noncurrent assets				
Non-current assets				
Investment in land held for sale	-	390,360	-	390,360
Capital assets, net of accumulated depreciation	37,644,693	2,038,483	4,015,084	43,698,259
Total noncurrent assets	37,644,693	2,428,843	4,015,084	44,088,619
Total assets	42,368,053	3,014,307	4,220,703	49,603,064
Deferred Outflows of Resources				
Tax Increment District	-	2,355,013	-	2,355,013
Current year pension plan contributions	58,555	-	-	58,555
Total deferred outflows of resources	58,555	2,355,013	-	2,413,568
Liabilities				
Current liabilities				
Accounts payable	289,966	2,000	3,947	295,913
Payable from restricted assets				
Accrued interest payable	148,484	23,832	-	172,317
Due to other funds	-	-	549,518	549,518
Current portion of long-term obligations	1,480,360	420,000	-	1,900,360
Total current liabilities	1,918,810	445,832	553,465	2,918,108
Noncurrent liabilities				
Accrued compensated absences	179,351	-	7,454	186,805
Deposits subject to refund	863,363	-	-	863,363
Net pension liability	120,623	-	-	120,623
Notes and capital leases payable	16,834,147	1,075,000	-	17,909,147
Total noncurrent liabilities	17,997,484	1,075,000	7,454	19,079,938
Total liabilities	19,916,295	1,520,832	560,919	21,998,046
Deferred Cash Inflows				
Tax Increment District	-	2,405,000	-	2,405,000
Unamortized pension investment income	403,112	-	-	403,112
Total deferred inflows	403,112	2,405,000	-	2,808,112
Net Position				
Invested in capital assets, net of related debt	19,330,185	543,483	4,015,084	23,888,752
Restricted for				
Debt service	425,956	493,050	-	919,006
Unrestricted	2,351,061	406,955	(355,299)	2,402,717
Total net position	\$ 22,107,203	\$ 1,443,488	\$ 3,659,784	\$ 27,210,475

The accompanying notes are an integral part of these financial statements

CITY OF GROVE, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities - Enterprise Funds			Total
	Grove Municipal Services Authority	Grove Economic Development Authority	Grove Municipal Airport Managing Authority	
Operating revenues				
Charges for services				
Water	\$ 2,481,370	\$ -	\$ -	\$ 2,481,370
Gas	4,969,470	-	-	4,969,470
Wastewater/Sewer	518,771	-	-	518,771
Sanitation	549,375	-	-	549,375
Service Fees	44,607	-	-	44,607
Pool Fees	-	78,109	-	78,109
Other	394,529	-	444,944	839,473
Total operating revenues	<u>8,958,122</u>	<u>78,109</u>	<u>444,944</u>	<u>9,481,175</u>
Operating expenses				
Administration	945,716	-	-	945,716
Gas	3,377,760	-	-	3,377,760
Water	1,157,262	-	-	1,157,262
Wastewater/Sewer	1,648,938	-	-	1,648,938
Airport	-	-	413,089	413,089
Bad Debt Expense	39,974	-	-	39,974
Depreciation and amortization	2,016,832	196,753	148,714	2,362,298
Total operating expenses	<u>9,186,482</u>	<u>196,753</u>	<u>561,802</u>	<u>9,945,038</u>
Net operating income (loss)	(228,360)	(118,644)	(116,859)	(463,863)
Nonoperating revenues (expenses)				
Taxes	735,445	-	-	735,445
Economic development	-	(137,832)	-	(137,832)
Intergovernmental revenue	37,552	-	-	37,552
Interest income	46,845	1,530	76	48,452
Operating grants	3,216	-	-	3,216
Interest expense and fiscal charges	(432,882)	(108,451)	(3,801)	(545,134)
Total nonoperating revenues (expenses)	<u>390,176</u>	<u>(244,753)</u>	<u>(3,725)</u>	<u>141,699</u>
Operating transfers				
Transfers in (out) net	<u>59,008</u>	<u>501,630</u>	<u>1,964,705</u>	<u>2,525,343</u>
Net income (loss)	<u>220,824</u>	<u>138,233</u>	<u>1,844,122</u>	<u>2,203,179</u>
Net position, beginning	<u>21,886,379</u>	<u>1,305,255</u>	<u>1,815,662</u>	<u>25,007,296</u>
Net position, ending	<u>\$ 22,107,203</u>	<u>\$ 1,443,488</u>	<u>\$ 3,659,784</u>	<u>\$ 27,210,475</u>

The accompanying notes are an integral part of these financial statements

CITY OF GROVE, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2015

	Grove Municipal Services Authority	Grove Economic Development Authority	Grove Municipal Airport Managing Authority	Totals
Cash flows from operating activities				
Receipts from customers	\$ 9,415,028	\$ 126,096	\$ 425,647	\$ 9,966,770
Payments to suppliers	(6,436,641)	-	(370,921)	(6,807,562)
Payments to employees	(1,173,089)	-	(36,403)	(1,209,492)
Net cash provided (used) by operating activities	<u>1,805,298</u>	<u>126,096</u>	<u>18,323</u>	<u>1,949,717</u>
Cash flows from noncapital financing activities				
Change in interfund receivables/payables	(3,172)	-	159,118	155,946
Transfers in (out)	59,008	501,630	1,964,705	2,525,343
Net cash provided (used) by noncapital financing activities	<u>55,836</u>	<u>501,630</u>	<u>2,123,823</u>	<u>2,681,289</u>
Cash flows from capital and related financing activities				
Capital grants	3,216	-	-	3,216
Capital Contributions	-	(137,832)	-	(137,832)
Proceeds from Long-term Debt	1,905,744	-	-	1,905,744
Principal paid on long-term debt	(1,432,357)	(385,000)	-	(1,817,357)
Interest expense and fiscal charges	(432,882)	(112,288)	(3,801)	(548,971)
Tax revenues received	772,997	-	-	772,997
(Acquisition) disposition of capital assets	(2,535,331)	-	(2,114,547)	(4,649,878)
Net cash provided (used) by capital and related financing activities	<u>(1,718,613)</u>	<u>(635,120)</u>	<u>(2,118,348)</u>	<u>(4,472,082)</u>
Cash flows from investing activities				
Interest income	46,845	1,530	77	48,452
Net cash provided (used) by investing activities	<u>46,845</u>	<u>1,530</u>	<u>77</u>	<u>48,452</u>
Net increase (decrease) in cash and cash equivalents	189,366	(5,864)	23,875	207,376
Cash and cash equivalents, beginning	3,421,872	589,329	77,326	4,088,527
Cash and cash equivalents, ending	<u>3,611,238</u>	<u>583,465</u>	<u>101,201</u>	<u>4,295,904</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Net income (loss)	(228,360)	(118,644)	(116,859)	(463,863)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	2,016,832	196,753	148,714	2,362,298
Changes in assets and liabilities:				
(Increase) decrease in receivables	456,906	47,987	(19,297)	485,596
(Increase) decrease in prepaids	(16,308)	-	(3,131)	(19,439)
(Increase) decrease in inventories	13,423	-	4,600	18,024
(Increase) decrease in deferred outflows	165,068	-	-	165,068
(Increase) decrease in accounts payable	(468,219)	-	2,775	(465,444)
Increase (decrease) in customer deposits	43,809	-	-	43,809
Increase (decrease) in accrued expenses	30,655	-	1,521	32,176
Increase (decrease) in net pension liability	(611,621)	-	-	(611,621)
Increase (decrease) in deferred inflows	403,112	-	-	403,112
Total adjustments	<u>2,033,658</u>	<u>244,740</u>	<u>135,182</u>	<u>2,413,579</u>
Net cash provided (used) by operating activities	<u>\$ 1,805,298</u>	<u>\$ 126,096</u>	<u>\$ 18,323</u>	<u>\$ 1,949,717</u>

The accompanying notes are an integral part of these financial statements

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

I. Organization

The City of Grove, Oklahoma (“the City”) was incorporated November 22, 1902, and operates under a council/city manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety; streets and highways; culture and recreation; public improvements; utilities including natural gas, water, sewer, and sanitation; airport services; and general government and administrative services.

