

City of Grove, Oklahoma

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021



TABLE OF CONTENTS

| | <i>Page</i> |
|--|-------------|
| FINANCIAL SECTION: | |
| INDEPENDENT AUDITOR'S REPORT | 4-5 |
| Management's Discussion and Analysis | 6-12 |
| BASIC FINANCIAL STATEMENTS: | 13 |
| <i>Government-Wide Financial Statements:</i> | |
| Statement of Net Position | 14 |
| Statement of Activities | 15 |
| <i>Fund Financial Statements:</i> | |
| Balance Sheet-Governmental Funds and Reconciliation to the Statement of Net Position | 16-17 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 18-19 |
| Statement of Net Position – Proprietary Funds | 20 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds | 21 |
| Statement of Cash Flows – Proprietary Funds | 22 |
| Notes to Basic Financial Statements | 23-49 |
| REQUIRED SUPPLEMENTARY INFORMATION: | 51 |
| Budgetary Comparison Schedule – General Fund | 52-53 |
| Budgetary Comparison Schedule – Capital Improvement Fund | 54 |
| Notes to Required Supplementary Information | 55 |
| Schedule of City of Grove's Share of Net Pension Liabilities | 56 |

CITY OF GROVE, OKLAHOMA
 ANNUAL FINANCIAL REPORT
 AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
 For the fiscal year ended June 30, 2021

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Schedule of Employer Contributions | 57 |
| Schedule of Changes in Net OPEB Liability and Related Ratios | 58 |
| OTHER INFORMATION: | 59 |
| Combining Balance Sheet – Nonmajor Governmental Funds | 60 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds | 61 |
| Schedule of Expenditures of Federal Awards | 62 |
| Grove Municipal Services Authority – Schedule of Revenue Debt Service Coverage | 64 |
| COMPLIANCE SECTION: | |
| 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 <i>Government Auditing Standards</i> | 65-66 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance | 67-68 |
| Schedule of Finding and Questioned Costs | 69 |

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

June 30, 2021

MAYOR AND CITY COUNCIL

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

ADMINISTRATION

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



Elfrink and Associates, PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Grove, Oklahoma ("City"), as of and for the year ended June 30, 2021, 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, 2021, and the respective changes in financial position, and 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, pension and other post-employment benefit schedules, as listed in the table of contents, 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 combining nonmajor fund financial statements and schedule of revenue debt service coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedules listed above are the responsibility of management and are 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 nonmajor fund financial statements, schedule of revenue debt service, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Elfrink and Associates, PLLC

Elfrink and Associates, PLLC

Tulsa, Oklahoma
December 17, 2021

Type text here

Management of the City of Grove (the City) provides this discussion and analysis of the City's financial performance as an overview of the City's financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Financial Highlights

- Total net position of the City increased by \$3,440,751 or 6.5% from the prior year. The increase is due to increase in sales tax receipts and the acquisition of fixed assets.
- The City's governmental activities net position increased by \$2,439,646 or 14.5% due in part to a continued trend of higher tax receipts as well as controlled spending in nearly every department.
- Net position of the business-type activities increased by \$1,001,105 or 2.8%, due to higher sales tax receipts, somewhat offset by higher airport costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

The government-wide financial statements can be found immediately following this discussion and analysis on pages 14-15 of this report.

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

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

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

The City reports fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and Capital Improvement Fund, which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found immediately following the government-wide statements on pages 16-19

Proprietary funds. These funds are used to report activities that operate like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses one enterprise fund to account for the operations of its natural gas, water, sanitary sewer, and sanitation services, one fund to account for the operation of its airport, and another fund to account for its economic development activities. These funds are considered major proprietary funds for presentation purposes. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements on pages 20-22.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements, beginning on page 23.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's pension plan and the budgets for each major fund. A budgetary comparison statement has been provided for each major governmental fund to demonstrate compliance with these budgets. Required supplementary information can be found immediately following the notes to the financial statements beginning on page 50.

Other Information. The combining statements referred to earlier as well as schedules of revenue debt coverage and federal expenditures are presented following the required supplementary information beginning on page 58.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position is the difference between total assets plus total deferred outflows of resources less total liabilities and deferred inflows of resources and is an indicator of the current fiscal health of the City. For the year ended June 30, 2021, the City's combined net position increased by \$3.5 million. The following table provides a summary of the City's net position:

Summary of Net Position

(Table 1 - In millions)

| | Governmental Activities | | Business Type Activities | | Total | | Total % Change |
|--------------------------------|-------------------------|---------|--------------------------|---------|---------|---------|----------------|
| | 2021 | 2020* | 2021 | 2020 | 2021 | 2020* | 2020-2021 |
| Current and other assets | \$ 11.0 | \$ 8.3 | \$ 11.8 | \$ 10.7 | \$ 22.8 | \$ 19.0 | 20% |
| Capital assets | 11.7 | 11.6 | 39.4 | 41.0 | 51.1 | 52.6 | -3% |
| Total assets | 22.7 | 19.9 | 51.2 | 51.7 | 73.9 | 71.6 | 3% |
| Deferred outflows of resources | 1.7 | 1.2 | 2.2 | 1.9 | 3.9 | 3.1 | 26% |
| Long-term debt outstanding | 0.2 | 0.3 | 11.8 | 13.3 | 12.0 | 13.6 | -12% |
| Other liabilities | 4.6 | 3.5 | 4.7 | 4.5 | 9.3 | 8.0 | 16% |
| Total liabilities | 4.8 | 3.8 | 16.5 | 17.8 | 21.3 | 21.6 | -1% |
| Deferred inflows of resources | 0.3 | 0.5 | 0.1 | 0.1 | 0.4 | 0.6 | -33% |
| Net position | | | | | | | |
| Net investment in capital | 11.7 | 11.3 | 29.8 | 29.9 | 41.5 | 41.2 | 1% |
| Restricted | 0.3 | 0.2 | 0.5 | 0.6 | 0.8 | 0.8 | 0% |
| Unrestricted | 7.3 | 5.3 | 6.5 | 5.2 | 13.8 | 10.5 | 31% |
| Total net position | \$ 19.3 | \$ 16.8 | \$ 36.8 | \$ 35.7 | \$ 56.1 | \$ 52.5 | 7% |

* restated

The table above reflects an increase of 14.5% for governmental activities net position and an increase of approximately 2.8% for business-type activities. The City's overall financial position improved during fiscal year 2021.

The City's governmental activities net position increased by \$2.5 million, primarily due to higher tax revenues and lower spending in nearly every department when compared to the amount that was budgeted.

The net position of the City's business type activities increased by \$1.0 million. The increase was due to the transfer of utility lines from the Cherokee Nation as well as higher dedicated sales tax receipts.

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

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

| | Governmental Activities | | % Inc. (Dec.) | Business Type Activities | | % Inc. (Dec.) | Total | | Total % Change |
|---|-------------------------|---------------|---------------|--------------------------|---------------|---------------|---------------|---------------|----------------|
| | 2021 | 2020 | | 2021 | 2020 | | 2021 | 2020 | 2020-2021 |
| <i>Revenues:</i> | | | | | | | | | |
| Program revenues | | | | | | | | | |
| Charges for services | \$ 0.5 | \$ 0.6 | -17% | \$ 9.6 | \$ 9.2 | 4% | \$ 10.1 | \$ 9.8 | 3% |
| Operating grants and contributions | 0.9 | 0.2 | 350% | - | - | 0% | 0.9 | 0.2 | 350% |
| Capital grants and contributions | - | - | 0% | - | 0.1 | -100% | - | 0.1 | -100% |
| General revenues | | | | | | | | | |
| Sales and use taxes | 8.4 | 7.3 | 15% | 1.0 | 0.9 | 11% | 9.4 | 8.2 | 15% |
| Other taxes | 0.3 | 0.3 | 0% | 0.1 | 0.1 | 0% | 0.4 | 0.4 | 0% |
| Intergovernmental revenue | 0.6 | 0.5 | 20% | - | - | 0% | 0.6 | 0.5 | 20% |
| Other | 0.1 | 0.2 | -50% | - | 0.1 | -100% | 0.1 | 0.3 | -67% |
| Total revenues | <u>10.8</u> | <u>9.1</u> | 19% | <u>10.7</u> | <u>10.4</u> | 3% | <u>21.5</u> | <u>19.5</u> | 10% |
| <i>Expenses:</i> | | | | | | | | | |
| General government | 1.0 | 1.0 | 0% | - | - | - | 1.0 | 1.0 | 0% |
| Public safety and judiciary | 3.6 | 3.4 | 6% | - | - | - | 3.6 | 3.4 | 6% |
| Public works | 1.7 | 2.1 | -19% | - | - | - | 1.7 | 2.1 | -19% |
| Culture, parks, recreation & promotion | 1.3 | 0.8 | 63% | - | - | - | 1.3 | 0.8 | 63% |
| Utilities operations | - | - | - | 9.5 | 9.1 | 4% | 9.5 | 9.1 | 4% |
| Airport operations | - | - | - | 0.5 | 0.7 | -29% | 0.5 | 0.7 | -29% |
| Economic development operations | - | - | - | 0.4 | 0.5 | -20% | 0.4 | 0.5 | -20% |
| Total expenses | <u>7.6</u> | <u>7.3</u> | 4% | <u>10.4</u> | <u>10.3</u> | 1% | <u>18.0</u> | <u>17.6</u> | 2% |
| Increase in net position before transfers & extraordinary items | 3.2 | 1.8 | 78% | 0.3 | 0.1 | 200% | 3.5 | 1.9 | 84% |
| Transfers, net | (0.7) | (0.5) | 40% | 0.7 | 0.5 | 40% | - | - | |
| Extraordinary and nonrecurring items | - | - | - | - | 1.0 | - | - | 1.0 | |
| Change in net position | <u>\$ 2.5</u> | <u>\$ 1.3</u> | 92% | <u>\$ 1.0</u> | <u>\$ 1.6</u> | -38% | <u>\$ 3.5</u> | <u>\$ 2.9</u> | 21% |

The results of 2021 were shaped largely by a continued slow but steady growth in the local economy. Total net position increased by 6.5% or \$3.5 million. Significant changes were related to:

Governmental Activities:

- Governmental revenues increased by 19% as the higher receipts from sales and use tax were largely offset by lower grant receipts.
- Governmental expenses increased 4% partially due to personnel cost increases due to cost of living pay raises and additional public safety costs related to mitigation efforts for the COVID-19 pandemic that began in May 2020.
- Net transfers increased by \$0.2 million compared to prior year due to higher grant subsidies related to COVID-19.

Business-type Activities:

- Charges for services were higher from the prior year due increase in gas usage due to colder winter.
- Expenses for utilities were slightly higher, also reflecting increased natural gas usage and an increase in employee salaries and benefits.

