

City of Grove, Oklahoma

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2020



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CITY OF GROVE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2020

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

June 30, 2020

MAYOR AND CITY COUNCIL

Ed Trumbull	Mayor, Ward 1
Ivan Devitt	Vice Mayor, At-Large
Josh McElhaney	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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grove, Oklahoma (the City), as of and for the year ended June 30, 2020, 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. 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 of Grove, Oklahoma, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Correction of Material Misstatements in Previously Issued Statements

As discussed in Footnote 3.H of the basic financial statements, the net positions of the business-type activities, and the Grove Municipal Services Authority Fund for the year ended June 30, 2019 have been restated to correct duplicate recording of grant revenue and overstatement of accounts payable in prior fiscal years. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and OPEB schedules, and budgetary comparison information, 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, schedule of expenditures of federal awards, and schedule of revenue bond coverage are presented for purposes of additional analysis and are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 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

Tulsa, Oklahoma
January 28, 2021

Management of the City of Grove provides this discussion and analysis of the City of Grove's financial performance as an overview of the city's financial activities for the fiscal year ended June 30, 2020. 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 \$2,978,073 or 6.0% from the prior year. Included in the increase is contributed capital of \$1,031,500 related to the transfer of utility lines from the Cherokee Nation.
- The city's governmental activities net position increased by \$1,309,644 or 8.4% 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 \$1,668,429 or 4.9%, due to the acquisition of the transfer of utility lines from the Cherokee Nation as well as 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 twelve 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 ten 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 49.

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 57.

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, 2020, the City's combined net position increased by \$3.0 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
	2020	2019	2020	2019*	2020	2019*	2019-2020
Current and other assets	\$ 8.3	\$ 6.9	\$ 10.7	\$ 9.8	\$ 19.0	\$ 16.7	14%
Capital assets	11.6	11.5	41.0	41.8	52.6	53.3	-1%
Total assets	19.9	18.4	51.7	51.6	71.6	70.0	2%
Deferred outflows of resources	1.2	1.3	1.9	0.2	3.1	1.5	107%
Long-term debt outstanding	0.3	0.4	13.3	15.2	13.6	15.6	-13%
Other liabilities	3.4	3.1	4.5	2.4	7.9	5.5	44%
Total liabilities	3.7	3.5	17.8	17.6	21.5	21.1	2%
Deferred inflows of resources	0.5	0.7	0.1	0.2	0.6	0.9	-33%
Net position							
Net investment in capital	11.3	11.1	29.9	29.0	41.2	40.1	3%
Restricted	0.2	0.2	0.6	0.6	0.8	0.8	0%
Unrestricted	5.3	4.2	5.2	4.4	10.5	8.6	22%
Total net position	\$ 16.8	\$ 15.5	\$ 35.7	\$ 34.0	\$ 52.5	\$ 49.5	6%

* restated

The table above reflects an increase of 8.4% for governmental activities net position and an increase of approximately 4.9% for business-type activities. The City's overall financial position improved during fiscal year 2020.

The City's governmental activities net position increased by \$1.3 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 \$1.7 million. The increase was due to the transfer of utility lines from the Cherokee Nation as well as higher dedicated sales tax receipts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2019-2020
	2020	2019		2020	2019		2020	2019	
<i>Revenues:</i>									
Program revenues									
Charges for services	\$ 0.6	\$ 0.5	20%	\$ 9.2	\$ 9.3	-1%	\$ 9.8	\$ 9.8	0%
Operating grants and contributions	0.2	0.2	0%	-	-	0%	0.2	0.2	0%
Capital grants and contributions	-	0.7	-100%	0.1	0.5	-80%	0.1	1.2	-92%
General revenues									
Sales and use taxes	7.3	6.5	12%	0.9	0.8	13%	8.2	7.3	12%
Other taxes	0.3	0.3	0%	0.1	0.1	0%	0.4	0.4	0%
Intergovernmental revenue	0.5	0.5	0%	-	-	0%	0.5	0.5	0%
Other	0.2	0.3	-33%	0.1	0.1	0%	0.3	0.4	-25%
Total revenues	9.1	9.0	1%	10.4	10.8	-4%	19.5	19.8	-2%
<i>Expenses:</i>									
General government	1.0	1.0	0%	-	-	-	1.0	1.0	0%
Public safety and judiciary	3.4	2.8	21%	-	-	-	3.4	2.8	21%
Public works	2.1	2.0	5%	-	-	-	2.1	2.0	5%
Culture, parks, recreation & promotion	0.8	0.9	-11%	-	-	-	0.8	0.9	-11%
Utilities operations	-	-	-	9.1	9.4	-3%	9.1	9.4	-3%
Airport operations	-	-	-	0.7	0.6	17%	0.7	0.6	17%
Economic development operations	-	-	-	0.5	0.6	-17%	0.5	0.6	-17%
Total expenses	7.3	6.7	9%	10.3	10.6	-3%	17.6	17.3	2%
Increase in net position before transfers & extraordinary items	1.8	2.3	-22%	0.1	0.2	-50%	1.9	2.5	-24%
Transfers, net	(0.5)	(1.2)	-58%	0.5	1.2	-58%	-	-	
Extraordinary and nonrecurring items	-	-		1.0	0.6		1.0	0.6	
Change in net position	\$ 1.3	\$ 1.1	18%	\$ 1.6	\$ 2.0	-20%	\$ 2.9	\$ 3.1	-6%

The results of 2020 were shaped largely by a continued slow but steady growth in the local economy. Total net position increased by 6.0% or \$3.0 million. Significant changes were related to:

Governmental Activities:

- Governmental revenues remained essentially flat as the higher receipts from sales and use tax were largely offset by lower grant receipts.
- Governmental expenses increased 9% 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 decreased by \$0.7 million compared to prior year reflecting lower capital grant subsidies.

Business-type Activities:

- Charges for services were slightly lower from the prior year due to slightly lower natural gas prices.
- Expenses for utilities were slightly lower, also reflecting lower natural gas prices, partially offset by higher airport and economic development operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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		%
	2020	2019		2020	2019	
	General government	\$ 1,006		\$ 1,009	0%	
Public safety and judiciary	3,402	2,845	20%	(3,024)	(2,404)	26%
Public works	2,054	2,034	1%	(1,929)	(1,245)	55%
Cultural, parks, recreation	789	855	-8%	(509)	(739)	-31%
	<u>\$ 7,251</u>	<u>\$ 6,743</u>	8%	<u>\$ (6,457)</u>	<u>\$ (5,306)</u>	22%

Overall, the city's governmental activities' total costs increased 8% over last year and net costs increased by 22%. The explanations on the previous page account for the majority of decreases in total costs of services as well as net costs of services in the governmental activities

Business-type Activities:

Overall, total cost of services for the city's business-type activities decreased 2% from last year.

Business-Type Activities

**Table 4
(In Thousands)**

	Total Cost of Services		%	Net (Expense) Revenue from Services		%
	2020	2019		2020	2019	
	Utilities operations	\$ 9,031		\$ 9,402	-4%	
Airport operations	687	579	19%	(419)	(267)	57%
Economic development	531	562	-6%	(523)	(445)	18%
	<u>\$ 10,249</u>	<u>\$ 10,543</u>	-3%	<u>\$ (927)</u>	<u>\$ (754)</u>	23%

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 \$1,111,280, or 29.3 percent from the prior year.

General Fund Budgetary Highlights

Excluding transfers, the general fund revenues were \$1,315,099 higher than originally budgeted and charges to appropriations were \$984,344 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, 2020, the city had \$52.6 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, water and gas line relocations, the purchase of police vehicles, as well as fire, and police equipment. The transfer of utility lines from the Cherokee Nation resulted in recognition of capital assets at their book value total of \$1,031,500. Information on capital assets is located in Note 3.D.