II. Summary of significant accounting policies

A. Reporting entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations. The City’s financial statements do not include any discretely presented component units, which would be reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Blended component units - The Grove Municipal Services Authority (“GMSA”) is a public trust created under authority of, and pursuant to, the provision of Title 60, Oklahoma Statutes 1961, and Sections 176 to 180, for the use and benefit of the City. GMSA has as its purpose to develop and operate utility facilities and services including water, sewer, gas, sanitation, or other forms or types of public and municipal services within and without the corporate boundaries of the City. The city council appoints the trustees of the GMSA. The City is the beneficiary of the trust.

The Grove Municipal Airport Managing Authority (“Airport”) is a public trust created on January 5, 1960, and amended December 22, 1975, to develop, construct, and operate a municipal airport in the City. The City council appoints the trustees of the Airport board. The City is the beneficiary of the trust.

The Grove Economic Development Authority (“GEDA”), previously the Grove Industrial Development Authority, is a public trust created on September 3, 1968, and amended February 1, 1984, for the purpose of promoting industrial development within the City. The City council appoints the trustees of GEDA. The City is the beneficiary of the trust.

The Grove Healthcare Authority is a public trust created on September 21, 1999, for the purpose of developing and maintaining health care facilities to serve 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 of the City, with the remaining four trustees being members at large. The City is the beneficiary of the trust.

Separate financial statements have not been prepared for the component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

II. Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

Measurement focus is 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 are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due. Sales and use taxes, property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital projects fund accounts for the resources accumulated from grants, contributions, and transfers from other funds or entities and payments made for capital improvements and other capital outlay expenditures, as well as debt service payments on capital lease obligations.

II. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The City reports the following major proprietary funds:

The GMSA accounts for the City's natural gas, water, and wastewater utility operations, as well as sanitation services.

The Airport accounts for the municipal airport operations and improvements.

The GEDA accounts for economic development operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Department of Public Utilities and Special Utility Authority enterprise funds, and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds, include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality.

Investments for the City, as well as for its component units are reported at fair value.

II. Summary of significant accounting policies (continued)

D. Assets, liabilities, and net position or equity (continued)

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. *Inventories and prepaid items*

All inventories are valued at the lower of weighted average cost or market and consist of expendable supplies held for consumption and fuel for sale at the airport. Inventories of governmental funds are recorded as expenditures when purchased, rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted assets*

Certain proceeds of the GMSA’s enterprise fund Oklahoma Water Resources Board promissory note and utility and sales tax revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts, and their use is limited by applicable debt covenants. The project fund account is used to report those proceeds that are restricted for use in construction. The debt service fund account is used to segregate resources accumulated for debt service payments over the next 12 months. The debt service reserve account is used to report resources set aside to make up potential future deficiencies in the debt service account.

5. *Capital assets*

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest on long-term financing of construction projects is capitalized as part of the cost of the asset, as construction period interest, and amortized to expense over the life of the debt.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets lives, are not capitalized. Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

II. Summary of significant accounting policies (continued)

D. Assets, liabilities, and net position or equity (continued)

5. Capital assets (continue)

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Improvements other than buildings	20-50
Furniture, equipment, and vehicles	5-10

6. 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, 2015, the city reported deferred outflows of resources related to its defined pension plans.

7. Accrued Compensation

It is the City’s policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Employees may accumulate from 24 to 90 days of unused vacation, depending on length of service. Sick leave may be accumulated up to a maximum of 90 days. Accumulated sick leave may be applied toward service credit for retirement benefits or may be paid for the accumulated sick leave, provided the employee has the required number of years of continuous service with the City. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are expensed when incurred. Bonds payable are reported net of the applicable bond premium or discount.

9. 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, 2015, the city reported deferred inflows of resources related to its defined benefit pension plans.

10. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

III. New Accounting Pronouncements Adopted in Fiscal Year 2015

The city adopted several new accounting pronouncements during the year ended June 30, 2015 as follows:

Statement No. 68 Accounting and Financial Reporting for Pensions and Amendment of GASB Statement No. 27

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as singled employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirement are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance was issued in November 2013. As a result of the implementation of this standard, the City has restated its beginning net position as outlined in note IV.

Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date

GASB No. 71 amends GASB No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the pension liability. GASB 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflow of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

IV. Prior Period Adjustment

The beginning net position has been restated as follows:

	Governmental Activities	Business - type Activities
Beginning net position as previously reported at June 30, 2014	\$ 13,791,708	\$ 25,515,917
Prior period adjustment - Implementation of GASB 68		
Net pension liability (July 1, 2013)	(2,178,683)	(732,243)
Deferred outflows - city's contributions made during FY 2014	521,032	223,623
Net position as restated July 1, 2014	\$ 12,134,057	\$ 25,007,297

V. Stewardship, compliance, and accountability

Budgetary information

Annual budgets are adopted for all governmental funds, the Special Utility Authority, and Department of Public Utilities. All unencumbered, annual appropriations lapse at fiscal year-end. Actual expenditures within a fund may not legally exceed 90% of the adopted budget.

Prior to June of each year, all department heads of the City submit requests for appropriations to the city manager so that a budget may be prepared. The city council meets with the city manager and city financial officer to review the needs estimates and requests of the departments. The council holds a public hearing prior to June 15, and a final budget is formally approved and adopted by the city council no later than June 24.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between classification categories within a department or between departments within a fund require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the object classification level within a department. Object classifications include personal services, materials and supplies, other services and charges, capital outlay, and debt service.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

VI. Detailed notes on all funds

A. Deposits and investments

The detail of cash and investments at year end are summarized as follows:

	Cash and Cash Equivalents
Current assets	
Cash and Certificates of Deposit	\$ 2,913,928
Restricted assets	
Cash and Certificates of Deposit	\$ 42,705

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes limit investments to the following: a) direct obligations of the U.S. Government, its agencies or instrumentalities; b) collateralized or insured certificates of deposit within the state, and insured certificates only if out of state; c) savings accounts or savings certificates; d) fully collateralized prime banker acceptances, prime commercial paper, repurchase agreements, or SEC regulated money market funds; e) obligations to the payment of which the full faith and credit of the state is pledged; f) county, municipal, or school district and valorem tax funded debt; g) bonds, notes, or money judgments of a county, municipality, or school district; h) revenue anticipation notes of a public trust of which the municipality is beneficiary; or; i) any bond, note, or other debt of any public trust of which the municipality is sole beneficiary, or other entities whose governing boards were appointed by the municipality. The City has no investment policy that would further limit its investment choices. As of June 30, 2015, the City had no investments in certificates of deposit.