Governmental Activities:

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

Governmental Activities

**Table 3
(In Thousands)**

| | Total Cost of Services | | % | Net (Expense) Revenue from Services | | % |
|-----------------------------|-----------------------------------|-----------------|------|--|-------------------|------|
| | 2021 | 2020 | | 2021 | 2020 | |
| General government | \$ 932 | \$ 1,006 | -7% | \$ (334) | \$ (995) | -66% |
| Public safety and judiciary | 3,579 | 3,402 | 5% | (3,346) | (3,024) | 11% |
| Public works | 1,757 | 2,054 | -14% | (1,251) | (1,929) | -35% |
| Cultural, parks, recreation | 1,367 | 789 | 73% | (1,349) | (509) | 165% |
| | <u>\$ 7,635</u> | <u>\$ 7,251</u> | 5% | <u>\$ (6,280)</u> | <u>\$ (6,457)</u> | -3% |

Overall, the City's governmental activities' total costs increased 5% over last year and net costs decreased by 3%. The explanations on the previous page account for the majority of decreases in total costs of services as well as net costs of services in the governmental activities.

Business-type Activities:

Overall, total cost of services for the City's business-type activities increased 1% from last year.

Business-Type Activities

**Table 4
(In Thousands)**

| | Total Cost of Services | | % | Net (Expense) Revenue from Services | | % |
|----------------------|-----------------------------------|------------------|------|--|-----------------|--------|
| | 2021 | 2020 | | 2021 | 2020 | |
| Utilities operations | \$ 9,485 | \$ 9,031 | 5% | \$ (232) | \$ 15 | -1647% |
| Airport operations | 519 | 687 | -24% | (219) | (419) | -48% |
| Economic development | 413 | 531 | -22% | (354) | (523) | -32% |
| | <u>\$ 10,417</u> | <u>\$ 10,249</u> | 2% | <u>\$ (805)</u> | <u>\$ (927)</u> | -13% |

The City's Funds

The General Fund is the City's primary operating fund and the source of day-to-day operations. The fund balance increased by \$1,523,102, or 31.0 percent from the prior year.

General Fund Budgetary Highlights

Excluding transfers, the general fund revenues were \$2,301,478 higher than originally budgeted and charges to appropriations were \$926,907 lower than originally budgeted, reflecting higher sales and use tax receipts and lower spending than planned in nearly every department.

Capital Asset and Debt Administration

At the end of June 30, 2021, the City had \$51.1 million invested in capital assets including police and fire equipment, buildings, park facilities, streets and drainage systems, and gas, water, and sewer infrastructure. Additions to capital assets included street improvements, airport taxiway improvements, acquisition of sewer line from Cherokee Nation, and acquisition of police, fire and emergency management equipment. Information on capital assets is located in Note 3.E.

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

| | Governmental Activities | | Business-type Activities | | Totals | | Total % Change |
|---------------------------------|--------------------------------|----------------|---------------------------------|---------------|----------------|----------------|-----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| <i>Non-Depreciable Assets</i> | | | | | | | |
| Land | \$ 0.4 | \$ 0.4 | \$ 2.5 | \$ 2.5 | \$ 2.9 | \$ 2.9 | 0% |
| Construction-in-progress | 0.1 | 0.2 | 0.9 | 0.9 | 1.0 | 1.1 | -9% |
| <i>Depreciable Assets</i> | | | | | | | |
| Buildings | 12.9 | 12.7 | 24.6 | 24.4 | 37.5 | 37.1 | 1% |
| Equipment and furniture | 3.8 | 3.6 | 5.3 | 5.2 | 9.1 | 8.8 | 3% |
| Vehicles | 3.1 | 3.1 | 0.9 | 0.8 | 4.0 | 3.9 | 3% |
| Infrastructure | 7.7 | 6.6 | 41.8 | 41.4 | 49.5 | 48.0 | 3% |
| <i>Accumulated Depreciation</i> | (16.3) | (15.0) | (36.6) | (34.2) | (52.9) | (49.2) | 8% |
| Totals | \$ 11.7 | \$ 11.6 | \$39.4 | \$41.0 | \$ 51.1 | \$ 52.6 | -3% |

Debt Administration

At year-end, the City had \$12.0 million in outstanding notes, bonds and capital leases. Additional debt information can be found in note 3.G.

These debts are further detailed below as follows:

Outstanding Debt
Table 6
(in millions)

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | | <u>Total % Change</u> |
|----------------|--------------------------------|---------------|---------------------------------|----------------|----------------|----------------|---------------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | |
| Notes Payable | \$ - | \$ - | \$ 11.6 | \$ 13.1 | \$ 11.6 | \$ 13.1 | -11% |
| Capital Leases | 0.2 | 0.3 | 0.2 | 0.2 | 0.4 | 0.5 | -20% |
| Totals | \$ 0.2 | \$ 0.3 | \$ 11.8 | \$ 13.3 | \$ 12.0 | \$ 13.6 | -12% |

Economic Factors and Next Year's Budget

The City of Grove has anticipated a slight downturn in the economy due to the continued mitigation efforts related to the COVID-19 pandemic that began in March 2020. Even though we have not seen that with our sales tax receipts yet, management will continue to strive for fiscal conservativeness while developing plans to improve the systems and operations needed to meet citizens' needs.

The fiscal year 2021-2022 government-wide budget of \$45.2 million is a \$8.4 million increase over the prior year as the budgeted spending of \$3.3 million of the proceeds of a new debt issuance in the amount of \$5.35 million for sewer improvements in addition to the receipt of COVID funds more than offsets the lower operational budget in nearly every other area.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

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

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

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

**City of Grove, Oklahoma
Statement of Net Position
June 30, 2021**

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 8,257,106 | \$ 7,159,095 | \$ 15,416,201 |
| Cash and cash equivalents - restricted | - | 455,631 | 455,631 |
| Due from other governments | 1,987,644 | - | 1,987,644 |
| Accounts receivable, net | 39,188 | 880,979 | 920,167 |
| Prepaid expenses | - | 11,937 | 11,937 |
| Inventory | - | 519,954 | 519,954 |
| Due from other funds | 714,517 | 191,037 | 905,554 |
| TIF receivable, current - restricted | - | 70,000 | 70,000 |
| Total current assets | <u>10,998,455</u> | <u>9,288,633</u> | <u>20,287,088</u> |
| Noncurrent assets: | | | |
| Land held for sale | - | 390,360 | 390,360 |
| Restricted assets: | | | |
| TIF receivable, net of current portion | - | 2,075,000 | 2,075,000 |
| Capital assets: | | | |
| Land and construction in progress | 522,243 | 3,409,443 | 3,931,686 |
| Depreciable buildings, property, and equipment, net | 11,207,772 | 36,010,311 | 47,218,083 |
| Total noncurrent assets | <u>11,730,015</u> | <u>41,885,114</u> | <u>53,615,129</u> |
| Total assets | <u>22,728,470</u> | <u>51,173,747</u> | <u>73,902,217</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred outflow from pensions | 1,657,397 | 387,661 | 2,045,058 |
| Deferred outflow from OPEB | 73,997 | 48,228 | 122,225 |
| Unamortized asset retirement obligation | - | 1,787,336 | 1,787,336 |
| Total deferred outflows of resources | <u>1,731,394</u> | <u>2,223,225</u> | <u>3,954,619</u> |
| LIABILITIES: | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 340,838 | 486,817 | 827,655 |
| Accrued interest payable | 3,372 | 77,398 | 80,770 |
| Due to other funds | 668,845 | 236,709 | 905,554 |
| Current portion of long-term debt | 119,914 | 1,483,487 | 1,603,401 |
| Total current liabilities | <u>1,132,969</u> | <u>2,284,411</u> | <u>3,417,380</u> |
| Noncurrent liabilities: | | | |
| Deposits subject to refund | 3,915 | 1,129,656 | 1,133,571 |
| Net pension liability | 2,084,444 | 579,221 | 2,663,665 |
| Other post employment benefit liability | 512,808 | 219,008 | 731,816 |
| Accrued compensated absences | 1,012,214 | 199,371 | 1,211,585 |
| Asset retirement obligation | - | 1,861,808 | 1,861,808 |
| Noncurrent portion of long-term debt | 102,093 | 10,277,709 | 10,379,802 |
| Total noncurrent liabilities | <u>3,715,474</u> | <u>14,266,773</u> | <u>17,982,247</u> |
| Total liabilities | <u>4,848,443</u> | <u>16,551,184</u> | <u>21,399,627</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Deferred inflow from pensions | 220,782 | 57,080 | 277,862 |
| Deferred inflow from OPEB | 94,119 | 7,882 | 102,001 |
| Total deferred inflows of resources | <u>314,901</u> | <u>64,962</u> | <u>379,863</u> |
| NET POSITION | | | |
| Net investment in capital assets | 11,730,015 | 29,803,558 | 41,533,573 |
| Restricted by: | | | |
| Enabling legislation | 332,545 | - | 332,545 |
| External contracts | - | 455,631 | 455,631 |
| Unrestricted | 7,233,960 | 6,521,637 | 13,755,597 |
| Total net position | <u>\$ 19,296,520</u> | <u>\$ 36,780,826</u> | <u>\$ 56,077,346</u> |

See accompanying notes to the basic financial statements.

City of Grove, Oklahoma
Statement of Activities
For the fiscal year ended June 30, 2021

| Functions/ Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|-------------------------|--|--|--|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 931,872 | \$ 35,920 | \$ 561,852 | \$ - | \$ (334,100) | \$ - | \$ (334,100) |
| Public safety and judiciary | 3,578,704 | 206,858 | 26,007 | - | (3,345,839) | - | (3,345,839) |
| Public works | 1,757,390 | 221,222 | 284,851 | - | (1,251,317) | - | (1,251,317) |
| Culture, parks, recreation and promotion | 1,366,640 | 17,925 | - | - | (1,348,715) | - | (1,348,715) |
| Total governmental activities | <u>7,634,606</u> | <u>481,925</u> | <u>872,710</u> | <u>-</u> | <u>(6,279,971)</u> | <u>-</u> | <u>(6,279,971)</u> |
| Business-type activities | | | | | | | |
| Utilities | 9,484,932 | 9,252,849 | - | - | - | (232,083) | (232,083) |
| Economic development | 413,144 | 58,900 | - | - | - | (354,244) | (354,244) |
| Airport | 519,216 | 300,669 | - | - | - | (218,547) | (218,547) |
| Total business-type activities | <u>10,417,292</u> | <u>9,612,418</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(804,874)</u> | <u>(804,874)</u> |
| Total primary government | <u>\$ 18,051,898</u> | <u>\$ 10,094,343</u> | <u>\$ 872,710</u> | <u>\$ -</u> | <u>(6,279,971)</u> | <u>(804,874)</u> | <u>(7,084,845)</u> |
| General revenues: | | | | | | | |
| Sales and use taxes | | | | | 8,364,963 | 1,012,986 | 9,377,949 |
| Franchise and public service taxes | | | | | 345,927 | - | 345,927 |
| Property tax | | | | | - | 83,037 | 83,037 |
| Intergovernmental revenue not restricted to specific programs | | | | | 560,129 | - | 560,129 |
| Investment income | | | | | 22,539 | 18,197 | 40,736 |
| Miscellaneous | | | | | 117,818 | - | 117,818 |
| Transfers | | | | | (691,759) | 691,759 | - |
| Total general revenues and transfers | | | | | <u>8,719,617</u> | <u>1,805,979</u> | <u>10,525,596</u> |
| Change in net position | | | | | 2,439,646 | 1,001,105 | 3,440,751 |
| Net position - beginning (restated) | | | | | 16,856,874 | 35,779,721 | 52,636,595 |
| Net position - ending | | | | | <u>\$ 19,296,520</u> | <u>\$ 36,780,826</u> | <u>\$ 56,077,346</u> |

See accompanying notes to the basic financial statements

**City of Grove, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2021**

| | <u>General Fund</u> | <u>Capital Improvement Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 5,469,510 | \$ 2,274,219 | \$ 513,377 | \$ 8,257,106 |
| Receivables: | | | | |
| Due from other governments | 1,812,567 | - | 175,077 | 1,987,644 |
| Accounts receivable, net | 34,988 | 4,200 | - | 39,188 |
| Due from other funds | - | 714,517 | - | 714,517 |
| Total assets | <u>\$ 7,317,065</u> | <u>\$ 2,992,936</u> | <u>\$ 688,454</u> | <u>\$ 10,998,455</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 211,655 | \$ 115,186 | \$ 13,997 | \$ 340,838 |
| Deposits subject to refund | 3,915 | - | - | 3,915 |
| Due to other funds | 668,845 | - | - | 668,845 |
| Total liabilities | <u>884,415</u> | <u>115,186</u> | <u>13,997</u> | <u>1,013,598</u> |
| Fund balance: | | | | |
| Restricted | - | - | 332,545 | 332,545 |
| Committed | - | 2,877,750 | - | 2,877,750 |
| Assigned | 2,520,700 | - | 341,912 | 2,862,612 |
| Unassigned | 3,911,950 | - | - | 3,911,950 |
| Total fund balance | <u>6,432,650</u> | <u>2,877,750</u> | <u>674,457</u> | <u>9,984,857</u> |
| Total liabilities and fund balance | <u>\$ 7,317,065</u> | <u>\$ 2,992,936</u> | <u>\$ 688,454</u> | <u>\$ 10,998,455</u> |

See accompanying notes to the basic financial statements.