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

	Governmental Activities		Business-type Activities		Totals		Total % Change
	2020	2019	2020	2019	2020	2019	
<i>Non-Depreciable Assets</i>							
Land	\$ 0.4	\$ 0.4	\$ 2.5	\$ 2.5	\$ 2.9	\$ 2.9	0%
Construction-in-progress	0.2	0.1	0.9	0.7	1.1	0.8	38%
<i>Depreciable Assets</i>							
Buildings	12.7	12.7	24.4	24.4	37.1	37.1	0%
Equipment and furniture	3.6	3.6	5.2	5.4	8.8	9.0	-2%
Vehicles	3.1	3.0	0.8	0.9	3.9	3.9	0%
Infrastructure	6.6	5.8	41.4	40.3	48.0	46.1	4%
<i>Accumulated Depreciation</i>	(15.0)	(14.1)	(34.2)	(32.4)	(49.2)	(46.5)	6%
Totals	\$ 11.6	\$ 11.5	\$41.0	\$41.8	\$ 52.6	\$ 53.3	-1%

Debt Administration

At year-end, the city had \$13.6 million in outstanding notes, bonds and capital leases. Additional debt information can be found in note 3.G.

These debts are further detailed below as follows:

**Outstanding Debt
 Table 6
 (in millions)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total % Change</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
Notes Payable	\$ -	\$ -	\$ 13.1	\$ 14.9	\$ 13.1	\$ 14.9	-12%
Capital Leases	0.3	0.4	0.2	0.3	0.5	0.7	-29%
Totals	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ 13.3</u>	<u>\$ 15.2</u>	<u>\$ 13.6</u>	<u>\$ 15.6</u>	-13%

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. 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 2020-2021 government-wide budget of \$36.8 million is a \$1.0 million increase over the prior year as the budgeted spending of \$4.2 million of the proceeds of a new debt issuance in the amount of \$5.35 million for sewer improvements 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, 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, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 5,668,596	\$ 5,823,472	\$ 11,492,068
Cash and cash equivalents - restricted	-	651,436	651,436
Due from other governments	1,843,425	-	1,843,425
Accounts receivable, net	39,782	1,080,137	1,119,919
Prepaid expenses	8,256	8,510	16,766
Inventory	-	391,125	391,125
Due from other funds	735,961	194,224	930,185
TIF receivable, current - restricted	-	60,000	60,000
Total current assets	8,296,020	8,208,904	16,504,924
Noncurrent Assets:			
Land held for sale	-	390,360	390,360
Restricted assets:			
TIF receivable, net of current portion	-	2,145,000	2,145,000
Capital assets:			
Land and construction in progress	626,296	3,403,043	4,029,339
Depreciable buildings, property, and equipment, net	10,967,178	37,561,152	48,528,330
Total noncurrent assets	11,593,474	43,499,555	55,093,029
Total assets	19,889,494	51,708,459	71,597,953
DEFERRED OUTFLOWS OF RESOURCES:			
Related to defined benefit pension plan	1,177,130	102,091	1,279,221
Unamortized asset retirement obligation	-	1,824,572	1,824,572
Total deferred outflows of resources	1,177,130	1,926,663	3,103,793
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued liabilities	235,860	667,681	903,541
Accrued interest payable	4,953	95,495	100,448
Due to other funds	640,418	289,767	930,185
Current portion of long-term debt	117,371	1,742,184	1,859,555
Total current liabilities	998,602	2,795,127	3,793,729
Noncurrent liabilities:			
Deposits subject to refund	3,389	1,073,416	1,076,805
Net pension liability	1,029,429	88,711	1,118,140
Other post employment benefit liability	412,698	147,130	559,828
Accrued compensated absences	1,066,724	237,903	1,304,627
Asset retirement obligation	-	1,861,808	1,861,808
Noncurrent portion of long-term debt	219,107	11,550,032	11,769,139
Total non-current liabilities	2,731,347	14,959,000	17,690,347
Total liabilities	3,729,949	17,754,127	21,484,076
DEFERRED INFLOWS OF RESOURCES:			
Related to defined benefit pension plan	515,654	101,274	616,928
NET POSITION:			
Net investment in capital assets	11,256,996	29,876,979	41,133,975
Restricted by:			
Enabling legislation	194,715	-	194,715
External contracts	-	651,436	651,436
Unrestricted	5,369,310	5,251,306	10,620,616
Total net position	\$ 16,821,021	\$ 35,779,721	\$ 52,600,742

See accompanying notes to the basic financial statements.

City of Grove, Oklahoma
Statement of Activities
For the fiscal year ended June 30, 2020

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		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
General government	\$ 1,005,631	\$ 11,115	\$ -	\$ -	\$ (994,516)	\$ -	\$ (994,516)
Public safety and judiciary	3,402,482	139,054	239,371	-	(3,024,057)	-	(3,024,057)
Public works	2,053,648	124,352	-	-	(1,929,296)	-	(1,929,296)
Cultural, parks, recreation and promotion	789,394	279,787	-	-	(509,607)	-	(509,607)
Total governmental activities	<u>7,251,155</u>	<u>554,308</u>	<u>239,371</u>	<u>-</u>	<u>(6,457,476)</u>	<u>-</u>	<u>(6,457,476)</u>
Business-type activities:							
Utilities	9,031,022	8,965,551	-	80,182	-	14,711	14,711
Airport	686,856	267,920	-	-	-	(418,936)	(418,936)
Economic development	531,036	7,872	-	-	-	(523,164)	(523,164)
Total business-type activities	<u>10,248,914</u>	<u>9,241,343</u>	<u>-</u>	<u>80,182</u>	<u>-</u>	<u>(927,389)</u>	<u>(927,389)</u>
Total primary government	\$ 17,500,069	\$ 9,795,651	\$ 239,371	\$ 80,182	(6,457,476)	(927,389)	(7,384,865)
General revenues:							
Taxes:							
Sales and use taxes							
					7,249,373	886,448	8,135,821
Franchise and public service taxes							
					339,697	-	339,697
Property tax							
					-	69,897	69,897
Intergovernmental revenue not restricted to specific programs							
					519,999	-	519,999
Investment income							
					71,975	80,844	152,819
Miscellaneous							
					113,205	-	113,205
Total general revenues							
					<u>8,294,249</u>	<u>1,037,189</u>	<u>9,331,438</u>
Change in net position before transfers and contributed capital							
					<u>1,836,773</u>	<u>109,800</u>	<u>1,946,573</u>
Transfers - Internal activity							
					(527,129)	527,129	-
Contributed capital							
					-	1,031,500	1,031,500
Change in net position							
					<u>1,309,644</u>	<u>1,668,429</u>	<u>2,978,073</u>
Net position - beginning (restated)							
					<u>15,511,377</u>	<u>34,111,292</u>	<u>49,622,669</u>
Net position - ending							
					<u>\$ 16,821,021</u>	<u>\$ 35,779,721</u>	<u>\$ 52,600,742</u>

See accompanying notes to the basic financial statements

**City of Grove, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2020**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 3,888,912	\$ 1,652,944	\$ 126,740	\$ 5,668,596
Prepaid expenses	8,256	-	-	8,256
Inventory	-	-	-	-
Investments	-	-	-	-
Receivables:				
Court receivables	-	-	-	-
Due from other governments	1,728,291	-	115,134	1,843,425
Grants	-	-	-	-
Accounts receivable, net	39,782	-	-	39,782
Due from other funds	-	735,961	-	735,961
Total assets	<u>\$ 5,665,241</u>	<u>\$ 2,388,905</u>	<u>\$ 241,874</u>	<u>\$ 8,296,020</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 111,886	\$ 114,082	\$ 9,892	\$ 235,860
Due to bondholders	3,389	-	-	3,389
Due to other funds	640,418	-	-	640,418
Total liabilities	<u>755,693</u>	<u>114,082</u>	<u>9,892</u>	<u>879,667</u>
Fund Balances:				
Restricted	-	-	194,715	194,715
Unrestricted:				
Committed	-	2,274,823	-	2,274,823
Assigned	1,750,000	-	37,267	1,787,267
Unassigned	3,159,548	-	-	3,159,548
Total fund balances	<u>4,909,548</u>	<u>2,274,823</u>	<u>231,982</u>	<u>7,416,353</u>
Total liabilities and fund balances	<u>\$ 5,665,241</u>	<u>\$ 2,388,905</u>	<u>\$ 241,874</u>	<u>\$ 8,296,020</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, 2020