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. None of the City’s investments are in certificates of deposit. The investment is 100% of the City’s total investments.

B. Receivables

Receivables as of June 30, 2015, for the City’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Grove Municipal Services Authority	Grove Economic Development Authority	Grove Municipal Airport Managing Authority	Total Governmental Funds
Receivables:							
Taxes	\$ 1,315,865	\$ -	\$ 20,006	\$ -	\$ -	\$ -	\$ 1,335,871
Accounts	11,956	300,169	-	417,006	2,000	39,412	770,543
Gross receivables	1,327,821	300,169	20,006	417,006	2,000	39,412	2,106,414
Less: allowance for uncollectibles	(8,078)	-	-	(167,163)	-	-	(175,241)
Net total receivables	<u>\$ 1,319,743</u>	<u>\$ 300,169</u>	<u>\$ 20,006</u>	<u>\$ 249,843</u>	<u>\$ 2,000</u>	<u>\$ 39,412</u>	<u>\$ 1,931,173</u>

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

IV. Detailed notes on all funds (continued)

C. Restricted Cash

The GMSA Utility and Sales Tax Revenue Bonds Series 1989 includes restricted cash and investments for a debt service fund for repayment of the principal and interest when due, and a debt service reserve to be used for payment of principal and interest provided sufficient funds are not available in the debt service fund. The GMSA Sales Tax Revenue Notes Series 2005, 2006, and the 2011 Note also include debt service accounts, and the 2011 Sales Tax Revenue Note includes a construction fund. The 2009 CWSRF OWRB note has a specific cash account. The meter deposit account for customer refunds is also shown as restricted. Additionally, the GEDA Series 2010 note has debt service funds. All funds are on deposit with trustee banks. Also listed as restricted cash, is the money on deposit with the Delaware County Treasurer from the Delaware County Fire Tax Revenues.

The restricted cash as of June 30, 2015 is as follows:

	Bonds Activities Bonds and Notes	Business Activities Meter Deposits	Governmental Activities
DEL CO FIRE TRAVEL CASH	\$ -	\$ -	\$ 1,059
DEL CO FIRE M&O	-	-	26,861
DEL CO FIRE CAP OUT	-	-	14,786
METER DEPOSITS	-	874,382	-
CASH OWRB PROJ COSTS DISB ACCT	2,713	-	-
2005 BONDS INTEREST FUND	124,414	-	-
2006 NOTE PRINCIPAL FUND	149,999	-	-
2006 NOTE INTEREST FUND	15,790	-	-
2009 OWRB CWSRF DS FUND	44,590	-	-
2010 NOTE PRINCIPAL FUND	37,776	-	-
2010 NOTE INTEREST FUND	15,038	-	-
2011 PWF NOTE PRINCIPAL FUNDS	27,792	-	-
2011 PWF NOTE INTEREST FUND	5,293	-	-
2011 STN PRINCIPAL FUND	40,003	-	-
2011 STN INTEREST FUND	18,075	-	-
2011 TIF REVENUE FUND	28,384	-	-
2011 TIF RESERVE FUND	255,209	-	-
2011 TIF INTEREST FUND	7,301	-	-
2012 NOTE PRINCIPAL FUND	149,343	-	-
TRANSMISSION LINE RESERVE CASH	145,279	-	-
	<u>\$ 1,066,999</u>	<u>\$ 874,382</u>	<u>\$ 42,706</u>

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

IV. Detailed notes on all funds (continued)

D. Capital assets

Capital asset balances and activities for the year ended June 30, 2015, were as follows:

	Governmental Activities				
	<u>6/30/2014</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>6/30/2015</u>
Land	\$ 411,076	\$ -	\$ -	\$ -	\$ 411,076
Buildings and Improvements	11,337,503	123,819	-	-	11,461,322
Equipment	2,558,021	73,601	(19,936)	-	2,611,686
Vehicles	2,078,746	194,641	-	-	2,273,387
Furnitures and Fixtures	310,102	19,233	-	-	329,335
Infrastructure	2,542,722	-	-	-	2,542,722
Construction in Process	492,217	84,329	-	-	576,546
Total Property, Plant, and Equipment	19,730,387	495,624	(19,936)	-	20,206,075
Accumulated Depreciation	(8,433,021)	(1,205,841)	19,936	-	(9,618,926)
Net Property, Plant, and Equipment	<u>\$ 11,297,366</u>	<u>\$ (710,217)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,587,149</u>

	Business Type Activities				
	<u>6/30/2014</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>6/30/2015</u>
Land	\$ 1,902,305	\$ -	\$ -	\$ -	\$ 1,902,305
Buildings and Infrastructure	46,854,015	2,330,666	-	6,379,929	55,564,610
Equipment	5,100,988	9,444	-	-	5,110,432
Furnitures and Fixtures	194,267	7,512	-	-	201,779
Vehicles	474,735	-	-	-	474,735
Construction in Process	7,167,701	2,107,517	-	(6,379,929)	2,895,289
Total	61,694,011	4,455,139	-	-	66,149,150
Accumulated Depreciation	(20,283,333)	(2,362,299)	-	-	(22,645,632)
Net book value	<u>\$ 41,410,678</u>	<u>\$ 2,092,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,503,516</u>

Depreciation expense was charged to functions/programs as follows:

<u>Functional Category</u>	<u>Amount</u>
General Government	\$ 138,907
Culture and Recreation	282,580
Public Safety	223,713
Public Works	560,642
Total	<u>\$ 1,205,840</u>

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

IV. Detailed notes on all funds (continued)

E. Deposits subject to refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2015, restricted cash and investments included \$887,714 available for refund of customer deposits, while the liability to customers was \$863,363.

F. Leases

Capital leases – The City has entered into two lease agreements as lessee for financing the acquisition of fire vehicles utilizing its portion of the Delaware County Fire Tax Funds. The City and GMSA have entered into one lease agreement each as lessee for financing the acquisition of equipment. These lease agreement qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The Capital lease obligations at June 30, 2015 are as follows:

Government-type activities

Capital leases

First National Bank and Trust Co. of Chickasha, OK dated October 26, 2009, in the amount of \$273,870, payable in annual installments of \$35,128.63 plus interest at 4.8% for a 2011 Freighliner 4 door commercial pumper	\$ 125,130
Welch State Bank dated March 28, 2011, in the amount of \$110,200, payable in annual installments of \$18,280.48 plus interest of 3.76% for a 1989 Pierce 75' Quint Ladder Truck	50,889
Grand Savings Bank dated April 7, 2015, in the amount of \$79,494.93, payable in semi-annual installments of \$6,784.57 plus interest of 1.50% for a 2016 Freightliner 10 wheeler truck.	<u>79,335</u>
Total governmental-type capital lease activities	<u>\$ 255,354</u>