City of Grove, Oklahoma
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

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

| | | |
|--|----|-------------|
| Fund balance of governmental funds | \$ | 9,984,857 |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds | | 11,730,015 |
| Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds: | | |
| Accrued compensated absences | | (1,012,214) |
| Accrued interest payable | | (3,372) |
| Net pension liability | | (2,084,444) |
| Other post-employment benefit obligation | | (512,808) |
| Capital leases | | (222,007) |
| Deferred outflows and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds | | |
| Deferred outflows of resources related to pensions | | 1,657,397 |
| Deferred outflows of resources related to OPEB | | 73,997 |
| Deferred inflows of resources related to pensions | | (220,782) |
| Deferred inflows of resources related to OPEB | | (94,119) |
| | | 19,296,520 |
| Net position of governmental activities | \$ | 19,296,520 |

See accompanying notes to the basic financial statements

City of Grove, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2021

| | <u>General Fund</u> | <u>Capital Improvement Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|---|
| Revenues: | | | | |
| Taxes | \$ 6,177,277 | \$ 2,533,613 | \$ - | \$ 8,710,890 |
| Intergovernmental | 201,409 | - | 358,720 | 560,129 |
| Grants | 591,852 | 254,851 | 26,007 | 872,710 |
| Licenses and permits | 138,444 | - | 25 | 138,469 |
| Charges for services | 209,633 | - | 3,631 | 213,264 |
| Fines and forfeitures | 105,834 | - | 2,258 | 108,092 |
| Rental income | 15,600 | - | 6,500 | 22,100 |
| Investment income | 21,104 | 709 | 726 | 22,539 |
| Reimbursements | 33,251 | - | - | 33,251 |
| Miscellaneous | 65,874 | 18,693 | - | 84,567 |
| Total revenues | <u>7,560,278</u> | <u>2,807,866</u> | <u>397,867</u> | <u>10,766,011</u> |
| Expenditures: | | | | |
| Current expenditures: | | | | |
| General government | 955,563 | 930 | - | 956,493 |
| Public safety and judiciary | 2,401,452 | 110,078 | 562,999 | 3,074,529 |
| Public works | 1,256,213 | 171,583 | - | 1,427,796 |
| Culture & recreation | 117,165 | - | - | 117,165 |
| Community development | 273,909 | - | - | 273,909 |
| Cemetery | 3,931 | - | - | 3,931 |
| Capital outlay | 760 | 1,416,666 | 234,499 | 1,651,925 |
| Total expenditures | <u>5,008,993</u> | <u>1,699,257</u> | <u>797,498</u> | <u>7,505,748</u> |
| Excess (deficiency) of revenues over (under) expenditures | 2,551,285 | 1,108,609 | (399,631) | 3,260,263 |
| Other financing sources (uses): | | | | |
| Transfers in | 60,000 | 77,246 | 902,352 | 1,039,598 |
| Transfers out | (1,088,183) | (582,928) | (60,246) | (1,731,357) |
| Total other financing source (uses) | <u>(1,028,183)</u> | <u>(505,682)</u> | <u>842,106</u> | <u>(691,759)</u> |
| Net change in fund balances | 1,523,102 | 602,927 | 442,475 | 2,568,504 |
| Fund balances, beginning | 4,909,548 | 2,274,823 | 231,982 | 7,416,353 |
| Fund balances, ending | <u>\$ 6,432,650</u> | <u>\$ 2,877,750</u> | <u>\$ 674,457</u> | <u>\$ 9,984,857</u> |

See accompanying notes to the basic financial statements

City of Grove, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2021

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

| | | |
|---|----|-------------|
| Net change in fund balance of governmental funds | \$ | 2,568,504 |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets: | | |
| Capital asset purchases capitalized | | 1,651,925 |
| Loss on disposition of assets | | - |
| Depreciation expense | | (1,551,237) |
| Repayment of debt principal is an expenditure in the governmental funds, and debt issuance is considered an other financing source, but repayment reduces long-term debt principal in the Statement of Net Position | | |
| Principal payments on long-term debt | | 114,471 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds | | |
| Accrued compensated absences | | 54,510 |
| Accrued interest | | 1,581 |
| Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense: | | |
| Pension expense | | (393,909) |
| OPEB expense | | (6,199) |
| | | (399,108) |
| Change in net position of governmental activities | \$ | 2,439,646 |

See accompanying notes to the basic financial statements

City of Grove, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2021

| | Enterprise Funds | | | Total Enterprise Funds |
|---|------------------|--------------|--------------|------------------------|
| | GMSA | GEDA | GMAMA | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 6,954,199 | \$ 199,450 | \$ 5,446 | \$ 7,159,095 |
| Accounts receivable, net | 839,376 | - | 41,603 | 880,979 |
| Due from other funds | 191,037 | - | - | 191,037 |
| Prepaid expense | - | - | 11,937 | 11,937 |
| Inventory | 468,902 | - | 51,052 | 519,954 |
| Restricted assets: | | | | |
| TIF receivable, current portion | - | 70,000 | - | 70,000 |
| Restricted cash and cash equivalents | 128,412 | 327,219 | - | 455,631 |
| Total current assets | 8,581,926 | 596,669 | 110,038 | 9,288,633 |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| TIF receivable, net of current portion | - | 2,075,000 | - | 2,075,000 |
| Land held for sale | - | 390,360 | - | 390,360 |
| Land and construction in progress | 1,608,694 | 1,105,557 | 695,192 | 3,409,443 |
| Other capital assets, net | 29,505,837 | 2,176,470 | 4,328,004 | 36,010,311 |
| Total noncurrent assets | 31,114,531 | 5,747,387 | 5,023,196 | 41,885,114 |
| Total assets | 39,696,457 | 6,344,056 | 5,133,234 | 51,173,747 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Related to defined benefit pension plan | 359,395 | - | 28,266 | 387,661 |
| Related to OPEB | 44,783 | - | 3,445 | 48,228 |
| Unamortized asset retirement obligation | 1,787,336 | - | - | 1,787,336 |
| Total deferred outflows of resources | 2,191,514 | - | 31,711 | 2,223,225 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 453,800 | \$ - | \$ 33,017 | \$ 486,817 |
| Accrued interest payable | 66,726 | 10,672 | - | 77,398 |
| Due to other funds | - | - | 236,709 | 236,709 |
| Long term obligations, current portion | 1,303,487 | 180,000 | - | 1,483,487 |
| Total current liabilities | 1,824,013 | 190,672 | 269,726 | 2,284,411 |
| Noncurrent liabilities: | | | | |
| Accrued compensated absences | 183,183 | - | 16,188 | 199,371 |
| Deposits subject to refund | 1,129,656 | - | - | 1,129,656 |
| Net pension liability | 550,404 | - | 28,817 | 579,221 |
| Other post-employment benefit liability | 209,276 | - | 9,732 | 219,008 |
| Asset retirement obligation | 1,861,808 | - | - | 1,861,808 |
| Long-term obligations | 7,857,709 | 2,420,000 | - | 10,277,709 |
| Total noncurrent liabilities | 11,792,036 | 2,420,000 | 54,737 | 14,266,773 |
| Total liabilities | 13,616,049 | 2,610,672 | 324,463 | 16,551,184 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Related to defined benefit pension plan | 54,363 | - | 2,717 | 57,080 |
| Related to OPEB | 7,319 | - | 563 | 7,882 |
| Total deferred outflows of resources | 61,682 | - | 3,280 | 64,962 |
| NET POSITION | | | | |
| Net investment in capital assets | 21,953,335 | 2,827,027 | 5,023,196 | 29,803,558 |
| Restricted for debt service | 128,412 | 327,219 | - | 455,631 |
| Unrestricted | 6,128,493 | 579,138 | (185,994) | 6,521,637 |
| Total net position | \$ 28,210,240 | \$ 3,733,384 | \$ 4,837,202 | \$ 36,780,826 |

See accompanying notes to the basic financial statements

City of Grove, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2021

| | <u>Enterprise Funds</u> | | | <u>Total Enterprise Funds</u> |
|--|-------------------------|---------------------|---------------------|-------------------------------|
| | <u>GMSA</u> | <u>GEDA</u> | <u>GMAMA</u> | |
| Operating revenues: | | | | |
| Charges for services: | | | | |
| Water | \$ 3,056,628 | \$ - | \$ - | \$ 3,056,628 |
| Gas | 4,367,834 | - | - | 4,367,834 |
| Wastewater/Sewer | 977,316 | - | - | 977,316 |
| Sanitation | 629,587 | - | - | 629,587 |
| Service fees | 13,500 | 58,900 | 84,381 | 156,781 |
| Fuel sales | - | - | 213,126 | 213,126 |
| Other | 207,984 | - | 3,162 | 211,146 |
| Total operating revenues | <u>9,252,849</u> | <u>58,900</u> | <u>300,669</u> | <u>9,612,418</u> |
| Operating expenses: | | | | |
| Administration | 1,674,498 | - | - | 1,674,498 |
| Gas | 2,776,561 | - | - | 2,776,561 |
| Water | 1,325,845 | - | - | 1,325,845 |
| Wastewater/Sewer | 910,609 | - | - | 910,609 |
| Sanitation | 540,758 | - | - | 540,758 |
| Economic development | - | 157,982 | - | 157,982 |
| Airport | - | - | 269,525 | 269,525 |
| Depreciation and amortization | 1,992,419 | 154,097 | 249,691 | 2,396,207 |
| Total operating expenses | <u>9,220,690</u> | <u>312,079</u> | <u>519,216</u> | <u>10,051,985</u> |
| Operating income (loss) | 32,159 | (253,179) | (218,547) | (439,567) |
| Non-operating revenues (expenses): | | | | |
| Taxes | 1,012,986 | 83,037 | - | 1,096,023 |
| Investment income | 17,567 | 585 | 45 | 18,197 |
| Miscellaneous | - | (15,591) | - | (15,591) |
| Gain (loss) on disposition of asset | (2,068) | - | - | (2,068) |
| Interest expense and fiscal charges | (262,174) | (85,474) | - | (347,648) |
| Total non-operating revenues (expenses) | <u>766,311</u> | <u>(17,443)</u> | <u>45</u> | <u>748,913</u> |
| Excess (deficiency) of revenues over (under) expenses before capital contributions and transfers | <u>798,470</u> | <u>(270,622)</u> | <u>(218,502)</u> | <u>309,346</u> |
| Transfers in | 2,050,408 | 368,636 | 280,919 | 2,699,963 |
| Transfers out | <u>(2,008,204)</u> | <u>-</u> | <u>-</u> | <u>(2,008,204)</u> |
| Change in net position | 840,674 | 98,014 | 62,417 | 1,001,105 |
| Net position - beginning | 27,369,566 | 3,635,370 | 4,774,785 | 35,779,721 |
| Net position - ending | <u>\$ 28,210,240</u> | <u>\$ 3,733,384</u> | <u>\$ 4,837,202</u> | <u>\$ 36,780,826</u> |