Fund balances of governmental funds	\$	7,416,353
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of depreciation of \$14,981,765		11,593,474
Some liabilities, including pension obligations, are applicable to future periods and, therefore, are not reported in the funds:		
Accrued compensated absences		(1,066,724)
Accrued interest payable		(4,953)
Net pension liability (measurement date is June 30, 2019)		(1,029,429)
Other post employment benefit (OPEB) liability		(412,698)
Long term debt		(336,478)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions		1,177,130
Deferred inflows of resources related to pensions		(515,654)
Net position of governmental activities	\$	16,821,021

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, 2020

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 5,371,944	\$ 2,217,126	\$ -	\$ 7,589,070
Intergovernmental	187,485	-	332,514	519,999
Grants	22,894	-	-	22,894
Licenses and permits	126,730	-	5	126,735
Charges for services	261,718	-	3,019	264,737
Fines and forfeitures	106,051	-	2,251	108,302
Rental income	15,050	-	-	15,050
Investment income	70,811	-	1,164	71,975
Reimbursements	37,974	1,510	-	39,484
Miscellaneous	99,142	4,620	9,443	113,205
Total Revenues	6,299,799	2,223,256	348,396	8,871,451
Expenditures:				
General government	907,724	1,551	-	909,275
Public safety and judiciary	2,373,357	137,007	390,607	2,900,971
Public works	1,149,077	208,688	-	1,357,765
Cultural, parks, recreation and promotion	210,568	-	192	210,760
Community development	303,861	-	-	303,861
Cemetery	1,569	-	11,500	13,069
Capital outlay	-	1,428,842	-	1,428,842
Total Expenditures	4,946,156	1,776,088	402,299	7,124,543
Excess (deficiency) of revenues over expenditures	1,353,643	447,168	(53,903)	1,746,908
Other Financing Sources (Uses):				
Debt service:				
Principal retirement	-	-	(32,307)	(32,307)
Interest and fiscal charges	-	-	(2,821)	(2,821)
Insurance proceeds	-	-	-	-
Transfers in	60,000	57,188	150,000	267,188
Transfers out	(302,363)	(434,767)	(57,187)	(794,317)
Capital lease proceeds	-	97,657	-	97,657
Total Other Financing Sources (Uses)	(242,363)	(279,922)	57,685	(464,600)
Net change in fund balances	1,111,280	167,246	3,782	1,282,308
Fund balances - beginning	3,798,268	2,107,577	228,200	6,134,045
Fund balances - ending	\$ 4,909,548	\$ 2,274,823	\$ 231,982	\$ 7,416,353

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, 2020

Net change in fund balances - total governmental funds	\$	1,282,308
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset		
Capital asset purchases capitalized		1,428,842
Loss on disposition of assets		(5,036)
Depreciation expense		(1,366,206)
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 liabilities in the Statement of Net Position:		
Principal payments on long term debt		159,651
Capital lease proceeds		(97,657)
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 governmental funds:		
Accrued compensated absences		(130,569)
Accrued interest		41
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:		
Employer pension contributions		582,571
Employer OPEB contributions (implicit subsidy)		6,828
Cost of benefits earned net of employee contributions and State subsidy		(551,129)
Change in net position of governmental activities	\$	1,309,644

See accompanying notes to the basic financial statements

City of Grove, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Funds			Total
	GMSA	GEDA	GMAMA	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 5,656,472	\$ 158,700	\$ 8,300	\$ 5,823,472
Accounts receivable, net	1,071,436	-	8,701	1,080,137
Due from other funds	194,224	-	-	194,224
Prepaid expense	203	-	8,307	8,510
Inventory	375,077	-	16,048	391,125
Restricted assets:				
TIF Receivable, current portion	-	60,000	-	60,000
Restricted cash and cash equivalents	275,976	375,460	-	651,436
Total current assets	<u>7,573,388</u>	<u>594,160</u>	<u>41,356</u>	<u>8,208,904</u>
Noncurrent Assets:				
Restricted assets:				
TIF Receivable, net of current portion	-	2,145,000	-	2,145,000
Land held for sale	-	390,360	-	390,360
Land and construction in progress	1,564,194	1,105,557	733,292	3,403,043
Other capital assets, net	30,928,908	2,330,567	4,301,677	37,561,152
Total noncurrent assets	<u>32,493,102</u>	<u>5,971,484</u>	<u>5,034,969</u>	<u>43,499,555</u>
Total assets	<u>40,066,490</u>	<u>6,565,644</u>	<u>5,076,325</u>	<u>51,708,459</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Related to defined benefit pension plan	86,709	-	15,382	102,091
Unamortized asset retirement obligation	1,824,572	-	-	1,824,572
Total deferred outflows of resources	<u>1,911,281</u>	<u>-</u>	<u>15,382</u>	<u>1,926,663</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable and accrued expenses	659,252	-	8,429	667,681
Accrued interest payable	82,221	13,274	-	95,495
Due to other funds	11,307	-	278,460	289,767
Current portion of long term obligations	1,425,184	317,000	-	1,742,184
Total current liabilities	<u>2,177,964</u>	<u>330,274</u>	<u>286,889</u>	<u>2,795,127</u>
Noncurrent liabilities:				
Accrued compensated absences	223,866	-	14,037	237,903
Deposits subject to refund	1,073,416	-	-	1,073,416
Net pension liability	82,024	-	6,687	88,711
Other post employment benefits liability	142,532	-	4,598	147,130
Asset retirement obligation	1,861,808	-	-	1,861,808
Noncurrent portion of long-term obligations	8,950,032	2,600,000	-	11,550,032
Total noncurrent liabilities	<u>12,333,678</u>	<u>2,600,000</u>	<u>25,322</u>	<u>14,959,000</u>
Total liabilities	<u>14,511,642</u>	<u>2,930,274</u>	<u>312,211</u>	<u>17,754,127</u>
DEFERRED INFLOWS OF RESOURCES:				
Related to defined benefit pension plan	96,563	-	4,711	101,274
NET POSITION:				
Net investment in capital assets	22,117,886	2,724,124	5,034,969	29,876,979
Restricted for:				
Debt service	275,976	375,460	-	651,436
Unrestricted	4,975,704	535,786	(260,184)	5,251,306
Total net position	<u>\$ 27,369,566</u>	<u>\$ 3,635,370</u>	<u>\$ 4,774,785</u>	<u>\$ 35,779,721</u>