Business-type activities

Capital leases

Kansas State Bank of Manhattan dated May 28, 2013, in the amount of \$126,940, payable in annual installments of \$26,854.83 plus interest of 2.89% for a 2012 Hyundai R140LC9 Excavator	\$ 51,468
Total business-type capital lease activities	<u>\$ 51,468</u>

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

IV. Detailed notes on all funds (continued)

F. Leases (continued)

Operating Leases – The City has entered into two operating lease agreements for a copy machine and a postage machine. GMSA has entered into two operating lease agreements for a folder/sorter machine and a printer. The balance of those operating lease are as follows:

Government-type activities

Operating Leases

Standley Systems, Inc. for a Savin C9155SP Color Multi Function Copier beginning June 2011 for a period of 60 months with monthly installments of \$203.14	\$ 2,411
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Great American Leasing for an FP Ultimail 95 postage machine beginning February 2012 for a period of 60 months with monthly installments of \$240.73	5,273
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Total governmental-type operating lease activities	<u>\$ 7,684</u>
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Business-type activities

Operating Leases

Leaf for an Okidata B930N Printer beginning February 2012 for a period of 60 months with monthly installments of \$91.00	\$ 1,820
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Wells Fargo Financial Leasing for an FP Folder/Sorter machine beginning January 2011 for a period of 60 months with monthly installments of \$309.56	2,476
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Total business-type operating lease activities	<u>\$ 4,296</u>
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G. Long-term debt

Long-term liabilities of the City as of June 30, 2015, are summarized as follows:

Business-type activities

Grove Municipal Services Authority (GMSA):

Notes payable:

\$945,000 GMSA, Series 2011 Promissory Note to the Bank of Grove, Dated March 30, 2012, payable in semi-annual installments ranging from \$109,322 – \$116,680, with payments commencing on October 1, 2012. Payments are plus interest at a rate of 3.47%, for the construction of a Public Works Facility. The note matures on April 1, 2021. Balance as of June 30, 2015 is \$610,000.

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

IV. Detailed notes on all funds (continued)

G. Long-term debt (continued)

\$1,900,000 GMSA, Series 2009 Small Community Clean Water SRF Promissory Note to the Oklahoma Water Resources Board, Dated August 21, 2009, payable in semi-annually with repayment commencing no later than one (1) year after the date construction of the project is completed, and shall mature on the earlier of (i) March 15 or September 15 next preceding the date which is twenty (20) years after completion of construction of project as certified to the OWRB by the borrower, or (ii) September 15, 2021. Payments are plus interest at a rate of 1.87% and an administrative fee of 0.5%, for the construction of an upgrade/expansion to the existing wastewater treatment plant, secured by revenues generated by the utility system plus a pledge of 2.4% sales tax from the City. Balance as of June 30, 2015 is \$793,418.

\$8,765,000 GMSA, Drinking Water SRF Loan to the Oklahoma Water Resources Board, dated June 1, 2013, for the purpose of financing drinking water treatment Systems improvements. The loan is payable semi-annually, commencing on September 15, 2013 and continuing each March 15 and September 15 thereafter for the term of the loan. The interest on the loan is at a rate of 2.25%, plus an administrative fee of 0.5%. Note shall mature on the earlier of (1) March 15 or September 15 next preceding the date which is twenty (20) years after completion of construction, or (2) on September 15, 2034. Balance as of June 30, 2015 is \$8,165,844.

\$7,500,000 GMSA, Series 2003 Small Community Clean Water SRF Promissory Note to the Oklahoma Water Resources Board, dated November 6, 2003, payable semi-annually commencing on the earlier of (1) the March 15 or September 15 next following the date construction of the project is completed or (2) March 15, 2005, over twenty years, plus interest at 2.157% and an administrative fee of 0.5% beginning March 15, 2004, for the construction of a wastewater treatment plant, secured by revenues generated by the utility system plus a pledge of 2.4% sales tax from the City. Balance as of June 30, 2015 is \$3,998,777.

\$4,080,000 GMSA, Sales Tax Revenue Note Series 2005, dated September 26, 2005, payable in semi-annual installments of \$75,000 to \$185,000 plus interest at 3.00%, beginning March 1, 2007, to finance water, sewer, and natural gas line relocation costs and improvements to the water and sanitary sewer systems, secured by a year-to-year pledge of sales tax from the City. Balance as of June 30, 2015 is \$1,835,000.

\$4,170,000 GMSA, Sales Tax Revenue Refunding Notes Series 2006, dated February 15, 2006, payable in semi-annual installments of \$165,000 to \$225,000 beginning September 1, 2008, plus interest at 4.10% beginning September 1, 2007, to refund the \$6,540,000 Utility and Sales Tax Revenue Bonds Series 1996, secured by a pledge of sales tax from the City. Balance as of June 30, 2015 is \$1,155,000.

\$2,050,000 GMSA, Sales Tax Revenue Note Series 2011, dated October 27, 2011, payable in semi-annual installments of \$110,000 to \$180,000 beginning September 1, 2012, plus interest of 3.18% to finance the acquisition and installation of an automated meter reading system for water and gas meters, secured by a year-to-year pledge of sales tax from the City. Balance as of June 30, 2015 is \$1,705,000.

Total Grove Municipal Services Authority: \$18,263,039

IV. Detailed notes on all funds (continued)

G. Long-term debt (continued)

Revenue Bonds:

Grove Economic Development Authority (GEDA):

GEDA Series 2011 Promissory Notes, dated February 1, 2011, in the amount of \$1,435,000, payable in semi-annual payments ranging from \$35,000 to \$60,000, with an interest rate of 3.47% over 15 years. These notes are obligations of the GEDA payable solely from a year-to-year pledge of revenues and funds and accounts established by indenture. Balance as of June 30, 2015 is \$1,040,000.

GEDA Series 2011 TIF Tax Increment Revenue Note dated September 28, 2011 in the principal amount of \$2,415,000, to mature on June 1, 2036. The Note shall bear interest at a variable rate of interest equal to BBA LIBOR 6-month rate plus 200 basis points, initially 2.29%, with rate being reset every June 1 and December 1, not to exceed 14%. The note is payable on a semi-annual basis. This note will be paid with ad valorem tax received on the property. Balance as of June 30, 2015 is \$2,405,000.

GEDA Series 2012 Promissory Note, dated July 25, 2013 in the principal amount of \$1,000,000, payable in semi-annual payments ranging from \$55,000 to \$156,000, with an interest rate of 2.33% over 4 years. The Note is for a Parking Facility Project. Balance as of June 30, 2015 is \$455,000.