See accompanying notes to the basic financial statements

City of Grove, Oklahoma
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2021

| | Enterprise Funds | | | Total Enterprise Funds |
|--|---------------------|--------------------|-------------------|------------------------|
| | GMSA | GEDA | GMAMA | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 9,484,909 | \$ 58,900 | \$ 267,767 | \$ 9,811,576 |
| Payments to suppliers | (5,303,193) | (157,982) | (204,819) | (5,665,994) |
| Payments to or on behalf of employees | (2,082,061) | - | (67,097) | (2,149,158) |
| Receipt of customer deposits | 259,191 | - | - | 259,191 |
| Customer deposits refunded or applied | (202,951) | - | - | (202,951) |
| Net cash provided by (used in) operating activities | <u>2,155,895</u> | <u>(99,082)</u> | <u>(4,149)</u> | <u>2,052,664</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from other funds | 30,897 | - | 280,919 | 311,816 |
| TIF principal payments received | - | 60,000 | - | 60,000 |
| Principal paid on TIF note | - | (60,000) | - | (60,000) |
| Interest paid on TIF note | - | (67,853) | - | (67,853) |
| Net cash provided by (used in) non-capital financing activities | <u>30,897</u> | <u>(67,853)</u> | <u>280,919</u> | <u>243,963</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchase of capital assets | (578,680) | - | (237,918) | (816,598) |
| Principal paid on capital debt | (1,214,020) | (257,000) | - | (1,471,020) |
| Interest and fiscal agent fees paid on capital debt | (277,669) | (35,814) | - | (313,483) |
| Receipt of tax revenue | 1,016,173 | 83,037 | - | 1,099,210 |
| Capital transfers from other funds | - | 368,636 | - | 368,636 |
| Transfers to other funds | - | - | (41,751) | (41,751) |
| Net cash provided by (used in) capital and related financing activities | <u>(1,054,196)</u> | <u>158,859</u> | <u>(279,669)</u> | <u>(1,175,006)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest and dividends | 17,567 | 585 | 45 | 18,197 |
| Net cash provided by (used in) investing activities | <u>17,567</u> | <u>585</u> | <u>45</u> | <u>18,197</u> |
| Net increase (decrease) in cash and cash equivalents | <u>1,150,163</u> | <u>(7,491)</u> | <u>(2,854)</u> | <u>1,139,818</u> |
| Balances - beginning | 5,932,448 | 534,160 | 8,300 | 6,474,908 |
| Balances - ending | <u>\$ 7,082,611</u> | <u>\$ 526,669</u> | <u>\$ 5,446</u> | <u>\$ 7,614,726</u> |
| Reconciliation to the Statement of Net Position: | | | | |
| Cash and cash equivalents | \$ 6,954,199 | \$ 199,450 | \$ 5,446 | \$ 7,159,095 |
| Restricted cash and cash equivalents | 128,412 | 327,219 | - | 455,631 |
| | <u>\$ 7,082,611</u> | <u>\$ 526,669</u> | <u>\$ 5,446</u> | <u>\$ 7,614,726</u> |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ 32,159 | \$ (253,179) | \$ (218,547) | \$ (439,567) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 1,992,419 | 154,097 | 249,691 | 2,396,207 |
| Changes in assets and liabilities: | | | | |
| Decrease (increase) in receivables, net | 232,060 | - | (32,902) | 199,158 |
| Decrease (increase) in inventory | (93,825) | - | (35,004) | (128,829) |
| Decrease (increase) in prepaid expense | 203 | - | (3,630) | (3,427) |
| Increase (decrease) in accounts payable | (205,452) | - | 24,588 | (180,864) |
| Increase (decrease) in customer deposits | 56,240 | - | - | 56,240 |
| Increase (decrease) in accrued compensated absences | (40,683) | - | 2,151 | (38,532) |
| Increase (decrease) in accrued net pension liability | 153,494 | - | 7,252 | 160,746 |
| Increase (decrease) in accrued OPEB liability | 29,280 | - | 2,252 | 31,532 |
| Net cash provided by (used in) operating activities | <u>\$ 2,155,895</u> | <u>\$ (99,082)</u> | <u>\$ (4,149)</u> | <u>\$ 2,052,664</u> |

See accompanying notes to the basic financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1.A. FINANCIAL REPORTING ENTITY

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

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

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

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

BLENDED COMPONENT UNITS

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

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

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

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

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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

FUND TYPES AND MAJOR FUNDS:

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

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

PROPRIETARY FUND TYPES

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

Governmental fund financial statements report using the *"current financial resources"* measurement focus and the modified accrual basis of accounting. Under the current financial resources focus, only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Sales and use taxes, franchise taxes, hotel/motel taxes, court fines and interest are considered susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

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

Cash and Cash Equivalents

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

Investments

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

Receivables

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

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

Inventories

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

Capital Assets and Depreciation

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements

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

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

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

Restricted Assets

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

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the City that are applicable to a future reporting period. At June 30, 2021, the City reported deferred outflows of resources related to its defined benefit pension plans, other post-employment benefits (OPEB), and unamortized asset retirement obligation.

Long-Term Debt

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

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

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

Deferred Inflows of Resources

Deferred inflows are the acquisitions of net position by the City that are applicable to a future reporting period. At June 30, 2021, the City reported deferred inflows of resources related to its defined benefit pension plans and OPEB.

Compensated Absences

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

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

Pensions

The City participates in three employee pension systems as follows:

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's retirement plans and additions to/deductions from the City's fiduciary net positions have been determined on the same basis as they are reported by each respective plan or system. For this purpose, benefit payments are recognized when due and payable in accordance with the respective plan benefit terms. Investments are reported at fair value based on published market

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

prices. Detailed information about the OPPRS, OFPRS, and OPERS plans' fiduciary net position is available in a separately issued financial report for each plan. Those reports may be obtained as follows: Oklahoma Police Pension and Retirement System – www.ok.gov/OPPRS and the Oklahoma Firefighters Pension and Retirement System – www.ok.gov/FPRS and the Oklahoma Public Employees Retirement System at www.opers.ok.gov.

Equity Classifications

Government-Wide Financial Statements:

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

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of Net Position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other Net Position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Since the City implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.

Unrestricted:

- a. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- b. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- c. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

1.E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

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

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

Property Tax

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

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

Pledged Revenue

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

Expenditures and Expenses

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

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

Fund Financial Statements:

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

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

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

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

1.G. USE OF ESTIMATES

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. DEFICIT FUND BALANCES OR NET POSITION

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2021, the City did not have any deficit fund balances.

2.B. DEPOSITS AND INVESTMENTS REQUIREMENTS

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

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

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2021, the City and its public trusts, complied with the above investment restrictions.

2.C. DEBT RESTRICTIONS AND COVENANTS

Revenue Debt

The revenue notes issued by the GMSA contain a number of financial restrictions or covenants. These include covenants requiring flow of funds through special accounts, required reserve account balances and revenue debt service coverage requirements. The GMSA complied with the requirements of the debt covenants in all material respects for the fiscal year ended June 30, 2021.

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

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

3.A. DEPOSITS AND INVESTMENTS

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

Deposits

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

As of June 30, 2021, the City was not exposed to custodial credit risk as defined above.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

As of June 30, 2021, the City's reporting entity had the following deposits:

| Type | Fair Value | Credit Rating |
|--|---------------|------------------|
| Demand deposits and cash on hand | \$ 15,416,201 | n/a |
| Money market fund - federal obligations | 455,631 | AAA |
| | \$ 15,871,832 | |
| Reconciliation to Statement of net position: | | |
| Cash and cash equivalents | \$ 15,416,201 | |
| Restricted - cash and cash equivalents | 455,631 | |
| | \$ 15,871,832 | |

Investments

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

3.B. ACCOUNTS RECEIVABLE

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

3.C. RESTRICTED ASSETS

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

3.D. ASSET RETIREMENT OBLIGATION

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

| | Balance July 1, 2020 | Prior Period Adjustment | Restated Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 |
|--|-------------------------|----------------------------|-------------------------------------|-----------------------|---------------------|--------------------------|
| <i>Governmental Activities:</i> | | | | | | |
| Capital assets not being depreciated: | | | | | | |
| Land | \$ 419,766 | \$ - | \$ 419,766 | \$ - | \$ - | \$ 419,766 |
| Construction-in-progress | 206,530 | - | 206,530 | 97,478 | (201,531) | 102,477 |
| Total Capital assets not being depreciated | <u>626,296</u> | <u>-</u> | <u>626,296</u> | <u>97,478</u> | <u>(201,531)</u> | <u>522,243</u> |
| Depreciable assets | | | | | | |
| Buildings and improvements | 12,714,421 | - | 12,714,421 | 220,196 | - | 12,934,617 |
| Equipment and furniture | 3,542,752 | 50,027 | 3,592,779 | 339,635 | (94,880) | 3,837,534 |
| Vehicles | 3,092,140 | - | 3,092,140 | 115,228 | (116,583) | 3,090,785 |
| Infrastructure | 6,599,630 | - | 6,599,630 | 1,080,919 | - | 7,680,549 |
| Total depreciable assets | <u>25,948,943</u> | <u>50,027</u> | <u>25,998,970</u> | <u>1,755,978</u> | <u>(211,463)</u> | <u>27,543,485</u> |
| Less accumulated depreciation | <u>14,981,765</u> | <u>14,174</u> | <u>14,995,939</u> | <u>1,551,237</u> | <u>(211,463)</u> | <u>16,335,713</u> |
| Net depreciable assets | <u>10,967,178</u> | <u>35,853</u> | <u>11,003,031</u> | <u>204,741</u> | <u>-</u> | <u>11,207,772</u> |
| Governmental activities capital assets, net | <u>\$ 11,593,474</u> | <u>\$ 35,853</u> | <u>\$ 11,629,327</u> | <u>\$ 302,219</u> | <u>\$ (201,531)</u> | <u>\$ 11,730,015</u> |
| <i>Business -type Activities:</i> | | | | | | |
| Capital assets not being depreciated: | | | | | | |
| Land | \$ 2,480,086 | \$ - | \$ 2,480,086 | \$ 20,975 | \$ - | \$ 2,501,061 |
| Construction-in-progress | 922,957 | - | 922,957 | 84,000 | (98,575) | 908,382 |
| Total Capital assets not being depreciated | <u>3,403,043</u> | <u>-</u> | <u>3,403,043</u> | <u>104,975</u> | <u>(98,575)</u> | <u>3,409,443</u> |
| Depreciable Assets: | | | | | | |
| Buildings and improvements | 24,341,263 | - | 24,341,263 | 285,919 | - | 24,627,182 |
| Equipment and furniture | 5,192,857 | - | 5,192,857 | 120,271 | (6,752) | 5,306,376 |
| Vehicles | 822,066 | - | 822,066 | 43,556 | - | 865,622 |
| Infrastructure | 41,428,600 | - | 41,428,600 | 360,452 | - | 41,789,052 |
| Total depreciable assets | <u>71,784,786</u> | <u>-</u> | <u>71,784,786</u> | <u>810,198</u> | <u>(6,752)</u> | <u>72,588,232</u> |
| Less accumulated depreciation | <u>34,223,634</u> | <u>-</u> | <u>34,223,634</u> | <u>2,358,970</u> | <u>(4,683)</u> | <u>36,577,921</u> |
| Net depreciable assets | <u>37,561,152</u> | <u>-</u> | <u>37,561,152</u> | <u>(1,548,772)</u> | <u>(2,069)</u> | <u>36,010,311</u> |
| Business-type activities capital assets, net | <u>\$ 40,964,195</u> | <u>\$ -</u> | <u>\$ 40,964,195</u> | <u>\$ (1,443,797)</u> | <u>\$ (100,644)</u> | <u>\$ 39,419,754</u> |