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, 2020

	Enterprise Funds			Total
	GMSA	GEDA	GMAMA	
Operating revenues:				
Charges for services:				
Water	\$ 3,067,392	\$ -	\$ -	\$ 3,067,392
Gas	4,050,271	-	-	4,050,271
Wastewater/Sewer	947,512	-	-	947,512
Sanitation	568,535	-	-	568,535
Service fees	12,825	-	60,022	72,847
Fuel sales	-	-	202,188	202,188
Other	319,016	7,872	5,710	332,598
Total operating revenues	<u>8,965,551</u>	<u>7,872</u>	<u>267,920</u>	<u>9,241,343</u>
Operating expenses:				
Administration	1,701,750	-	-	1,701,750
Gas	2,496,158	-	-	2,496,158
Water	1,399,516	-	-	1,399,516
Wastewater/Sewer	741,141	-	-	741,141
Sanitation	534,404	-	-	534,404
Economic development	-	64,858	-	64,858
Airport	-	-	403,851	403,851
Depreciation and amortization	1,889,311	317,253	283,005	2,489,569
Total operating expenses	<u>8,762,280</u>	<u>382,111</u>	<u>686,856</u>	<u>9,831,247</u>
Operating income (loss)	203,271	(374,239)	(418,936)	(589,904)
Non-operating revenues (expenses):				
Taxes	886,448	69,897	-	956,345
Investment income	73,491	7,293	60	80,844
Grant revenue	80,182	-	-	80,182
Loss on disposition of asset	(5,966)	-	-	(5,966)
Interest expense and fiscal charges	(262,776)	(148,925)	-	(411,701)
Total non-operating revenues (expenses)	<u>771,379</u>	<u>(71,735)</u>	<u>60</u>	<u>699,704</u>
Net income(loss) before transfers	974,650	(445,974)	(418,876)	109,800
Contributed capital	1,031,500	-	-	1,031,500
Transfers in	57,863	373,166	96,100	527,129
Change in net position	2,064,013	(72,808)	(322,776)	1,668,429
Net position - beginning (GMSA is restated)	25,305,553	3,708,178	5,097,561	34,111,292
Net position - ending	<u>\$ 27,369,566</u>	<u>\$ 3,635,370</u>	<u>\$ 4,774,785</u>	<u>\$ 35,779,721</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, 2020

	<u>Enterprise Funds</u>			
	<u>GMSA</u>	<u>GEDA</u>	<u>GMAMA</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 8,792,829	\$ 7,872	\$ 295,406	\$ 9,096,107
Payments to suppliers	(4,397,457)	(64,858)	(245,627)	(4,707,942)
Payments to or on behalf of employees	(2,056,074)	-	(79,663)	(2,135,737)
Receipts of customer deposits	165,897	-	-	165,897
Customer deposits refunded or applied	(131,458)	-	-	(131,458)
Net cash provided by (used in) operating activities	<u>2,373,737</u>	<u>(56,986)</u>	<u>(29,884)</u>	<u>2,286,867</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	69,170	-	96,100	165,270
TIF principal payments received	-	50,000	-	50,000
Principal paid on TIF note	-	(50,000)	-	(50,000)
Interest paid on TIF note	-	(117,336)	-	(117,336)
Net cash provided by (used in) non-capital and related financing activities	<u>69,170</u>	<u>(117,336)</u>	<u>96,100</u>	<u>47,934</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	-	-	-	-
Purchases of capital assets	(553,073)	-	(38,100)	(591,173)
Principal paid on capital debt	(1,574,234)	(242,000)	-	(1,816,234)
Interest and fiscal agent fees paid on capital debt	(281,003)	(35,788)	-	(316,791)
Receipt of tax revenue	839,103	69,897	-	909,000
Receipt of grants	80,182	-	-	80,182
Capital transfers from other funds	-	373,166	-	373,166
Transfers to other funds	-	-	(53,657)	(53,657)
Net cash provided by (used in) capital and related financing activities	<u>(1,489,025)</u>	<u>165,275</u>	<u>(91,757)</u>	<u>(1,415,507)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	73,491	7,293	60	80,844
Net cash provided by (used in) investing activities	<u>73,491</u>	<u>7,293</u>	<u>60</u>	<u>80,844</u>
Net increase in cash and cash equivalents	1,027,373	(1,754)	(25,481)	1,000,138
Balances - beginning of the year	4,949,903	535,914	33,781	5,519,598
Balances - end of the year	<u>\$ 5,977,276</u>	<u>\$ 534,160</u>	<u>\$ 8,300</u>	<u>\$ 6,519,736</u>
Reconciliation to the Statement of Net Position:				
Cash and cash equivalents	\$ 5,656,472	\$ 158,700	\$ 8,300	\$ 5,823,472
Restricted cash and cash equivalents	275,976	375,460	-	651,436
Total cash and cash equivalents	<u>\$ 5,932,448</u>	<u>\$ 534,160</u>	<u>\$ 8,300</u>	<u>\$ 6,474,908</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 203,271	\$ (374,239)	\$ (418,936)	\$ (589,904)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,889,311	317,253	283,005	2,489,569
Change in assets, liabilities, and deferrals:				
Decrease (increase) in receivables, net	(172,722)	-	27,486	(145,236)
Decrease in inventory	68,642	-	76,936	145,578
Decrease (Increase) in prepaid expense	(203)	-	(345)	(548)
Increase in accounts payable	356,645	-	3,332	359,977
Increase in customer deposits payable	34,439	-	-	34,439
Increase (decrease) in accrued compensated absences	29,041	-	772	29,813
Decrease in net employee benefit liability carrying values	(34,687)	-	(2,134)	(36,821)
Net cash provided by (used in) operating activities	<u>\$ 2,373,737</u>	<u>\$ (56,986)</u>	<u>\$ (29,884)</u>	<u>\$ 2,286,867</u>

See accompanying notes to the basic financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's 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 Grove 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 Hospital 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. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets that are acquired or constructed with Authority 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.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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 includes 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, 2020, the City reported deferred outflows of resources related to its defined benefit pension plans 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, 2020, the City reported deferred inflows of resources related to its defined benefit pension plans.

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:

- c. 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.
- d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of 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, 2020, 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, 2020, 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, 2020.

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, 2020, the City was not exposed to custodial credit risk as defined above.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

As of June 30, 2020, the City's reporting entity had the following deposits:

Type	Fair Value	Credit Rating
Demand deposits and cash on hand	\$ 11,492,068	n/a
Money market fund - federal obligations	651,436	AAA
	\$ 12,143,504	
Reconciliation to Statement of net position:		
Cash and cash equivalents	\$ 11,492,068	
Restricted - cash and cash equivalents	651,436	
	\$ 12,143,504	

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 consists of service fee receivables, business-type activities consists 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 \$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, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 415,766	\$ 4,000	\$ -	\$ 419,766
Construction-in-progress	81,072	206,531	(81,072)	206,531
Total Capital assets not being depreciated	<u>496,838</u>	<u>210,531</u>	<u>(81,072)</u>	<u>626,297</u>
Depreciable assets				
Buildings and improvements	12,756,708	43,994	(86,281)	12,714,421
Equipment and furniture	3,599,828	203,907	(260,983)	3,542,752
Vehicles	3,040,860	225,603	(174,323)	3,092,140
Infrastructure	5,773,750	825,880	-	6,599,630
Total depreciable assets	<u>25,171,146</u>	<u>1,299,384</u>	<u>(521,587)</u>	<u>25,948,943</u>
Less accumulated depreciation	<u>14,132,110</u>	<u>1,366,206</u>	<u>(516,551)</u>	<u>14,981,765</u>
Net depreciable assets	<u>11,039,036</u>	<u>(66,822)</u>	<u>(5,036)</u>	<u>10,967,178</u>
Governmental activities capital assets, net	<u>\$ 11,535,874</u>	<u>\$ 143,709</u>	<u>\$ (86,108)</u>	<u>\$ 11,593,474</u>
 <i>Business -type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 2,480,086	\$ -	\$ -	\$ 2,480,086
Construction-in-progress	\$ 740,035	182,922	-	922,957
Total Capital assets not being depreciated	<u>3,220,121</u>	<u>182,922</u>	<u>-</u>	<u>3,403,043</u>
Depreciable Assets:				
Buildings and improvements	24,341,468	-	(205)	24,341,263
Equipment and furniture	5,434,914	311,542	(553,599)	5,192,857
Vehicles	847,078	40,565	(65,577)	822,066
Infrastructure	40,329,719	1,098,881	-	41,428,600
Total depreciable assets	<u>70,953,179</u>	<u>1,450,988</u>	<u>(619,381)</u>	<u>71,784,786</u>
Less accumulated depreciation	<u>32,373,479</u>	<u>2,452,333</u>	<u>(602,178)</u>	<u>34,223,634</u>
Net depreciable assets	<u>38,579,700</u>	<u>(1,001,345)</u>	<u>(17,203)</u>	<u>37,561,152</u>
Business-type activities capital assets, net	<u>\$ 41,799,821</u>	<u>\$ (818,423)</u>	<u>\$ (17,203)</u>	<u>\$ 40,964,195</u>

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

Primary Government:

Governmental Activities:

General government	\$ 68,452
Public safety and judiciary	248,738
Culture, parks, and recreation	261,704
Public works	<u>787,312</u>
Total depreciation expense - governmental activities	<u>\$1,366,206</u>

Business-Type Activities:

Utilities	\$1,852,075
Economic development	317,253
Airport	<u>283,005</u>
Total depreciation expense - business-type activities	<u>\$2,452,333</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, 2020, Debt service was \$143,789, ad valorem taxes received were \$69,897, and developer payments were \$34,229.