Total Grove Economic Development Authority: \$3,900,000

Total Business Type Activities: **\$22,163,039**

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

IV. Detailed notes on all funds (continued)

G. Long-term debt (continued)

Long-term liabilities transactions for the year ended June 30, 2015, and changes therein were as follows:

	Balance			Balance	Amount due
	June 30, 2014	Additions	Deductions	June 30, 2015	in one year
Governmental activities:					
Lease/Purchase obligations					
89 Ladder Truck	\$ 66,615	\$ -	\$ (15,726)	\$ 50,889	\$ 16,329
2010 FL Pumper	179,434	-	(54,304)	125,130	27,789
2016 Freightliner 10 Wheeler	-	79,335	-	79,335	15,867
Total governmental activities	<u>246,049</u>	<u>79,335</u>	<u>(70,030)</u>	<u>255,354</u>	<u>59,985</u>
Business-type activities:					
GMSA:					
Notes payable:					
OWRB 2003	4,364,915	-	(366,138)	3,998,777	375,796
OWRB 2009	904,982	-	(111,564)	793,418	114,197
OWRB 2013	6,260,100	1,905,744	-	8,165,844	-
Series 2005	2,120,000	-	(285,000)	1,835,000	300,000
Series 2006	1,590,000	-	(435,000)	1,155,000	450,000
Series 2011 Promissory Note	700,000	-	(90,000)	610,000	90,000
Series 2011 Sales Tax Note	1,825,000	-	(120,000)	1,705,000	125,000
Lease/Purchase obligations:					
KSBM Excavator	76,123	-	(24,655)	51,468	25,367
GEDA:					
Series 2011 Promissory Note	1,125,000	-	(85,000)	1,040,000	90,000
Series 2011 Tax Increment Note	2,415,000	-	(10,000)	2,405,000	30,000
Series 2012 Promissory Note	755,000	-	(300,000)	455,000	300,000
Total business-type activities	<u>22,136,120</u>	<u>1,905,744</u>	<u>(1,827,357)</u>	<u>22,214,507</u>	<u>1,900,360</u>
Total long-term debt	<u>\$ 22,382,169</u>	<u>\$ 1,985,079</u>	<u>\$ (1,897,387)</u>	<u>\$ 22,469,861</u>	<u>\$ 1,960,345</u>

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

IV. Detailed notes on all funds (continued)

G. Long-term debt (continued)

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ending June 30,	Governmental Activities	
	Notes Payable	
	Principal	Interest
2016	\$ 59,985	\$ 9,292
2017	61,928	7,348
2018	63,991	5,284
2019	47,851	3,144
2020	21,599	1,609
Thereafter	-	-
Totals	<u>\$ 255,354</u>	<u>\$ 26,677</u>

Year Ending June 30,	Business-Type Activities			
	Notes Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 1,870,360	\$ 332,469	\$ 30,000	\$ 84,903
2017	1,539,374	292,201	35,000	54,216
2018	1,416,574	234,018	40,000	53,357
2019	1,465,226	195,855	45,000	52,441
2020	1,266,566	113,132	50,000	51,541
Thereafter	12,251,407	165,279	2,205,000	317,777
Totals	<u>\$ 19,809,507</u>	<u>\$ 1,332,954</u>	<u>\$ 2,405,000</u>	<u>\$ 614,235</u>

H. Conduit Debt

GEDA is involved in conduit debt for Precision Leasing Co, LLC, through GE Government Finance, Inc. The proceeds are to be utilized to purchase equipment. The amount of this debt is not to exceed 8 million dollars. GEDA has no obligation whatsoever in repaying this debt. Repayment of this debt obligation rests solely with Precision Leasing Co, LLC.

I. Tax Increment Financing District 2011 Note

The City adopted and approved the Harbor Point Economic Development project Plan which envisions the generation of substantial capital investment and creation of significant new retail opportunities with the reinvestment area by establishment of the Project within the Increment District. The Increment District is generally described as an area bordered on the west by South Broadway Street, on the north by West 13th Street, on the east by Main Street (State Highway 59), and on the south by Elm Branch Creek. The City has used sales tax revenues as collateral of the note, with ad valorem taxes to pay the future note obligations.

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

IV. Detailed notes on all funds (continued)

J. Compensated absences

Full-time employees, with at least one year of service, earn vacation of twelve to twenty-four days per year depending on years of service completed. Employees may accrue up to a maximum of two years entitlement. Additionally, employees receive compensatory time off for overtime worked. Upon separation from service, any accumulated compensatory time not taken would be paid to the employee.

In accordance with the guidelines set forth by GASB Statement No. 16, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, a provision has been made for accumulated vacation, sick and compensatory time as follows:

Governmental activities	\$ 744,752
Business-type activities	<u>186,805</u>
Total accrued compensated absences	<u>\$ 931,557</u>

Full-time employees earn sick leave at the rate of eight hours per month, up to 720 hours. Employees may be paid for unused accumulated sick leave upon separation from service, provided they have at least 7 ½ years of service.

K. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2015 is as follows:

Due to/from other funds:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Municipal Court	\$ 49
City Capital Fund	Airport	549,519
City Capital Fund	General Fund	344,026
GMSA Debt Service	General Fund	<u>137,548</u>
Total		<u>\$ 1,031,142</u>

Interfund transactions:

	<u>GMSA</u>	<u>Transfers In GEDA</u>	<u>Airport</u>
Transfers Out:			
General Fund	\$ 58,224	\$ 58,224	\$ 58,000
City Capital Fund	<u>59,008</u>	<u>443,407</u>	<u>1,906,704</u>
Totals	<u>\$ 117,232</u>	<u>\$ 501,631</u>	<u>\$ 1,964,704</u>

V. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has insurance for the major risks such as property and general liability. Commercial insurance is used to cover general liability claims and the risk of loss to City buildings and mobile equipment, as well as worker’s compensation. Judgments against the City may be paid by a property tax assessment over a three-year period.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

C. Employee retirement systems and pension plans

<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 Plan (OPERS)	Cost Sharing Multiple Employer

Plan Descriptions

The City of Grove, as employer, contributes to three cost-sharing multiple-employer defined benefit pension plans on behalf of the policemen, firefighters and 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, Oklahoma Firefighters Pension and Retirement System – www.ok.gov/FPFRS and the Oklahoma Public Employee Retirement Plan at www.opers.ok.gov.

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 geographical areas of the state, and one retired member; the remaining six members are either governmental office holders, appointees with demonstrated experience in finance, or are licensed to practice law or accounting in the state.

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

V. Other information (continued)

C. Employee retirement systems and pension plans (continued)

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 House and Senate, two members appointed by the Oklahoma Municipal League, and the State Insurance Commissioner or designee.

The Oklahoma Public Employees Retirement System is administrator of the Oklahoma Public Employees Retirement Plan (OPERS). The System is a part of the State financial reporting entity, which is combined with other similar 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.

Employee membership data related to the Plans, as of June 30, 2014 was as follows:

	Total Plan Membership		
	OPPRS	OFPRS	OPER
Retirees and beneficiaries currently receiving benefits	3,320	10,020	31,833
Vested members with deferred benefits	132	1,390	5,671
Deferred Option plan members	30	77	-
	<u>3,482</u>	<u>11,487</u>	<u>37,504</u>
Active plan members:			
Vested	2,213	4,946	20,689
Nonvested	3,107	7,490	23,258
Total active plan members	<u>5,320</u>	<u>12,436</u>	<u>43,947</u>
Total members	<u>8,802</u>	<u>23,923</u>	<u>81,451</u>

*City membership is not available

V. Other information (continued)

C. Employee retirement systems and pension plans (continued)

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. 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 who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If 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 61 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 state percentages for partial disability based on the percentage of impairment. After 10 years of credit 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 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% of the employee's final average compensation, multiplied by 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% of the employee's final average compensation, multiplied by the employee's years of service have reached the age of 50 or have completed 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.