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

| | |
|---|---------------------|
| Primary Government: | |
| Governmental Activities: | |
| General government | \$ 56,487 |
| Public safety and judiciary | 283,996 |
| Culture, parks, and recreation | 250,270 |
| Public works | 960,484 |
| Total depreciation expense - governmental activities | <u>\$ 1,551,237</u> |
| Business-Type Activities: | |
| Utilities | \$ 1,955,182 |
| Economic development | 154,097 |
| Airport | 249,691 |
| Total depreciation expense - business-type activities | <u>\$ 2,358,970</u> |

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.F. TIF (TAX ANTICIPATION) RECEIVABLE

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

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

GEDA has recorded a TIF (tax anticipation) Receivable equal to the outstanding balance on the related note. For the year ended June 30, 2021, Debt service was \$112,424, ad valorem taxes received were \$83,037, and developer payments were \$44,409.

Changes in the TIF (Tax Anticipation) Receivable

| | Balance <u>July 1, 2020</u> | <u>Advanced</u> | <u>Received</u> | Balance <u>June 30, 2021</u> | Amounts Due in <u>One Year</u> |
|-------------------------------|--------------------------------|-----------------|-----------------|---------------------------------|-----------------------------------|
| TIF Receivable (Harbor Point) | \$ 2,205,000 | \$ - | \$ 60,000 | \$ 2,145,000 | \$ 70,000 |

3.G. LONG-TERM DEBT

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

Governmental Activities

As of June 30, 2021, the long-term debt payable from governmental activities consisted of the following:

Lease/Purchase obligations:

| | |
|--|--------------------------|
| Equipment lease payable to Grand Savings Bank, original issue amount of \$75,045, secured by a freightliner dump truck, nominal annual rate of 3.14%, with final maturity of April 2022. | \$ 27,039 |
| Equipment lease payable to Grand Savings Bank, original issue amount of \$60,120, secured by radio equipment, nominal annual rate of 4.125%, with final maturity of July 2023. | 36,969 |
| Equipment lease payable to the Bank of Oklahoma, original issue amount of \$105,000, secured by a fire brush truck, nominal annual rate of 3.68%, with final maturity of April 2024. | 64,697 |
| Equipment lease payable to Welch State Bank, original issue amount of \$97,657, secured by patrol vehicles, nominal annual rate of 3.99%, with final maturity October 2021. | 28,276 |
| Equipment lease payable to the Bank of Grand Lake, original issue amount of \$126,000, secured by a street sweeper, nominal annual rate of 3.23%, with final maturity of April 2023. | <u>65,026</u> |
| Total long-term debt payable from governmental resources | <u>\$ 222,007</u> |

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Business-Type Activities:

As of June 30, 2021, the long-term debt payable from business-type activities resources consisted of the following:

Direct borrowings and private placements:

\$7,500,000 GMSA, Series 2003 Small Community Clean Water SRF Promissory Note to the Oklahoma Water Resources Board, dated November 6, 2003, for improvements to the wastewater treatment plant, payable semi-annually, maturing September 2024, interest rate of 2.66%, and secured by revenues 427 generated by the utility system plus a pledge of 2.4% sales tax from the City. In the event of default, the lender may 1) file suit to require any or all of the borrower covenants be performed; 2) accelerate the payment of principal and issuance on the note; 3) appoint temporary trustees to take over, operate, and maintain the system on a profitable basis or 4) file suit to enforce or enjoin the action or inaction of the borrower under the loan agreement. \$ 1,592,653

\$1,900,000 GMSA, Series 2009 Small Community Clean Water SRF Promissory Note to the Oklahoma Water Resources Board, dated August 21, 2009 for improvements to the wastewater treatment plant, payable semi-annually, maturing September 15, 2021, interest rate of 2.37%, and secured by revenues generated by the utility system plus a pledge of 2.4% sales tax from the City. In the event of default, the lender may 1) file suit to require any or all of the borrower covenants be performed; 2) accelerate the payment of principal and issuance on the note; 3) appoint temporary trustees to take over, operate, and maintain the system on a profitable basis or 4) file suit to enforce or enjoin the action or inaction of the borrower under the loan agreement. 65,519

\$2,050,000 GMSA, Sales Tax Revenue Note Series 2011 payable to the Bank of Grove, dated October 2011 to finance an automated meter reading system for water and gas meters, payable semi-annually, maturing September 2026, interest rate of 3.18%, and secured by a pledge of sales tax from the City. In the event of default, the note may be declared due and payable in the manner provided in the indenture. 900,000

\$8,765,000 GMSA, Series 2013 Drinking Water SRF Promissory Note payable to the Oklahoma Water Resources Board, dated June 2013 for improvements to the water treatment plant, payable semi-annually, maturing March 2034, interest rate of 2.75%, and secured by revenues generated by the utility system plus a pledge of sales tax from the City. In the event of default, the lender may 1) file suit to require any or all of the borrower covenants be performed; 2) accelerate the payment of principal and issuance on the note; 3) appoint temporary trustees to take over, operate, and maintain the system on a profitable basis or 4) file suit to enforce or enjoin the action or inaction of the borrower under the loan agreement. 6,228,323

\$5,350,000 GMSA, Series 2020 Clean Water SRF Promissory Note to the Oklahoma Water Resources Board, dated December 22, 2020, to construct sewer system improvements. During The construction phase, loan is treated as a line-of-credit with interest only paid. Upon completion of construction, the loan is payable semi-annually, maturing September 2052, interest rate of 1.15% plus an administrative fee of .50%, and secured by revenues generated by the utility system plus a pledge of sales tax from the City. In the event of default, the lender may 1) file suit to require any or all of the borrower covenants be performed; 2) accelerate the payment of principal and issuance on the note; 3) appoint temporary trustees to take over, operate, and maintain the system on a profitable basis or 4) file suit to enforce or enjoin the action or inaction of the borrower under the loan agreement. 209,200

\$273,750 GMSA, capital lease payable to Welch State Bank, interest rate of 4.07%, and secured by a vac-con sewer truck, final payment May 2024. 165,501

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

\$1,435,000 GEDA, Promissory Note Series 2010 payable to the Bank of Oklahoma, dated February 2010 to finance the construction of a municipal swimming pool, payable semi-annually, maturing February 2025 maturing February 2025, interest rate of 3.47%. In the event of default, the note may be declared due and payable in the manner provided in the indenture. 455,000

\$2,415,000 GEDA, Tax Increment Revenue Note, Taxable Series 2011, payable to the Bank of Oklahoma, dated July 2011 to finance the public infrastructure and site development, payable semi-annually, maturing June 2036, variable interest rate initially 2.29%, reset June and December not to exceed 14%. In the event of default, the note may be declared due and payable in the manner provided in the indenture. 2,145,000

Total notes payable, payable from business-type activities \$ 11,761,196

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

| | Balance <u>July 1, 2020</u> | <u>Additions</u> | <u>Retirements</u> | Balance <u>June 30, 2021</u> | Amounts Due in <u>One Year</u> |
|--------------------------------|--------------------------------|-------------------|---------------------|---------------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Lease/Purchase obligations | \$ 336,478 | | \$ 114,471 | \$ 222,007 | \$ 119,914 |
| Total Governmental Activities | <u>\$ 336,478</u> | <u>\$ -</u> | <u>\$ 114,471</u> | <u>\$ 222,007</u> | <u>\$ 119,914</u> |
| Business Type Activities: | | | | | |
| GMSA: | | | | | |
| Notes payable | \$ 10,158,838 | \$ 209,200 | \$ 1,372,343 | \$ 8,995,695 | \$ 1,250,510 |
| Lease/Purchase obligations | 216,378 | - | 50,877 | 165,501 | 52,977 |
| GEDA: | | | | | |
| Notes payable | 2,917,000 | - | 317,000 | 2,600,000 | 180,000 |
| Total Business Type Activities | <u>\$ 13,292,216</u> | <u>\$ 209,200</u> | <u>\$ 1,740,220</u> | <u>\$ 11,761,196</u> | <u>\$ 1,483,487</u> |

Payment requirements to maturity:

| Year Ending June 30, | GMSA | | GEDA | | City of Grove | |
|-------------------------|--|---------------------|---------------------|-------------------|-------------------|------------------|
| | Direct Borrowings and Private Placements | | | | | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 1,303,487 | \$ 244,862 | \$ 180,000 | \$ 63,554 | \$ 119,914 | \$ 7,015 |
| 2023 | 1,058,706 | 213,955 | 185,000 | 58,134 | 66,908 | 3,028 |
| 2024 | 1,088,926 | 183,886 | 200,000 | 52,542 | 35,185 | 1,046 |
| 2025 | 826,037 | 153,308 | 210,000 | 46,461 | - | - |
| 2026 | 606,049 | 134,343 | 100,000 | 41,220 | - | - |
| 2027-2031 | 2,433,429 | 440,996 | 685,000 | 164,937 | - | - |
| 2032-2036 | 1,844,562 | 104,535 | 1,040,000 | 69,616 | - | - |
| Total | <u>\$ 9,161,196</u> | <u>\$ 1,475,885</u> | <u>\$ 2,600,000</u> | <u>\$ 496,464</u> | <u>\$ 222,007</u> | <u>\$ 11,089</u> |

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.H. INTERFUND TRANSACTION AND BALANCES