Changes in the TIF (Tax Anticipation) Receivable

	Balance July 1, 2019	Advanced	Received	Balance June 30, 2020	Amounts Due in One Year
TIF Receivable (Harbor Point)	\$ 2,255,000	\$ -	\$ 50,000	\$ 2,205,000	\$ 60,000

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, 2020, 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.	52,044
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.	48,323
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.	84,730
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.	55,377
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>\$ 96,004</u>
Total long-term debt payable from governmental resources	<u>\$ 336,478</u>

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Business-Type Activities:

As of June 30, 2020, 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. \$ 2,020,948

\$4,080,000 GMSA, Sales Tax Revenue Note Series 2005 payable to the Bank of America, dated September, 2005 for utility line relocation and improvements to the wastewater treatment plant, payable semi-annually, maturing September, 2020, interest rate of 3.99%, 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. 185,000

\$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. 194,238

\$945,000 GMSA, Series 2011 Promissory Note issued to the Bank of Grove, dated March, 2011 for construction of a public works facility, payable semi-annually, maturing April, 2021, bearing an 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. 110,000

\$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. 1,045,000

\$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. 6,603,652

\$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. 216,378

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, 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. 565,000

\$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. 2,205,000

\$495,000 GEDA, Promissory Note Series 2017 payable to the First National Bank of Grove, dated October, 2017 to finance the purchase of a tract of land, payable semi-annually, maturing April, 2021, and bearing interest at 3.47% per annum. In the event of default, the note may be declared due and payable in the manner provided in the indenture. 147,000

Total notes payable, payable from business-type activities \$ 13,292,216

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2020</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Lease/Purchase obligations	\$ 398,472	\$ 97,657	\$ 159,651	\$ 336,478	\$ 117,371
Total Governmental Activities	<u>\$ 398,472</u>	<u>\$ 97,657</u>	<u>\$ 159,651</u>	<u>\$ 336,478</u>	<u>\$ 117,371</u>
Business Type Activities:					
GMSA:					
Notes payable	\$ 11,675,700	\$ -	\$ 1,516,862	\$ 10,158,838	\$ 1,372,343
Lease/Purchase obligations	273,750	-	57,372	216,378	52,841
GEDA:					
Notes payable	3,209,000	-	292,000	2,917,000	317,000
Total Business Type Activities	<u>\$ 15,158,450</u>	<u>\$ -</u>	<u>\$ 1,866,234</u>	<u>\$ 13,292,216</u>	<u>\$ 1,742,184</u>

Payment requirements to maturity:

Year Ending June 30,	GMSA		GEDA		City of Grove	
	Direct Borrowings and Private Placements				Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,425,184	\$ 283,581	\$ 317,000	\$ 72,636	\$ 114,472	\$ 11,229
2022	1,096,347	244,862	180,000	63,554	119,914	7,016
2023	1,060,895	213,955	185,000	58,134	66,908	3,027
2024	1,082,712	183,886	200,000	52,542	35,184	1,046
2025	826,037	153,308	210,000	46,461	-	-
2026-2030	696,049	513,501	625,000	179,593	-	-
2031-2035	4,187,992	166,372	950,000	91,944	-	-
2036	-	-	250,000	4,237	-	-
Total	<u>\$ 10,375,216</u>	<u>\$ 1,759,465</u>	<u>\$ 2,917,000</u>	<u>\$ 569,101</u>	<u>\$ 336,478</u>	<u>\$ 22,318</u>

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.G. INTERFUND TRANSACTION AND BALANCES

Interfund transfers for the year ended June 30, 2020 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Nature of Interfund Transfer</u>
* General Fund	* GEDA	\$ 66,000	Economic development
* General Fund	* GEDA	10,007	Pool operations
* General Fund	* GEDA	28,362	Sales tax incentives
* General Fund	* GMAMA	50,000	Assist airport in paying city loan
* General Fund	* GMAMA	8,000	Airport operations
* General Fund	911Emergency Communications Fund	150,000	Operating
Street and alley fund	* Capital Improvement Fund	57,188	Overlay program
* Capital Improvement Fund	* GEDA	126,232	2010 Note payment
* Capital Improvement Fund	* GMSA	57,863	Debt service - 50% of 2011 note
* Capital Improvement Fund	* GEDA	152,565	2017 Note payment
* Capital Improvement Fund	* General Fund	50,000	For transfer to GEDA
* Capital Improvement Fund	* GMAMA	38,100	Fixed asset acquisitions
		<u>\$ 794,317</u>	

* Represents major fund

Reconciliation to Fund Financial Statements:

	<u>Transfers in</u>	<u>Transfers out</u>	<u>Total</u>
Governmental Funds	\$ 267,188	\$ 794,317	\$ (527,129)
Proprietary Funds	527,129	-	527,129
Total funds	<u>794,317</u>	<u>794,317</u>	<u>-</u>

Interfund receivable/payable balances at June 30, 2020 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
* Capital Improvement	* General Fund	457,501	Sales tax accrual
* Capital Improvement	* GMAMA	13,732	Interfund financing - fuel truck
* Capital Improvement	* GMAMA	204,705	Interfund financing - T hangar
* Capital Improvement	* GMAMA	60,023	Interfund financing - terminal
* GMSA	* General Fund	194,224	Sales tax accrual
Total		<u>\$ 930,185</u>	

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Net Internal Balances</u>
Reconciliation to Fund Financial Statements:			
Governmental Funds	\$ 735,961	\$ 640,418	\$ 95,543
Proprietary Funds	194,224	289,767	(95,543)
Total	<u>\$ 930,185</u>	<u>\$ 930,185</u>	<u>\$ -</u>

* Fund is a major fund

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.I. FUND BALANCES AND NET POSITION

Government Wide Financial Statements:

Net Position Restrictions at June 30, 2020 were as follows:

Fund	Restricted By	Amount
Olympus Cemetery Fund	State statute	13,385
911 Emergency Communications Fund	State statute	102,052
Delaware County Fire Tax Fund	County levy - external	79,278
GMSA	Debt covenants - external	275,976
GEDA	Debt covenants - external	375,460
		\$ 846,151

Fund Level Financial Statements:

	General Fund	Capital Improvement Fund	Other Governmental Fund	Total
Fund Balance:				
Restricted For:				
Cemetery	\$ -	\$ -	\$ 13,385	\$ 13,385
Emergency services (911)	-	-	102,052	102,052
Fire services (county controlled)	-	-	79,278	79,278
Cemetery	-	-	194,715	194,715
Committed For:				
Capital improvements - city ordinance	-	2,274,823	-	2,274,823
Sub-total restricted	-	2,274,823	-	2,274,823
Assigned for:				
Budgetary - council resolution	1,750,000	-	-	1,750,000
Police and judiciary -council resolution	-	-	19,814	19,814
Fire services -council resolution	-	-	647	647
Cemetery -council resolution	-	-	8	8
Library operations-council resolution	-	-	5,912	5,912
Street and alleys -council resolution	-	-	10,886	10,886
Sub-total assigned	1,750,000	-	37,267	1,787,267
Unassigned:	3,159,548	-	-	3,159,548
TOTAL FUND BALANCE	\$ 4,909,548	\$ 2,274,823	\$ 231,982	\$ 7,416,353

Prior Period Restatement:

The opening net positions were restated as follows:

	Business-type Activities	GMSA Fund
Beginning net position as previously reported at June 30, 2019:	\$ 34,262,144	\$ 25,456,405
Prior period adjustments:		
Duplicate recognition of grant revenue in FY2018 and FY2019	(291,046)	(291,046)
Correction of opening accounts payable balance	140,194	140,194
Net position as restated July 1, 2019	\$ 34,111,292	\$ 25,305,553

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 and 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.