V. Other information (continued)

C. Employee retirement systems and pension plans (continued)

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, 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

The normal retirement date is the earliest of: (1) first day of the month coinciding with or next following the 62nd birthday; or, (2) the first day of the month coinciding with or following the date at which the sum of a member's age and number of years of credited service total eighty (80) if the member was hired prior to July 1, 1992; or (3) following the date at which the sum of member's age and number of years of credited service total ninety (90) if the member was hired after July 1, 1992. A member who terminates after eight (8) years of credited services (six years for most elected officials) is eligible for a vested benefit determined by the normal retirement formula based on service and compensation to date of termination.

A member with at least (8) years of credited services is eligible for disability benefit provided the member qualifies for disability benefits as certified by the Social Security Administration or the Railroad Retirement Board and having a date of disability within one year after the date last physically on the job. The benefit is determined by the normal retirement formula based on service and salary history at date of disability. The benefit is payable immediately with actuarial reduction.

Member and Employer Contributions

The contribution requirements of the OPPRS, OFPRS, and OPERS plans are at an established rate, determined by Oklahoma statute, and are not based on actuarial calculations. Specific requirements for each plan are as follows:

V. Other information (continued)

C. Employee retirement systems and pension plans (continued)

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 contributions 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.

OPFRS

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-employers 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, 2014.

OPERS

Required employer contribution levels are 16.5% of applicable earnings, and other employees contribute 3.5% - 8.5% of pay, depending on the rate chosen by the City. In addition, members may make an election to contribute an additional 2.91% of pay and increase their accrual rat for future years of services to 2.5%. Contributions are based on compensation defined by the Board.

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

At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability. The net pension liability for all three plans was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportionate share of the net pension liability 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.

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

V. Other information (continued)

C. Employee retirement systems and pension plans (continued)

At June 30, 2014, the City's proportionate share was 0.3188% percent of the total OPPRS plan, 0.0844% of the total OFPRS plan and 0.1275% of the total OPERS plan.

For the year ended June 30, 2015, the City recognized pension expense of \$39,347, \$77,938 and \$15,935 for the OPPRS, OFPRS and OPERS plans, respectively. At June 30, 2015, 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	\$ -	\$ 48,228
Net difference between projected and actual earnings on pension plan investments		-
		377,311
Contributions subsequent to the measurement date	117,620	
OFPRS		
Difference between expected and actual plan experience	20,676	
Net difference between projected and actual earnings on pension plan investments		131,358
Contributions subsequent to the measurement date	32,142	
OPERS		
Difference between expected and actual plan experience	77,487	
Net difference between projected and actual earnings on pension plan investments	-	782,176
Contributions subsequent to the measurement date	370,118	
Total for all plans	<u>\$ 618,043</u>	<u>\$ 1,339,073</u>
Reconciliation to the Statement of Net Position:		
Governmental Activities	348,095	1,339,073
Business-type activities	269,948	-
Total	<u>\$ 618,043</u>	<u>\$ 1,339,073</u>

Amounts reported as deferred outflows of resources related to pensions, resulting from employer and non-employer on behalf contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2015, as follows: \$348,195 for governmental activities (which includes the State's contribution) and \$269,948 for business-type activities.

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

V. Other information (continued)

C. Employee retirement systems and pension plans (continued)

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees), determined at July 1, 2013, the beginning of the measurement period ended June 30, 2014, is 5.83 years for the OPPRS, 6.37 years for the OFPRS and 3.14 years for OPERS. 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:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 88,028
2017	\$ 88,028
2018	\$ 88,028
2019	\$ 66,805
2020	\$ (5,027)
Thereafter	\$ (2,419)

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 liability in the July 1, 2014 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	3.00%	3.00%	3.00%
Salary increases	1.50% - 14.00%	0.50% - 6.00%	4.5% - 8.40%
Salary inflation	3.00%	3.00%	4.00%
Investment rate of return	7.50% net of investment expenses	7.50% net of investment expenses	7.50% 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%	Half of the dollar amount of 3% 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

CITY OF GROVE, OKLAHOMA
NOTES TO BASIC FINANCIALS STATEMENTS
JUNE 30, 2015

V. Other information (continued)

C. Employee retirement systems and pension plans (continued)

Mortality rates for the OPPRS, OFPRS and OPERS were based on the RP-2000 Blue Collar Combined Healthy Mortality Report, with generational mortality improvement using Scale AA. The OPPRS Plan uses an age set forward of 4 years for disabled pensioners.

The most recent experience study for OPPRS, OFPRS and OPERS considered actual System experience for the period July 2007 through June 2012. Total Pension Liability for all Plans, as of June 2014, is based on the results of an actuarial valuation date of July 1, 2014.

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 pensions 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 rate of return by the target asset allocation percentage, and by adding expected inflation.

Discount Rate

The discount rate used to measure the total pension liability for the plans was 7.50. 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%, 36%, and 16.5% of the insurance premium for the OPPRS, OFPRS and OPERS, respectively, as established by statute. For all plans, 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%.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability, calculated using the specified discount rate, as well as what the City's proportionate share of the net pension 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:

	Current Discount		
Discount rate used >	6.50%	7.50%	8.50%
Cost sharing plans - proportionate share:			
Oklahoma Police Pension and Retirement System	638,703	(107,348)	(736,103)
Oklahoma Firefighters Pension and Retirement System	1,133,328	867,776	645,415
Oklahoma Public Employees Retirement System		234,047	
Total net pension liability - cost sharing plans	1,772,031	994,475	(90,688)
Reconciliation to Statement of Net Position:			
Governmental activities		873,853	
Business-type activities		120,622	
Total net pension liability (asset)	-	994,475	-

V. Other information (continued)

C. Employee retirement systems and pension plans (continued)

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.

All plans 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 Municipal Retirement Fund at www.opers.ok.gov.

Payables to the Pension Plans

At June 30, 2015, the City reported no payables to the defined benefit pension plans for legally required employer contributions.

D. Subsequent Events

Management has evaluated, and disclosed, subsequent events up to the date of this audit report.