Interfund transfers for the year ended June 30, 2021 were as follows:

| <u>Transfer from</u> | <u>Transfer to</u> | <u>Amount</u> | <u>Nature of Interfund Transfer</u> |
|----------------------------|----------------------------------|---------------------|-------------------------------------|
| * General Fund | * GEDA | \$ 60,000 | Economic development |
| * General Fund | * GEDA | 36,125 | Pool operations |
| * General Fund | * GEDA | 29,706 | Sales tax incentives |
| * General Fund | * GMAMA | 35,000 | Assist airport in paying city loan |
| * General Fund | * Capital Improvement Fund | 17,000 | Airport site plan project |
| * General Fund | * GMAMA | 8,000 | Airport operations |
| * General Fund | Emergency Management Fund | 104,400 | Operating |
| * General Fund | CARES Act Fund | 559,852 | CARES Fund expenditures |
| * General Fund | 911Emergency Communications Fund | 238,100 | Operating |
| Street and alley fund | * Capital Improvement Fund | 60,246 | Overlay program |
| * Capital Improvement Fund | * GEDA | 127,745 | 2010 Note payment |
| * Capital Improvement Fund | * GEDA | 115,060 | 2017 Note payment |
| * Capital Improvement Fund | * GMSA | 42,204 | Debt service - 50% of 2011 note |
| * Capital Improvement Fund | * General Fund | 60,000 | For transfer to GEDA |
| * Capital Improvement Fund | * GMAMA | 237,919 | Fixed asset acquisitions |
| | | <u>\$ 1,731,357</u> | |

* Represents major fund

Reconciliation to Fund Financial Statements:

| | <u>Transfers in</u> | <u>Transfers out</u> | <u>Total</u> |
|--------------------|---------------------|----------------------|--------------|
| Governmental Funds | \$ 1,039,598 | \$ 1,731,357 | \$ (691,759) |
| Proprietary Funds | 691,759 | - | 691,759 |
| Total funds | <u>1,731,357</u> | <u>1,731,357</u> | <u>-</u> |

Interfund receivable/payable balances at June 30, 2021 were as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> | <u>Nature of Interfund Balance</u> |
|--|---------------------|-------------------|------------------------------------|
| * Capital Improvement | * General Fund | 477,808 | Sales tax accrual |
| * Capital Improvement | * GMAMA | 6,272 | Interfund financing - fuel truck |
| * Capital Improvement | * GMAMA | 187,905 | Interfund financing - T hangar |
| * Capital Improvement | * GMAMA | 42,532 | Interfund financing - terminal |
| * GMSA | * General Fund | 191,037 | Sales tax accrual |
| Total | | <u>\$ 905,554</u> | |
| | | Due From | Due To |
| Reconciliation to Fund Financial Statements: | | Other Funds | Other Funds |
| Governmental Funds | | \$ 714,517 | \$ 668,845 |
| Proprietary Funds | | 191,037 | 236,709 |
| Total | | <u>\$ 905,554</u> | <u>\$ 905,554</u> |
| | | | Net Internal Balances |
| Governmental Funds | | | \$ 45,672 |
| Proprietary Funds | | | (45,672) |
| Total | | | <u>\$ -</u> |

* Fund is a major fund

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.I. FUND BALANCES AND NET POSITION

Government Wide Financial Statements:

Net Position Restrictions at June 30, 2021 were as follows:

| Fund | Restricted By | Amount |
|-----------------------------------|---------------------------|-------------------|
| Olympus Cemetery Fund | State statute | 16,762 |
| 911 Emergency Communications Fund | State statute | 173,973 |
| Delaware County Fire Tax Fund | County levy - external | 141,810 |
| GMSA | Debt covenants - external | 128,412 |
| GEDA | Debt covenants - external | 327,219 |
| | | <u>\$ 788,176</u> |

Fund Level Financial Statements:

| | General Fund | Capital Improvement Fund | Other Governmental Fund | Total |
|---|---------------------|--------------------------------|-------------------------------|---------------------|
| Fund Balance: | | | | |
| Restricted For: | | | | |
| Cemetery | \$ - | \$ - | \$ 16,762 | \$ 16,762 |
| Emergency services (911) | - | - | 173,973 | 173,973 |
| Fire services (county controlled) | - | - | 141,810 | 141,810 |
| Cemetery | - | - | 332,545 | 332,545 |
| Committed For: | | | | |
| Capital improvements - city ordinance | - | 2,877,750 | - | 2,877,750 |
| Sub-total restricted | - | 2,877,750 | - | 2,877,750 |
| Assigned for: | | | | |
| Budgetary - council resolution | 2,520,700 | - | - | 2,520,700 |
| Police and judiciary -council resolution | - | - | 22,164 | 22,164 |
| Fire services -council resolution | - | - | 7,697 | 7,697 |
| Emergency management - council resolution | - | - | 20,781 | 20,781 |
| CARES Act - council resolution | - | - | 278,283 | 278,283 |
| Cemetery -council resolution | - | - | 8 | 8 |
| Library operations-council resolution | - | - | 5,931 | 5,931 |
| Street and alleys -council resolution | - | - | 7,048 | 7,048 |
| Sub-total assigned | 2,520,700 | - | 341,912 | 2,862,612 |
| Unassigned: | 3,911,950 | - | - | 3,911,950 |
| TOTAL FUND BALANCE | \$ 6,432,650 | \$ 2,877,750 | \$ 674,457 | \$ 9,984,857 |

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Prior Period Restatement:

The opening net positions were restated as follows:

| | Governmental Activities |
|---|----------------------------|
| Beginning net position as previously reported at June 30, 2020: | \$ 16,821,021 |
| Prior period adjustment: | |
| Record capital assets | 35,853 |
| Net position as restated July 1, 2019 | \$ 16,856,874 |

NOTE 4. OTHER NOTES

4.A. DEFINED BENEFIT PENSION PLANS

The City participates in three employee pension systems as follows:

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

Plan Descriptions

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

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

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

Plan Benefits

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

OPPRS

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

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

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

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

OFPRS

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

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

OPERS

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

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

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

Member and Employer Contributions

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

OPPRS

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

OFPRS

Required employer contribution levels are 14% of applicable earnings and firefighters contribute 9%, however, the City contributes the firefighters' contribution as well, bringing the total City employer contribution to 23% of covered payroll. In addition, member cities contribute \$60 for each volunteer firefighter. The Oklahoma Legislature has the authority to establish and amend contribution amounts. The State of Oklahoma, a non-employer contributing entity, presently allocates 36% of the insurance premium tax collected from various types of insurance policies to the Plan. The State of Oklahoma may also appropriate additional funds annually as needed to pay current costs and to amortize the unfunded actuarial present value of accumulated plan benefits. No such appropriations were received during the year ended June 30, 2020 (the measurement date).

OPERS

The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. For the year ended June 30, 2021, employees contributed 3.5% of eligible salary and the City contributed 16.5%.

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

At June 30, 2021, the City of Grove 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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. At June 30, 2020, the City's proportionate share was 0.3062 percent of the total OPERS plan, 0.088217 percent of the total OFPRS plan, and 0.13732997 percent of the OPERS plan.

For the year ended June 30, 2021, the City recognized pension expense of \$160,181, \$54,139, and \$340,335 for the OPERS, OFPRS, and OPERS plans, respectively.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

At June 30, 2021 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 | \$ 9,099 | \$ 95,511 |
| Net difference between projected and actual earnings on pension plan investments | 496,704 | 81,759 |
| Differences due to changes in assumptions | 36,130 | - |
| Contributions subsequent to the measurement date | 132,484 | - |
| OFPRS | | |
| Difference between expected and actual plan experience | 138,508 | 14,582 |
| Net difference between projected and actual earnings on pension plan investments | 76,873 | 60,899 |
| Differences due to changes in assumptions | - | 18,416 |
| Contributions subsequent to the measurement date | 44,687 | - |
| OPERS | | |
| Difference between expected and actual plan experience | - | 6,695 |
| Net difference between projected and actual earnings on pension plan investments | 145,585 | - |
| Differences due to changes in assumptions | 437,632 | - |
| Difference due to change in proportion | 123,514 | - |
| Contributions subsequent to the measurement date | 403,842 | - |
| Total for all plans | <u>\$ 2,045,058</u> | <u>\$ 277,862</u> |

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$581,013 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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

| | |
|--------------|---------------------|
| Fiscal Year: | |
| 2022 | \$ 366,269 |
| 2023 | 375,165 |
| 2024 | 273,657 |
| 2025 | 177,637 |
| 2026 | <u>(6,545)</u> |
| | <u>\$ 1,186,183</u> |

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Actuarial Assumptions

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

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The most recent experience study for OFPRS considered actual System experience for the period July 1, 2013 through June 30, 2018. The most recent experience study for OPPRS considered actual System experience for the period July 2012 through June 2017. The most recent experience study for OPERS considered System experience for the three-year period ending June 30, 2019. Total Pension Liability for all plans as of June 30, 2021, is based on the results of an actuarial valuation date of July 1, 2020.

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Discount Rate

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

Sensitivity of the City's proportionate share of the net pension 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:

| City of Grove's Net Pension Liability (Asset) | | | |
|--|--------------------|-----------------------------|--------------------|
| Discount rate used > | 1% Decrease | Current Discount | 1% Increase |
| Cost sharing plans - proportionate share | | | |
| OPPRS | 1,242,397 | 351,695 | (401,651) |
| OFPRS | 1,411,354 | 1,086,763 | 815,180 |
| OPERS | 2,884,241 | 1,225,207 | (176,656) |
| Total net pension liability (asset) | 5,537,992 | 2,663,665 | 236,873 |
| Reconciliation to the Statement of Net Position: | | | |
| Governmental activities | | (2,084,444) | |
| Business-type activities | | (579,221) | |
| Total net pension liability | | (2,663,665) | |

Pension plan fiduciary net position

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

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

Payables to the pension plans

At June 30, 2021 the City reported no payables to the defined benefit pension plans for legally required employer contributions.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

4.B. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Postemployment Health Insurance Implicit Rate Subsidy Plan

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

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

The amount of benefit payments (net of retiree contributions) during fiscal year June 30, 2021 were \$6,992.

Employees Covered by Benefit Terms

| | |
|--|-----------|
| Active Employees | 89 |
| Inactive not yet receiving benefits | 0 |
| Inactive or beneficiaries receiving benefits | <u>3</u> |
| Total | <u>92</u> |

Total OPEB Liability – The total OPEB liability was determined based on an alternative measurement method valuation performed as of June 30, 2020 which is also the measurement date.