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:

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

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.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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.

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, 2019 (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, 2020, employees contributed 3.5% of eligible salary and the City contributed 16.5%.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

At June 30, 2020, 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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, 2019, the City's proportionate share was 0.3157 percent of the total OPPRS plan, 0.090057 percent of the total OFPRS plan, and 0.14017237 percent of the OPERS plan.

For the year ended June 30, 2020, the City recognized pension expense of \$122,597, \$60,715, and \$301,361 for the OPPRS, OFPRS, and OPERS plans, respectively.

At June 30, 2020 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	\$ 12,095	\$ 95,159
Net difference between projected and actual earnings on pension plan investments	335,583	151,408
Differences due to changes in assumptions	51,463	-
Contributions subsequent to the measurement date	132,905	-
OFPRS		
Difference between expected and actual plan experience	159,345	19,356
Net difference between projected and actual earnings on pension plan investments	36,550	105,435
Differences due to changes in assumptions	-	24,446
Contributions subsequent to the measurement date	38,491	-
OPERS		
Difference between expected and actual plan experience	-	43,931
Net difference between projected and actual earnings on pension plan investments	-	56,332
Difference due to change in proportion	94,786	-
Contributions subsequent to the measurement date	411,175	-
Total for all plans	\$ 1,272,393	\$ 496,067
Reconciliation to the Statement of Net Position:		
Governmental activities	\$ 1,177,130	\$ 515,654
Business-type activities	102,091	101,274
Less: OPEB amounts (to reconcile)	(6,828)	(120,861)
Total	\$ 1,272,393	\$ 496,067

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$582,571 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

Fiscal Year:	
2021	\$ 156,075
2022	\$(116,405)
2023	\$ 60,802
2024	\$ 94,612
2025	\$ (1,329)

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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>OPPRS</u>	<u>OFPRS</u>	<u>OPERS</u>
Inflation	3.00%	3.00%	3.00%
Salary increases	1.50% - 14.00%	0.50% - 6.00%	4.5% - 8.4%
Salary inflation	3.00%	3.00%	3.00%
Investment rate of return	7.50%, net of investment expenses	7.50%, net of investment expenses	7.00%, net of investment expenses
Cost-of-living adjustments	Officers eligible to receive increased benefits based on a repealed statute receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase of base salary of 3%	Half of the dollar amount of a 3% assumed increase in base pay for firefighters with 20 years of service as of May 26, 1983. No COLA is assumed for members not eligible for this increase	No current provision

Mortality rates for the all plans were based on the RP-2000 Blue Collar Healthy Combined with generational mortality improvement using Scale AA.

The most recent experience study for the Plans considered actual System experience for the period July, 2013 through June 30, 2016. Total Pension Liability for the Plans as of June 30, 2020, is based on the results of an actuarial valuation date of July 1, 2019.

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 the Plans was 7.5%. 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 7.0% 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)			
	1% Decrease	Current	1% Increase
Discount rate used >	6.50%	Discount Rate 7.50%	8.50%
Cost sharing plans - proportionate share			
OPPRS	858,579	(20,155)	(763,135)
OFPRS	1,228,786	951,602	647,227
OPERS	1,687,996	186,693	(1,086,125)
Total net pension liability (asset)	3,775,361	1,118,140	(1,202,033)
Reconciliation to the Statement of Net Position:			
Governmental activities		(1,029,429)	
Business-type activities		(88,711)	
Total net pension liability		(1,118,140)	

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, 2020 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, 2020 were \$6,828.

Employees Covered by Benefit Terms

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

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

Actuarial Assumptions- The total OPEB liability in the June 30, 2020 valuation, was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Cost Method
- Discount Rate – 3.50% based on the 20 year municipal bond yield
- Retirement Age – Civilians - 55 with 7 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%
2019	6.02%

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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>541,246</u>
Changes for the Year:	
Service cost	31,677
Interest expense	20,946
Defferences between expected and actual experience	(34,756)
Change in assumptions	7,543
Benefits paid	<u>(6,828)</u>
Net Changes	<u>18,582</u>
Balances End of Year	<u>\$ 559,828</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2020, the City recognized OPEB expense of \$28,388. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 65,007
Changes of assumptions	-	55,854
City Contributions subsequent to the measurement date	<u>6,828</u>	<u>-</u>
Total	<u>\$ 6,828</u>	<u>\$ 120,861</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:	
2021	\$ (24,235)
2022	(24,235)
2023	(24,235)
2024	(24,235)
2025	(18,145)
Thereafter	(5,776)
	<u><u>\$ (120,861)</u></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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Employers' total OPEB liability	\$ 672,468	\$ 559,828	\$ 471,758

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 (5.02% decreasing to 3.87%)	Current Discount Rate (6.02 % decreasing to 4.87%)	1% Increase (7.02% decreasing to 5.87%)
Employers' total OPEB liability	\$ 474,875	\$ 559,828	\$ 665,571

4.C. RISK MANAGEMENT

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

4.D. 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.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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 December 22, 2020 the Grove Municipal Services Authority issued its \$5,350,000 Series 2020 Clean Water SRF Promissory Note (the "Note") to 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 construct sewer system improvements which are expected to begin by April 2021 and conclude no later than September 2023. Payments will be due each March and September commencing March 2021 and concluding September 2052. The effect of the issuance was to increase restricted cash and increase long term debt payable.

The COVID-19 pandemic has developed rapidly in 2020, 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 for the fiscal year ended June 30, 2021, however the impact on the City's financial operations cannot be determined at this time.

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.

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, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to final Favorable (unfav)</u>
Beginning budgetary fund balance	\$ 1,300,000	\$ 1,300,000	\$ 3,798,268	\$ 2,498,268
Resources (inflows)				
Taxes				
Sales and Use taxes	4,087,700	4,050,000	5,032,247	982,247
Franchise tax	206,000	206,000	339,697	133,697
Total taxes	<u>4,293,700</u>	<u>4,256,000</u>	<u>5,371,944</u>	<u>1,115,944</u>
Intergovernmental				
Alcoholic beverage tax	75,000	75,000	117,732	42,732
Tobacco tax	75,000	75,000	69,753	(5,247)
Grants and contributions	10,000	10,000	22,894	12,894
Total intergovernmental	<u>160,000</u>	<u>160,000</u>	<u>210,379</u>	<u>50,379</u>
Licenses and permits				
Occupational licenses	20,000	20,000	47,734	27,734
Construction Permits	45,000	45,000	76,618	31,618
Animal license	3,000	3,000	2,378	(622)
Total licenses and permits	<u>68,000</u>	<u>68,000</u>	<u>126,730</u>	<u>58,730</u>
Charges for services				
Plots and interment	11,000	11,000	11,044	44
Miscellaneous fees	152,500	152,500	250,674	98,174
Total charges for services	<u>163,500</u>	<u>163,500</u>	<u>261,718</u>	<u>98,218</u>
Fines and forfeitures	<u>85,000</u>	<u>85,000</u>	<u>106,051</u>	<u>21,051</u>
Other income				
Investment income	40,000	40,000	70,811	30,811
Miscellaneous income	213,400	212,200	152,166	(60,034)
Total other income	<u>253,400</u>	<u>252,200</u>	<u>222,977</u>	<u>(29,223)</u>
Other financing sources				
Transfers in	4,314,000	3,810,000	60,000	(3,750,000)
	<u>4,314,000</u>	<u>3,810,000</u>	<u>60,000</u>	<u>(3,750,000)</u>
Amounts available for appropriation	<u>\$ 10,637,600</u>	<u>\$ 10,094,700</u>	<u>\$ 10,158,067</u>	<u>\$ 63,367</u>

(CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GROVE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(CONTINUED)

Charges to appropriations (outflows)

General government:

Governing Board	478,500	492,500	184,398	308,102
Administration	651,600	642,600	547,786	94,814
Finance	85,000	85,000	78,264	6,736
Legal and Court	83,600	83,600	79,290	4,310
City Hall	33,800	33,800	17,986	15,814
Airport	8,000	8,000	-	8,000
Total general government	<u>1,340,500</u>	<u>1,345,500</u>	<u>907,724</u>	<u>437,776</u>

Public Safety

Police, Dispatch and Code Enforcement	2,004,500	1,958,500	1,804,752	153,748
Fire	628,400	638,200	568,605	69,595
Total public safety	<u>2,632,900</u>	<u>2,596,700</u>	<u>2,373,357</u>	<u>223,343</u>

Public works

Streets	754,800	749,800	624,905	124,895
Vehicle Maintenance	119,400	117,700	96,725	20,975
Building and Grounds	490,300	490,300	427,447	62,853
Total public works	<u>1,364,500</u>	<u>1,357,800</u>	<u>1,149,077</u>	<u>208,723</u>

Cultural, parks, recreation, and promotion

Library	20,700	20,700	15,572	5,128
Cemetery	3,200	3,200	2,082	1,118
Recreation	165,100	164,100	183,316	(19,216)
Community Development	352,700	352,700	303,861	48,839
Civic Center	73,200	73,200		73,200
Senior Citizens	16,600	16,600	11,167	5,433
Total cultural, parks, recreation, and promotion	<u>631,500</u>	<u>630,500</u>	<u>515,998</u>	<u>114,502</u>

Other financing uses

Transfers to other funds	4,668,200	4,164,200	302,363	3,861,837
Total other financing uses	<u>4,668,200</u>	<u>4,164,200</u>	<u>302,363</u>	<u>3,861,837</u>

Total charges to appropriations

	<u>10,637,600</u>	<u>10,094,700</u>	<u>5,248,519</u>	<u>4,846,181</u>
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Ending budgetary fund balance

	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,909,548</u>	<u>\$ 4,909,548</u>
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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GROVE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
CAPITAL IMPROVEMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to final Favorable (unfav)</u>
Beginning budgetary fund balance	\$ 1,004,000	\$ 1,000,000	\$ 2,107,577	\$ 1,107,577
Resources (inflows)				
Taxes				
Sales tax	1,875,000	1,875,000	2,217,126	342,126
Intergovernmental				
Grants and Contributions	405,700	405,700	-	(405,700)
Miscellaneous	-	-	6,130	6,130
Total intergovernmental	405,700	405,700	6,130	(399,570)
Other income				
Transfer in	2,247,800	1,994,800	57,188	(1,937,612)
Total other income	2,247,800	1,994,800	57,188	(1,937,612)
Loan Proceeds	-	-	97,657	97,657
Amounts available for appropriation	5,532,500	5,275,500	4,485,678	(789,822)
Charges to appropriations (outflows)				
Administration	201,600	201,800	1,551	200,249
Public Safety	318,100	318,100	137,007	181,093
Public Works	584,500	580,300	208,688	371,612
Airport	167,000	167,000	-	167,000
Community Development	25,300	25,300	-	25,300
Capital outlay	1,710,000	1,710,000	1,428,842	281,158
Transfers out	2,526,000	2,273,000	434,767	1,838,233
Total charges to appropriations	5,532,500	5,275,500	2,210,855	3,064,645
Ending budgetary fund balance	\$ -	\$ -	\$ 2,274,823	\$ 2,274,823

**CITY OF GROVE, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GROVE
SCHEDULE OF CITY OF GROVE'S SHARE OF NET PENSION LIABILITIES*
JUNE 30, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Oklahoma Police Pension and Retirement Plan (OPPRS)</u>						
City's portion of net pension liability	0.3157%	0.3307%	0.3333%	0.3178%	0.3198%	0.3188%
City's proportionate share of the net pension liability/(asset)	\$ (20,154)	\$ (157,537)	\$ 25,614	\$ 486,748	\$ 13,039	\$ (107,348)
City's covered-employee payroll	\$ 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	-1.963%	-15.617%	2.733%	51.930%	1.462%	-10.730%
Plan fiduciary net position as a percentage of the total pension liability	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	0.0901%	0.0897%	0.0863%	0.0863%	0.0873%	0.0844%
City's proportionate share of the net pension liability	\$ 951,602	\$ 1,009,176	\$ 1,085,508	\$ 1,054,494	\$ 926,341	\$ 867,776
City's covered-employee payroll	\$ 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	341.70%	378.47%	449.61%	436.76%	388.47%	333.26%
Plan fiduciary net position as a percentage of the total pension liability	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	0.1402%	0.1722%	0.1449%	0.1216%	0.1250%	0.1275%
City's share of the net pension liability	\$ 186,693	\$ 335,874	\$ 783,208	\$ 1,206,223	\$ 449,762	\$ 234,044
City's covered-employee payroll	\$ 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	8.35%	12.46%	33.16%	55.23%	19.88%	11.33%
Plan fiduciary net position as a percentage of the total pension liability	98.6%	98.0%	94.3%	93.2%	93.6%	88.6%

*This information is reported for the cost sharing multiple employer plans and is as of 7/1/2019 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, 2020**

	<u>2020</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Oklahoma Police Pension and Retirement Plan (OPPRS)</u>					
Statutorily required contribution	\$ 132,905	\$ 131,142	\$ 129,294	\$ 115,956	\$ 130,063
Contributions related to the statutorily required contributions (does not include State contributions)	132,905	131,142	129,294	115,956	130,063
Contribution (deficiency) excess	-	-	-	-	-
City's covered-employee payroll	\$ 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%	13.79%	13.00%	13.00%
<u>Oklahoma Firefighters Pension and Retirement Plan (OFPRS)</u>					
Statutorily required contribution	\$ 38,491	\$ 37,330	\$ 34,497	\$ 33,801	\$ 33,384
Contributions related to the statutorily required contributions (does not include State contributions)	38,491	37,330	34,497	33,801	33,384
Contribution (deficiency) excess	-	-	-	-	-
City's covered-employee payroll	\$ 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%
<u>Oklahoma Public Employees Retirement System (OPERS)</u>					
Statutorily required contribution	\$ 411,175	\$ 368,922	\$ 386,884	\$ 360,352	\$ 373,231
Contributions related to the statutorily required contributions	411,175	368,922	386,884	363,722	370,118
Contribution (deficiency) excess	-	-	-	3,370	(3,113)
City's covered-employee payroll	\$ 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%	16.65%	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

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

Notes to Schedule:

Only three 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, 2020

	GOVERNMENTAL FUNDS											
	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 Perpetual Care Fund	Grove Del Co Fire Tax Fund	911 Emergency Communications Fund	Total Nonmajor Governmental Funds
ASSETS												
Cash	\$ -	\$ 5,912	\$ 13,385	\$ 1,112	\$ 4,563	\$ 1,376	\$ 8,968	\$ 6,953	\$ 8	\$ -	\$ 84,463	\$ 126,740
Receivables:												
Due from other governments	10,886	-	-	-	-	-	-	-	-	79,278	24,970	115,134
Total assets	<u>\$ 10,886</u>	<u>\$ 5,912</u>	<u>\$ 13,385</u>	<u>\$ 1,112</u>	<u>\$ 4,563</u>	<u>\$ 1,376</u>	<u>\$ 8,968</u>	<u>\$ 6,953</u>	<u>\$ 8</u>	<u>\$ 79,278</u>	<u>\$ 109,433</u>	<u>\$ 241,874</u>
LIABILITIES												
Accounts payable	\$ -	\$ -	\$ -	\$ 465	\$ -	\$ -	\$ 2,046	\$ -	\$ -	\$ -	\$ 7,381	\$ 9,892
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>465</u>	<u>-</u>	<u>-</u>	<u>2,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,381</u>	<u>9,892</u>
FUND BALANCES												
Restricted	-	-	13,385	-	-	-	-	-	-	79,278	102,052	194,715
Assigned	10,886	5,912	-	647	4,563	1,376	6,922	6,953	8	-	-	37,267
Total fund balances	<u>10,886</u>	<u>5,912</u>	<u>13,385</u>	<u>647</u>	<u>4,563</u>	<u>1,376</u>	<u>6,922</u>	<u>6,953</u>	<u>8</u>	<u>79,278</u>	<u>102,052</u>	<u>231,982</u>
Total liabilities and fund balances	<u>\$ 10,886</u>	<u>\$ 5,912</u>	<u>\$ 13,385</u>	<u>\$ 1,112</u>	<u>\$ 4,563</u>	<u>\$ 1,376</u>	<u>\$ 8,968</u>	<u>\$ 6,953</u>	<u>\$ 8</u>	<u>\$ 79,278</u>	<u>\$ 109,433</u>	<u>\$ 241,874</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, 2020

	GOVERNMENTAL FUNDS											
	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 Perpetual Care Fund	Grove Del Co Fire Tax Fund	911 Emergency Communications Fund	Total Nonmajor Governmental Funds
REVENUES												
Donations	\$ -	\$ -	\$ -	\$ 4,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,771
Intergovernmental	57,570	-	-	-	-	-	-	-	70,455	204,489	-	332,514
Grants/contributions	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	2,531	488	-	-	-	-	-	-	-	3,019
Fines and forfeitures	-	-	-	-	-	-	2,251	-	-	-	-	2,251
Licenses and permits	-	-	-	-	-	-	-	5	-	-	-	5
Investment income	-	88	229	88	72	20	127	104	-	436	-	1,164
Miscellaneous	-	-	-	-	-	-	-	-	150	4,522	-	4,672
Total revenues	<u>57,570</u>	<u>88</u>	<u>2,760</u>	<u>5,347</u>	<u>72</u>	<u>20</u>	<u>2,378</u>	<u>109</u>	<u>150</u>	<u>75,413</u>	<u>204,489</u>	<u>348,396</u>
EXPENDITURES												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	12,707	1,677	-	3,438	-	-	42,595	330,190	390,607
Cemetery	-	-	11,500	-	-	-	-	-	-	-	-	11,500
Cultural, Parks, Recreation	-	-	-	-	-	-	-	-	192	-	-	192
Debt service												
Principal	-	-	-	-	-	-	-	-	-	32,307	-	32,307
Interest	-	-	-	-	-	-	-	-	-	2,821	-	2,821
Total expenditures	<u>-</u>	<u>-</u>	<u>11,500</u>	<u>12,707</u>	<u>1,677</u>	<u>-</u>	<u>3,438</u>	<u>-</u>	<u>192</u>	<u>77,723</u>	<u>330,190</u>	<u>437,427</u>
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	-	-	-	-	-	150,000	150,000
Transfers out	(57,187)	-	-	-	-	-	-	-	-	-	-	(57,187)
Total other financing sources (uses)	<u>(57,187)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>92,813</u>
NET CHANGE IN FUND BALANCES	383	88	(8,740)	(7,360)	(1,605)	20	(1,060)	109	(42)	(2,310)	24,299	3,782
FUND BALANCES - BEGINNING	10,503	5,824	22,125	8,007	6,168	1,356	7,982	6,844	50	81,588	77,753	228,200
FUND BALANCES - ENDING	<u>\$ 10,886</u>	<u>\$ 5,912</u>	<u>\$ 13,385</u>	<u>\$ 647</u>	<u>\$ 4,563</u>	<u>\$ 1,376</u>	<u>\$ 6,922</u>	<u>\$ 6,953</u>	<u>\$ 8</u>	<u>\$ 79,278</u>	<u>\$ 102,052</u>	<u>\$ 231,982</u>

**CITY OF GROVE, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA# Number	Pass-through Identifying Number	Federal Expenditures
FEDERAL AWARDS:			
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
<i>Passed through the Oklahoma Highway Safety Office:</i>			
State and Community Highway Safety	20.600	PT-19-03-07-10	3,968
Total US Department of Transportation			3,968
<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>			
Emergency Management Assistance	97.042	EMPG19	5,000
Total US Homeland Security			5,000
TOTAL FEDERAL AWARDS			\$ 14,968

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2020. 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, 2020**

Gross Revenue Available for Debt Service:

Water system revenues	\$ 3,067,392
Wastewater/Sewer system revenues	947,512
Gas system revenues	4,050,271
Investment income	73,491
Sales tax revenues (1)	5,320,819
	13,459,485
 Total Gross Revenues Available	 13,459,485
 Water, waste water/sewer, and gas operating expense (2)	 6,149,589
	6,149,589
 Net Revenues Available for Debt Service	 \$ 7,309,896
	7,309,896

Average Annual Debt Service Requirements for Term:

2003 GMSA OWRB CWSRF Note	\$ 479,956
2005 GMSA Sales Tax Revenue Note	188,691
2009 GMSA OWRB CWSRF Note	132,625
2011 GMSA PROMISSORY NOTE	112,863
2011 GMSA Sales Tax Revenue Note	177,118
2013 GMSA OWRB DWSRF NOTE	556,885
	1,648,138
Total average annual Debt Service	\$ 1,648,138

Computed Coverage	4.44
	4.44

Coverage Requirement - Revenue Bond and Note Indentures	1.25
	1.25

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

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



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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 28, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of finding and management response, that we consider to be a material weakness. [2020-01].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

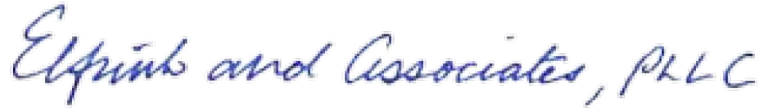
City of Grove's Response to Findings

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



Purpose of this Report

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

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

Elfrink and Associates, PLLC

Tulsa, Oklahoma
January 28, 2021

CITY OF GROVE, OKLAHOMA
FISCAL YEAR ENDED JUNE 30, 2020
SCHEDULE OF FINDING AND RESPONSE

This schedule is presented as an addendum to accompany the “*Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*”. Consideration of items listed should be made in conjunction with that report.

2020-01 – Internal Controls over Financial Reporting

CONDITION: During the current year management discovered that grant revenue was recognized in the fiscal year ended June 30, 2019 that had also been accrued in the fiscal year ended June 30, 2018, thus duplicating the recognition of the revenue. In addition, the accounts payable accrual from June 30, 2018 was not reversed in the prior year, causing the related expenses to be recorded twice. Both of the errors occurred in the GMSA fund.

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

EFFECT: In the year ended June 30, 2019, grant receivables and grant revenue were overstated by \$291,046; utility expenses and accounts payable were overstated by \$140,194; and net position was overstated by \$150,852 for business-type activities and the Grove Municipal Services Authority fund.

RECOMMENDATION: We recommend that management consider policies and procedures to ensure that accounting standards are followed.

RESPONSE: Management agrees with the finding and recognizes the importance of adequate design and implementation controls to ensure that the financial statements are being accurately presented.