CITY OF GROVE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund				Capital Projects Fund			
	2015 Budget		Actual	Variance with Final Budget Positive (Negative)	2015 Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Taxes	\$4,303,000	\$4,308,700	\$4,487,533	\$ 178,833	\$ 1,740,000	\$ 1,740,000	\$ 1,831,513	\$ 91,513
Licenses and permits	48,000	48,000	74,956	26,956				-
Intergovernmental	110,000	110,000	103,938	(6,062)	6,320,900	6,320,900	1,266,266	(5,054,634)
Fines and forfeitures	120,000	120,000	153,276	33,276				-
Charges for services	193,900	201,400	176,817	(24,583)				-
Miscellaneous	123,200	148,700	132,108	(16,592)	976,800	1,177,800	129,719	(1,048,081)
Interest	9,000	20,000	38,674	18,674				-
Total revenues	4,907,100	4,956,800	5,167,303	210,503	9,037,700	9,238,700	3,227,498	(6,011,203)
Expenditures								
General government:								
Administration	547,400	579,000	528,244	(50,756)	742,300	761,300	260,973	(500,327)
Governing board	224,800	224,800	196,092	(28,708)				-
Legal court	57,300	57,600	55,822	(1,778)				-
Finance	55,300	55,800	54,142	(1,658)				-
City hall	26,900	26,900	20,644	(6,256)				-
Public safety:								
Police	1,500,000	1,518,100	1,465,916	(52,184)	242,400	280,000	48,977	(231,023)
Dispatch and jail	347,900	349,400	307,808	(41,592)				-
Animal Control	52,000	52,400	45,560	(6,840)				-
Emergency management	57,500	58,700	56,200	(2,500)				-
Fire	439,600	441,900	392,199	(49,701)	68,500	68,500	18,564	(49,936)
Public works:								
Building and grounds	364,900	367,100	347,760	(19,340)	3,100,000	3,083,500	103,775	(2,979,725)
Streets	618,900	621,700	554,837	(66,863)	743,500	824,400	191,809	(632,591)
Vehicle maintenance	102,800	103,400	92,248	(11,152)	-			-
Community Development	206,500	194,400	183,677	(10,723)	15,000	15,000	12,915	(2,085)
Airport	58,000	58,000	-	(58,000)	4,126,000	4,206,000	1,936,614	(2,269,387)
Cemetery	3,300	3,300	1,377	(1,923)				-
Culture and recreation:								
Library	12,700	12,700	11,527	(1,173)				-
Senior center	14,900	14,900	12,280	(2,620)				-
Civic center	57,200	57,500	53,043	(4,457)				-
Sports and recreation	11,700	11,700	9,205	(2,495)				-
Parks	21,400	21,400	14,436	(6,964)				-
NEO Higher Ed	2,900	2,900	2,500	(400)				-
Swimming pool	122,700	122,700	85,912	(36,788)				-
Old library Building	500	500	78	(422)				-
Total expenditures	4,907,100	4,956,800	4,491,507	(465,293)	9,037,700	9,238,700	2,573,627	(6,665,073)
Excess of revenues over expenditures	-	-	675,796	675,796	-	-	653,871	653,871
Other financing sources (uses)								
Transfers in	3,540,000	3,714,000	3,713,025	975	1,792,000	1,883,600	1,862,020	(21,580)
Transfers (out)	(3,540,000)	(3,714,000)	(3,771,025)	57,025	(1,857,800)	(1,942,400)	(2,333,927)	(391,527)
Total other financing source	-	-	(58,000)	58,000	-	-	-	(413,107)
Net change in fund balances	-	-	617,796	733,795	-	-	653,871	240,764
Fund balances, beginning	902,775	902,775	902,775		2,371,539	2,371,539	2,371,539	
Fund balances, ending	\$ 902,775	\$ 902,775	\$ 1,520,571	\$ 733,795	\$-	\$ 2,371,539	\$ 3,025,410	\$ 240,764

CITY OF GROVE, OKLAHOMA
**EXPLANATION OF DIFFERENCES BETWEEN REVENUES, EXPENDITURES, AND
OTHER FINANCING SOURCES (USES) FOR BUDGETARY FUNDS
JUNE 30, 2015**

<u>Budgetary funds</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>
<u>Financial statement major funds</u>		
Revenues		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$5,167,303	\$ 3,227,498
Adjustments:		
<i>Budgetary</i> general fund revenues are reported on the cash basis, rather than the modified accrual basis	(50,506)	273,647
	<hr/>	<hr/>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>5,116,797</u>	<u>3,501,145</u>
Expenditures		
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	4,549,507	2,573,627
Adjustments:		
	<u>(198,684)</u>	<u>(2,084,122)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>4,350,823</u>	<u>489,505</u>
Other financing sources (uses)		
Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedules	(58,000)	(471,907)
Adjustments:		
	<u>(223)</u>	<u>(1,956,705)</u>
Total other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ (58,223)</u>	<u>\$(2,428,612)</u>

CITY OF GROVE, OKLAHOMA
SCHEDULE OF CITY OF GROVE'S SHARE OF NET PENSION LIABILITIES
JUNE 30, 2015

Oklahoma Police Pension and Retirement Plan (OPPRS)

City's portion of net pension liability		0.3188%
City's proportionate share of the net pension liability	\$	(107,348)
City's covered- employee payroll	\$	1,000,482
City's proportional share of the net pension liability as a percentage of its covered employee payroll		-10.730%
Plan fiduciary net position as a percentage of the total pension liability		101.53%

Oklahoma Firefighters Pension and Retirement Plan (OFPRS)

City's portion of net pension liability		0.0844%
City's proportionate share of the net pension liability	\$	867,776
City's covered- employee payroll	\$	260,389
City's proportional share of the net pension liability as a percentage of its covered employee payroll		30.006%
Plan fiduciary net position as a percentage of the total pension liability		68.12%

Oklahoma Public Employees Retirement System (OPERS)

City's portion of net pension liability		0.1275%
City's proportionate share of the net pension liability	\$	234,047
City's covered- employee payroll	\$	2,065,133
City's proportional share of the net pension liability as a percentage of its covered employee payroll		11.333%

* This information is reported for the cost sharing multiple employer plans and is as of 7/1/2014
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
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 JUNE 30, 2015

Oklahoma Police Pension and Retirement Plan (OPPRS)

Statutorily required contribution	\$	117,620
Contributions related to the statutorily required contributions (does not include State contributions)	\$	117,620
Contributions (deficiency) excess		
City's covered employee payroll	\$	1,000,482
Contributions as a percentage of covered employee payroll		11.76%

Oklahoma Firefighters Pension and Retirement Plan (OFPRS)

Statutorily required contribution	\$	32,142
Contributions related to the statutorily required contributions (does not include State contributions)	\$	32,142
Contributions (deficiency) excess		
City's covered employee payroll	\$	260,389
Contributions as a percentage of covered employee payroll		68.12%

Oklahoma Public Employees Retirement System (OPERS)

Statutorily required contribution	\$	370,118
Contributions related to the statutorily required contributions (does not include State contributions)	\$	370,118
Contributions (deficiency) excess		
City's covered employee payroll	\$	2,065,133
Contributions as a percentage of covered employee payroll		17.92%

CITY OF GROVE, OKLAHOMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Governmental Funds										
	Street and Alley Fund	Library Fund	Olympus Cemetery Fund	Special Fire Department Fund	Drug Forefeiture Fund	Special Police Fund	Technology Fund	Animal Control Fund	Veteran's Memorial Perpetual Care Fund	Grove Del Co Fire Tax Fund	Total Non-Major Governmental Funds
Assets											
Cash and cash equivalents	\$ 5,456	\$ 5,442	\$ 28,232	\$ 9,855	\$ 755	\$ 3,394	\$ 8,565	\$ 6,267	\$ 50	\$ -	\$ 68,018
Taxes receivable	13,849	-	-	-	-	-	-	-	-	6,157	20,006
Restricted assets											
Cash and investments	-	-	-	-	-	-	-	-	-	42,705	42,705
Total assets	<u>19,305</u>	<u>5,442</u>	<u>28,232</u>	<u>9,855</u>	<u>755</u>	<u>3,394</u>	<u>8,565</u>	<u>6,267</u>	<u>50</u>	<u>48,862</u>	<u>130,729</u>
Liabilities											
Accounts payable	-	-	-	-	-	-	-	-	50	-	50
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>
Fund balances											
Unreserved:											
Restricted	-	-	-	-	-	-	-	-	-	48,862	48,862
Committed	-	-	28,232	9,855	755	-	-	-	-	-	38,843
Assigned	19,305	5,442	-	-	-	3,394	8,565	6,267	-	-	42,974
Total fund balances	<u>19,305</u>	<u>5,442</u>	<u>28,232</u>	<u>9,855</u>	<u>755</u>	<u>3,394</u>	<u>8,565</u>	<u>6,267</u>	<u>-</u>	<u>48,862</u>	<u>130,679</u>
Total liabilities and fund balances	<u>\$ 19,305</u>	<u>\$ 5,442</u>	<u>\$ 28,232</u>	<u>\$ 9,855</u>	<u>\$ 755</u>	<u>\$ 3,394</u>	<u>\$ 8,565</u>	<u>\$ 6,267</u>	<u>\$ 50</u>	<u>\$ 48,862</u>	<u>\$ 130,729</u>