Actuarial Assumptions- The total OPEB liability in the June 30, 2021 valuation, was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Cost Method
- Discount Rate – 2.21% based on the 20 year municipal bond yield
- Retirement Age – Civilians - 55 with 10 years of service, Police and Fire 20 years of service
- Medical Trend Rates

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

Changes in Total OPEB Liability–

| | Total OPEB Liability |
|--|-----------------------------|
| Balances at Beginning of Year | \$ <u>559,828</u> |
| Changes for the Year: | |
| Service cost | 33,009 |
| Interest expense | 19,594 |
| Differences between expected and actual experience | 22,892 |
| Change in assumptions | 103,485 |
| Benefits paid | (6,992) |
| Net Changes | <u>171,988</u> |
| Balances End of Year | <u>\$ 731,816</u> |

OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 202, the City recognized OPEB expense of \$44,887. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 19,900 | \$ 53,170 |
| Changes of assumptions | 95,333 | 48,831 |
| City Contributions subsequent to the measurement date | 6,992 | - |
| Total | <u>\$ 122,225</u> | <u>\$ 102,001</u> |

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

| Year Ended June 30: | |
|----------------------------|------------------|
| 2022 | \$ (7,716) |
| 2023 | (7,716) |
| 2024 | (7,716) |
| 2025 | (1,626) |
| 2026 | 10,743 |
| Thereafter | 27,263 |
| | <u>\$ 13,232</u> |

Sensitivity of the City's total OPEB liability to changes in the discount rate- The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

| | 1% Decrease (1.21%) | Current Discount Rate (2.21%) | 1% Increase (3.21%) |
|---------------------------------|------------------------|-----------------------------------|------------------------|
| Employers' total OPEB liability | \$ 822,729 | \$ 731,816 | \$ 652,811 |

Sensitivity of the City's OPEB liability to changes in the healthcare cost trend rates - The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.02 percent decreasing to 3.87 percent) or 1-percentage-point higher (7.02 percent decreasing to 5.87 percent) than the current healthcare cost trend rates:

| | 1% Decrease (4.99% decreasing to 3.87%) | Current Discount Rate (5.99 % decreasing to 4.87%) | 1% Increase (6.99% decreasing to 5.87%) |
|---------------------------------|---|--|---|
| Employers' total OPEB liability | \$ 639,548 | \$ 731,816 | \$ 843,955 |

4.C. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. The City manages these various risks of loss with purchased commercial insurance for all major programs. There have been no significant reductions insurance coverage, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The COVID-19 pandemic has developed rapidly, with a significant number of cases and the measures taken to contain the virus have affected economic activity. The City will continue to implement policies to contain the virus as necessary and to continue operations in the best and safest way possible without jeopardizing the health of its citizens. The City has planned for the possibility of potential negative effects in issuing its budget, however the impact on the City's financial operations cannot be determined at this time.

4.D. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Contingencies:

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

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

Subsequent Events

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

Grove Municipal Services Authority (GMSA) entered into an agreement to merge with Rural Water, Sewer, Gas and Solid Waste Management District #6 (District). The agreement states that all assets will be transferred to GMSA and allow GMSA to serve the District's existing customers.

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

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GROVE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance to final Favorable (unfav)</u> |
|---|------------------------|----------------------|----------------------|--|
| Beginning budgetary fund balance | \$ 1,750,000 | \$ 1,650,000 | \$ 4,909,548 | \$ 3,259,548 |
| Resources (inflows) | | | | |
| Taxes | | | | |
| Sales and Use taxes | 3,550,000 | 3,750,000 | 5,831,350 | 2,081,350 |
| Franchise tax | 214,000 | 214,000 | 345,927 | 131,927 |
| Total taxes | <u>3,764,000</u> | <u>3,964,000</u> | <u>6,177,277</u> | <u>2,213,277</u> |
| Intergovernmental | | | | |
| Alcoholic beverage tax | 80,000 | 80,000 | 122,714 | 42,714 |
| Tobacco tax | 70,000 | 70,000 | 78,695 | 8,695 |
| Grants and contributions | - | 612,100 | 591,852 | (20,248) |
| Total intergovernmental | <u>150,000</u> | <u>762,100</u> | <u>793,261</u> | <u>31,161</u> |
| Licenses and permits | | | | |
| Occupational licenses | 20,000 | 20,000 | 50,933 | 30,933 |
| Construction Permits | 40,000 | 40,000 | 85,211 | 45,211 |
| Animal license | 2,500 | 2,500 | 2,300 | (200) |
| Total licenses and permits | <u>62,500</u> | <u>62,500</u> | <u>138,444</u> | <u>75,944</u> |
| Charges for services | | | | |
| Plots and interment | 10,000 | 10,000 | 14,594 | 4,594 |
| Miscellaneous fees | 240,600 | 240,600 | 195,039 | (45,561) |
| Total charges for services | <u>250,600</u> | <u>250,600</u> | <u>209,633</u> | <u>(40,967)</u> |
| Fines and forfeitures | <u>82,000</u> | <u>82,000</u> | <u>105,834</u> | <u>23,834</u> |
| Other income | | | | |
| Investment income | 35,000 | 35,000 | 21,104 | (13,896) |
| Miscellaneous income | 100,600 | 102,600 | 114,725 | 12,125 |
| Total other income | <u>135,600</u> | <u>137,600</u> | <u>135,829</u> | <u>(1,771)</u> |
| Other financing sources | | | | |
| Transfers in | 3,260,000 | 5,060,000 | 60,000 | (5,000,000) |
| | <u>3,260,000</u> | <u>5,060,000</u> | <u>60,000</u> | <u>(5,000,000)</u> |
| Amounts available for appropriation | <u>\$ 9,454,700</u> | <u>\$ 11,968,800</u> | <u>\$ 12,529,826</u> | <u>\$ 561,026</u> |

(CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GROVE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

(CONTINUED)

Charges to appropriations (outflows)

General government:

| | | | | |
|--------------------------|-----------|-----------|---------|---------|
| Governing Board | 416,500 | 452,800 | 182,990 | 269,810 |
| Administration | 651,600 | 655,600 | 595,159 | 60,441 |
| Finance | 85,000 | 87,200 | 82,676 | 4,524 |
| Legal and Court | 83,600 | 84,400 | 78,629 | 5,771 |
| City Hall | 33,900 | 33,900 | 16,869 | 17,031 |
| Airport | 8,000 | 38,000 | 30,000 | 8,000 |
| Total general government | 1,278,600 | 1,351,900 | 986,323 | 365,577 |

Public Safety

| | | | | |
|---------------------------------------|-----------|-----------|-----------|---------|
| Police, Dispatch and Code Enforcement | 1,867,500 | 1,885,000 | 1,796,696 | 88,304 |
| Fire | 650,500 | 670,900 | 604,756 | 66,144 |
| Total public safety | 2,518,000 | 2,555,900 | 2,401,452 | 154,448 |

Public works

| | | | | |
|----------------------|-----------|-----------|-----------|---------|
| Streets | 807,700 | 813,700 | 636,125 | 177,575 |
| Vehicle Maintenance | 118,300 | 119,600 | 98,587 | 21,013 |
| Building and Grounds | 543,500 | 545,500 | 491,501 | 53,999 |
| Total public works | 1,469,500 | 1,478,800 | 1,226,213 | 252,587 |

Cultural, parks, recreation, and promotion

| | | | | |
|---|---------|---------|---------|---------|
| Library | 20,700 | 20,700 | 11,681 | 9,019 |
| Cemetery | 3,500 | 3,500 | 3,931 | (431) |
| Recreation | 166,200 | 166,200 | 27,234 | 138,966 |
| Community Development | 256,300 | 269,600 | 276,955 | (7,355) |
| Civic Center | 72,000 | 72,700 | 63,078 | 9,622 |
| Senior Citizens | 16,600 | 16,600 | 12,126 | 4,474 |
| Total cultural, parks, recreation, and promotion | 535,300 | 549,300 | 395,005 | 154,295 |

Other financing uses

| | | | | |
|----------------------------|-----------|-----------|-----------|-----------|
| Transfers to other funds | 3,652,500 | 6,032,900 | 1,088,183 | 4,944,717 |
| Total other financing uses | 3,652,500 | 6,032,900 | 1,088,183 | 4,944,717 |

Total charges to appropriations

| | | | |
|-----------|------------|-----------|-----------|
| 9,453,900 | 11,968,800 | 6,097,176 | 5,871,624 |
|-----------|------------|-----------|-----------|

Ending budgetary fund balance

| | | | |
|---------------|-------------|---------------------|---------------------|
| \$ 800 | \$ - | \$ 6,432,650 | \$ 6,432,650 |
|---------------|-------------|---------------------|---------------------|

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GROVE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
CAPITAL IMPROVEMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| | Original Budget | Final Budget | Actual | Variance to final Favorable (unfav) |
|--|------------------------|---------------------|---------------------|--|
| Beginning budgetary fund balance | \$ 750,000 | \$ 750,000 | \$ 2,274,823 | \$ 1,524,823 |
| Resources (inflows) | | | | |
| Taxes | | | | |
| Sales tax | 1,600,000 | 1,700,000 | 2,533,613 | 833,613 |
| Intergovernmental | | | | |
| Grants and Contributions | 181,000 | 511,300 | 254,851 | (256,449) |
| Miscellaneous | 41,800 | 41,800 | 18,693 | (23,107) |
| Total intergovernmental | 222,800 | 553,100 | 273,544 | (279,556) |
| Other income | | | | |
| Investment income | - | - | 709 | 709 |
| Transfer in | 1,678,000 | 2,580,000 | 77,246 | (2,502,754) |
| Total other income | 1,678,000 | 2,580,000 | 77,955 | (2,502,045) |
| Amounts available for appropriation | 4,250,800 | 5,583,100 | 5,159,935 | (423,165) |
| Charges to appropriations (outflows) | | | | |
| Administration | 127,300 | 67,900 | 930 | 66,970 |
| Public Safety | 148,900 | 147,600 | 110,078 | 37,522 |
| Public Works | 114,200 | 114,200 | 108,765 | 5,435 |
| Airport | 189,000 | 496,000 | - | 496,000 |
| Community Development | 73,500 | 91,600 | 62,818 | 28,782 |
| Capital outlay | 1,650,900 | 1,818,800 | 1,416,666 | 402,134 |
| Transfers out | 1,947,000 | 2,847,000 | 582,928 | 2,264,072 |
| Total charges to appropriations | 4,250,800 | 5,583,100 | 2,282,185 | 3,300,915 |
| Ending budgetary fund balance | \$ - | \$ - | \$ 2,877,750 | \$ 2,877,750 |

**CITY OF GROVE, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

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

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

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

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

Budgetary Accounting

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

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

CITY OF GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GROVE
SCHEDULE OF CITY OF GROVE'S SHARE OF NET PENSION LIABILITIES*
June 30, 2021

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GROVE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2021**

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

Data reported is for the City's fiscal year ending June 30
GASB Statement No. 68 requires ten years of information to be reported in this table. However,
until a full 10-year trend is compiled, the City will present information that is available.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Notes to Schedule:

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

OTHER INFORMATION

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

Such statements and schedules include:

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

CITY OF GROVE, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

| | Street and Alley Fund | Library Fund | Olympus Cemetery Fund | Special Fire Dept Fund | Drug Forfeiture Fund | Special Police Fund | Police Technology Fund | Animal Control Fund | Veteran's Memorial Fund | Grove Del Co Fire Tax Fund | 911 Emergency Communications Fund | Emergency Management Fund | CARES Act Fund | Total Nonmajor Governmental Funds |
|--|-----------------------|-----------------|-----------------------|------------------------|----------------------|---------------------|------------------------|---------------------|-------------------------|----------------------------|-----------------------------------|---------------------------|-------------------|-----------------------------------|
| ASSETS | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 5,931 | \$ 16,762 | \$ 7,732 | \$ 4,578 | \$ 1,380 | \$ 9,206 | \$ 7,000 | \$ 8 | \$ - | \$ 156,516 | \$ 25,981 | \$ 278,283 | \$ 513,377 |
| Receivables: | | | | | | | | | | | | | | |
| Due from other governments | 7,048 | - | - | - | - | - | - | - | - | 141,810 | 26,219 | - | - | 175,077 |
| Total assets | <u>\$ 7,048</u> | <u>\$ 5,931</u> | <u>\$ 16,762</u> | <u>\$ 7,732</u> | <u>\$ 4,578</u> | <u>\$ 1,380</u> | <u>\$ 9,206</u> | <u>\$ 7,000</u> | <u>\$ 8</u> | <u>\$ 141,810</u> | <u>\$ 182,735</u> | <u>\$ 25,981</u> | <u>\$ 278,283</u> | <u>\$ 688,454</u> |
| LIABILITIES AND FUND BALANCE | | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ - | \$ 35 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,762 | \$ 5,200 | \$ - | \$ 13,997 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>35</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,762</u> | <u>5,200</u> | <u>-</u> | <u>13,997</u> |
| Fund balances: | | | | | | | | | | | | | | |
| Restricted | - | - | 16,762 | - | - | - | - | - | - | 141,810 | 173,973 | - | - | 332,545 |
| Assigned | 7,048 | 5,931 | - | 7,697 | 4,578 | 1,380 | 9,206 | 7,000 | 8 | - | - | 20,781 | 278,283 | 341,912 |
| Total fund balances | <u>7,048</u> | <u>5,931</u> | <u>16,762</u> | <u>7,697</u> | <u>4,578</u> | <u>1,380</u> | <u>9,206</u> | <u>7,000</u> | <u>8</u> | <u>141,810</u> | <u>173,973</u> | <u>20,781</u> | <u>278,283</u> | <u>674,457</u> |
| Total liabilities and fund balances | <u>\$ 7,048</u> | <u>\$ 5,931</u> | <u>\$ 16,762</u> | <u>\$ 7,732</u> | <u>\$ 4,578</u> | <u>\$ 1,380</u> | <u>\$ 9,206</u> | <u>\$ 7,000</u> | <u>\$ 8</u> | <u>\$ 141,810</u> | <u>\$ 182,735</u> | <u>\$ 25,981</u> | <u>\$ 278,283</u> | <u>\$ 688,454</u> |

CITY OF GROVE, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | Street and Alley Fund | Library Fund | Olympus Cemetery Fund | Special Fire Dept Fund | Drug Forfeiture Fund | Special Police Fund | Police Technology Fund | Animal Control Fund | Veteran's Memorial Fund | Grove Del Co Fire Tax Fund | 911 Emergency Communication s Fund | Emergency Management Fund | CARES Act Fund | Total Nonmajor Governmental Funds |
|--|--------------------------|-----------------|-----------------------------|---------------------------|----------------------------|------------------------|------------------------------|------------------------|-------------------------------|----------------------------------|--|---------------------------------|-------------------|--|
| Revenues: | | | | | | | | | | | | | | |
| Intergovernmental | \$ 56,408 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 90,174 | \$ 212,138 | \$ - | \$ - | \$ 358,720 |
| Grants and contributions | - | - | - | 11,931 | - | - | - | - | - | - | - | 2,500 | 11,576 | 26,007 |
| Licenses and permits | - | - | - | - | - | - | - | 25 | - | - | - | - | - | 25 |
| Charges for services | - | - | 3,331 | 300 | - | - | - | - | - | - | - | - | - | 3,631 |
| Fines and forfeitures | - | - | - | - | - | - | 2,258 | - | - | - | - | - | - | 2,258 |
| Rental income | - | - | - | - | - | - | - | - | - | - | 6,500 | - | - | 6,500 |
| Investment income | - | 19 | 46 | 19 | 15 | 4 | 26 | 22 | - | 298 | - | 6 | 271 | 726 |
| Total revenues | <u>56,408</u> | <u>19</u> | <u>3,377</u> | <u>12,250</u> | <u>15</u> | <u>4</u> | <u>2,284</u> | <u>47</u> | <u>-</u> | <u>90,472</u> | <u>212,138</u> | <u>9,006</u> | <u>11,847</u> | <u>397,867</u> |
| Expenditures: | | | | | | | | | | | | | | |
| Current expenditures: | | | | | | | | | | | | | | |
| Public safety and judiciary | - | - | - | 5,200 | - | - | - | - | - | 27,940 | 378,317 | 92,625 | 58,917 | 562,999 |
| Capital outlay | - | - | - | - | - | - | - | - | - | - | - | - | 234,499 | 234,499 |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,200</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>27,940</u> | <u>378,317</u> | <u>92,625</u> | <u>293,416</u> | <u>797,498</u> |
| Excess (deficiency) of revenues over (under) expenditures | 56,408 | 19 | 3,377 | 7,050 | 15 | 4 | 2,284 | 47 | - | 62,532 | (166,179) | (83,619) | (281,569) | (399,631) |
| Other financing sources (uses): | | | | | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | - | 238,100 | 104,400 | 559,852 | 902,352 |
| Transfers out | (60,246) | - | - | - | - | - | - | - | - | - | - | - | - | (60,246) |
| Total other financing source (uses) | <u>(60,246)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>238,100</u> | <u>104,400</u> | <u>559,852</u> | <u>842,106</u> |
| Net change in fund balances | (3,838) | 19 | 3,377 | 7,050 | 15 | 4 | 2,284 | 47 | - | 62,532 | 71,921 | 20,781 | 278,283 | 442,475 |
| Fund balances, beginning | 10,886 | 5,912 | 13,385 | 647 | 4,563 | 1,376 | 6,922 | 6,953 | 8 | 79,278 | 102,052 | - | - | 231,982 |
| Fund balances, ending | <u>\$ 7,048</u> | <u>\$ 5,931</u> | <u>\$ 16,762</u> | <u>\$ 7,697</u> | <u>\$ 4,578</u> | <u>\$ 1,380</u> | <u>\$ 9,206</u> | <u>\$ 7,000</u> | <u>\$ 8</u> | <u>\$ 141,810</u> | <u>\$ 173,973</u> | <u>\$ 20,781</u> | <u>\$ 278,283</u> | <u>\$ 674,457</u> |

**CITY OF GROVE, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| Federal Grantor/Pass Through Agency Grantor/Program Title | Assistance Listing Number | Pass-through Identifying Number | Federal Expenditures |
|---|---------------------------------|---------------------------------------|-------------------------|
| FEDERAL AWARDS: | | | |
| <u>U.S. DEPARTMENT OF THE TREASURY:</u> | | | |
| <i>Passed through the Oklahoma State Department of Emergency Management</i> | | | |
| Covid-19 Coronavirus Relief Fund | 21.019 | City Allocation | \$ 551,047 |
| Covid-19 Coronavirus Relief Fund | 21.019 | ODEM Allocation | 11,576 |
| Total US Department of the Treasury | | | 562,623 |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u> | | | |
| <i>Passed through the Oklahoma Water Resources Board:</i> | | | |
| Safe Drinking Water State Revolving Fund | 66.468 | ORF-21-0027-2020 | 209,200 |
| Total US Environmental Protection Agency | | | 209,200 |
| <u>U.S. DEPARTMENT OF TRANSPORTATION:</u> | | | |
| <i>Passed through the Federal Aviation Administration</i> | | | |
| Airport Improvement Program | 20.106 | 3-40-0035-020 | 203,919 |
| Covid-19 Airport Improvement Program | 20.106 | 3-40-0035-021-2020 | 3,666 |
| Total US Department of Transportation | | | 207,585 |
| <u>U.S. DEPARTMENT OF JUSTICE:</u> | | | |
| <i>Passed through the Oklahoma State Department of Education</i> | | | |
| Juvenile Accountability Block Grants | 16.523 | FY19 | 6,000 |
| Total US Department of Justice | | | 6,000 |
| <u>U.S. HOMELAND SECURITY:</u> | | | |
| <i>Passed through the Oklahoma Department of Emergency Management</i> | | | |
| Covid-19 Disaster Grants - Public Assistance | 97.036 | EMPG19 | 8,806 |
| Total US Homeland Security | | | 8,806 |
| TOTAL FEDERAL AWARDS | | | \$ 994,214 |

**CITY OF GROVE, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 1. Basis of Presentation

This schedule includes the federal grant activity of the City of Grove, Oklahoma under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) the Uniform Guidance. 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 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting which may be different from other information contained in the City's financial statements.

Note 3. De Minimis Indirect Cost Rate

The awards reported do not include an indirect cost rate as an allowable cost and consequently the City did not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**GROVE MUNICIPAL SERVICES AUTHORITY
 SCHEDULE OF REVENUE BOND AND NOTE COVERAGE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Gross Revenue Available for Debt Service:

| | |
|---|--------------------------------|
| Water system revenues | \$ 3,056,628 |
| Wastewater/Sewer system revenues | 977,316 |
| Gas system revenues | 4,367,834 |
| Investment income | 17,567 |
| Sales tax revenues (1) | <u>6,080,348</u> |
| Total Gross Revenues Available | 14,499,693 |
| Water, waste water/sewer, and gas operating expense (2) | <u>6,524,471</u> |
| Net Revenues Available for Debt Service | <u><u>\$ 7,975,222</u></u> |

Average Annual Debt Service Requirements for Term:

| | |
|-----------------------------------|----------------------------|
| 2003 GMSA OWRB CWSRF Note | \$ 479,957 |
| 2005 GMSA Sales Tax Revenue Note | - |
| 2009 GMSA OWRB CWSRF Note | 66,313 |
| 2011 GMSA PROMISSORY NOTE | - |
| 2011 GMSA Sales Tax Revenue Note | 177,428 |
| 2013 GMSA OWRB DWSRF NOTE | 556,885 |
| 2020 GMSA CWSRF OWRB NOTE | <u>209,200</u> |
| Total average annual Debt Service | <u><u>\$ 1,489,783</u></u> |

| | |
|-------------------|-------------|
| Computed Coverage | <u>5.35</u> |
|-------------------|-------------|

| | |
|---|-------------|
| Coverage Requirement - Revenue Bond and Note Indentures | <u>1.25</u> |
|---|-------------|

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

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



Elfrink and Associates, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Grove, Oklahoma ("City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 17, 2021.

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.

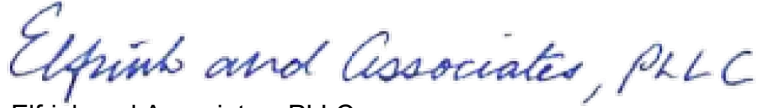
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

Elfrink and Associates, PLLC

Tulsa, Oklahoma
December 17, 2021



Elfrink and Associates, PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited City of Grove, Oklahoma's ("City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2021. The City's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 City of Grove, Oklahoma's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Grove, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed no instance of noncompliance which is required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of the City of Grove, Oklahoma 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 the Uniform Guidance, 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.

8905 South Yale Avenue, Suite 102
Tulsa, OK, 74137

Members of the AICPA, OSCP, and GAQC

539-664-4662

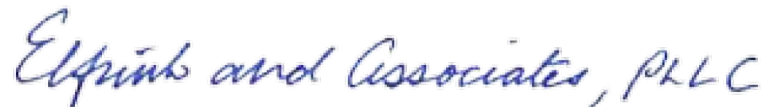
anne.elfrink@CPA.com

Government Accounting and Auditing

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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Elfrink and Associates, PLLC

Tulsa, Oklahoma

December 17, 2021