CITY OF GROVE, OKLAHOMA
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Governmental 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	Veteran's Memorial Perpetual Care Fund	Grove Del Co Fire Tax Fund	Total Non-Major Governmental Funds
Revenues											
Taxes	\$ 42,790	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,380	\$ 107,170
Intergovernmental	-	-	-	-	-	1,446	-	-	-	-	1,446
Fines and forfeitures	-	-	-	-	-	-	3,945	-	-	-	3,945
Charges for services	-	-	3,449	-	-	-	-	60	300	-	3,809
Other	-	-	75	11,584	-	-	-	-	-	-	11,659
Interest	-	164	452	194	13	60	151	106	-	109	1,250
Total revenues	<u>42,790</u>	<u>164</u>	<u>3,976</u>	<u>11,778</u>	<u>13</u>	<u>1,506</u>	<u>4,097</u>	<u>166</u>	<u>300</u>	<u>64,489</u>	<u>129,279</u>
Expenditures											
Current:											
Public safety	-	-	-	11,717	-	2,445	3,136	-	-	21,721	39,019
Public works	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	5,548	-	-	-	-	-	-	300	-	5,848
Debt service	-	-	-	-	-	-	-	-	-	88,538	88,538
Total expenditures	<u>-</u>	<u>5,548</u>	<u>-</u>	<u>11,717</u>	<u>-</u>	<u>2,445</u>	<u>3,136</u>	<u>-</u>	<u>300</u>	<u>110,259</u>	<u>133,405</u>
Excess of revenues over (under) expenditures	42,790	(5,384)	3,976	61	13	(939)	961	166	-	(45,770)	(4,126)
Other financing sources (uses)											
Transfers In/(Out)	(30,508)	-	-	-	-	-	-	-	-	-	(30,508)
Net change in fund balances	<u>12,282</u>	<u>(5,384)</u>	<u>3,976</u>	<u>61</u>	<u>13</u>	<u>(939)</u>	<u>961</u>	<u>166</u>	<u>-</u>	<u>(45,770)</u>	<u>(34,634)</u>
Beginning fund balance	<u>7,023</u>	<u>10,826</u>	<u>24,256</u>	<u>9,794</u>	<u>742</u>	<u>4,333</u>	<u>7,604</u>	<u>6,101</u>	<u>-</u>	<u>94,632</u>	<u>165,313</u>
Ending fund balance	<u>\$ 19,305</u>	<u>\$ 5,442</u>	<u>\$ 28,232</u>	<u>\$ 9,855</u>	<u>\$ 755</u>	<u>\$ 3,394</u>	<u>\$ 8,565</u>	<u>\$ 6,267</u>	<u>\$ -</u>	<u>\$ 48,862</u>	<u>\$ 130,679</u>

OBER & LITTLEFIELD, CPAs, PLLC

124 SOUTH MAIN MIAMI, OK 74354
918-542-4401 OFFICE 918-542-8165 FAX

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*

Honorable Chairman and Board of Directors
City of Grove
Grove, State of Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grove, State of Oklahoma ("the City"), as of, and for the year ended, June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon, dated December 8, 2015.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

Very truly yours,

A handwritten signature in cursive script that reads "Ober & Littlefield, PLLC".

OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

December 8, 2015

OBER & LITTLEFIELD, CPAs, PLLC

124 SOUTH MAIN MIAMI, OK 74354
918-542-4401 OFFICE 918-542-8165 FAX

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Chairman and Board of Directors
City of Grove
Grove, State of Oklahoma

We have audited the City of Grove, State of Oklahoma's ("the City's") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs, for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements, and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the City complied, in all material respects, with the types of compliance requirements, referred to above, that could have a direct and material effect on each of its major federal programs, for the year ended June 30, 2015.

OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of

findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

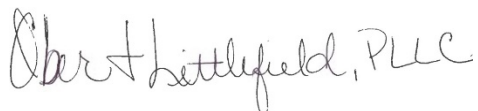
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances, for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with OMB Circular A- 133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Very truly yours,



OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

December 8, 2015

CITY OF GROVE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes X no
- Significant deficiency identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

15.605 Sport Fish Restoration Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000 or 33% of total Federal expenditures

Auditee qualified as low-risk auditee? _____ yes X no

Section II—Financial Statement Findings

There were no reported significant deficiencies as presented in the Schedule of Findings and Responses related to internal control deficiencies over financial reporting.

There were no reported material weaknesses as presented in the Schedule of Findings and Responses related to internal control deficiencies over financial reporting.

Section III—Federal Award Findings and Questioned Costs

There were no reported deficiencies in the Schedule of Findings and Responses related to internal control deficiencies over compliance with federal awards.

CITY OF GROVE, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

Federal Grantor/Pass-through Grantor/Program or Clustor Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Direct Programs			
Federal Emergency Management Agency	20.106	N/A	\$ 28,000
U.S. Department of Transportation			
Federal Aviation Commission	20.106	N/A	<u>93,933</u>
		Total Direct Programs	<u>121,933</u>
Pass Through Programs			
U.S. Department of Education			
<i>Oklahoma State Department of Education - Drug Abuse Resisrtance Education (D.A.R.E)</i>			
Safe and Drug-Free Schools and Communities—State Grants	84.186	FY14	51,000
U.S. Department of Transportation			
<i>Oklahoma Highway Safety Office</i>			
State and Community Highway Safety	20.600	164AL-14-03-13-05	14,827
State and Community Highway Safety	20.600	PT-13-03-08-04	4,492
State and Community Highway Safety	20.600	PT14-03-18-05	15,500
U.S. Department of Interior			
<i>OK Dept. of Wildlife Conservation</i>			
Sport Fish Restoration Program	15.605	Oklahoma AMD 12	115,500
U.S. Environmental Protection Agency			
<i>OK Water Resources Board</i>			
OK Water Resources Board	66.468	ORF-13-007-DW	1,448,692
		Total Pass Through Programs	<u>1,650,011</u>
		Total Expenditure of Federal Awards	<u>\$ 1,771,944</u>

See accompanying notes to schedule of expenditures of federal awards.

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Grove, Oklahoma under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City of Grove, Oklahoma, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Grove, Oklahoma.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.