



City of Marlow, Oklahoma

Financial Statements

Year –End: June 30, 2020

City of Marlow
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 For the Fiscal Year Ended June 30, 2020

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FINANCIAL



INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Marlow, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of the City of Marlow, Oklahoma 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 the modified cash basis of accounting described in Note 1.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 principles 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marlow, Oklahoma, as of June 30, 2020, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1.B.

Basis of Accounting

We draw your attention to Note 1.B.of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplemental Information

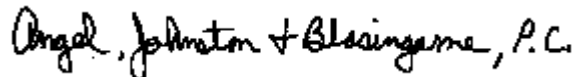
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marlow, Oklahoma basic financial statements. The Supplemental Information as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements.

The combining statements of the general fund and the non-major fund financial statements, and the grant activity schedule information are the responsibility of management and derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of the general fund and the non-major fund financial statements, and the grant activity schedule information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparison information on pages 30, 31 and 32, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 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 the effectiveness of the City of Marlow's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma
February 19, 2021

BASIC FINANCIAL STATEMENTS

City of Marlow
Government-Wide Statement of Net Position – Modified Cash Basis
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	MEDA
ASSETS				
Cash and Cash Equivalent	\$ 3,279,181	\$ 1,519,548	\$ 4,798,729	\$ 500,704
Restricted Cash and Cash Equivalents	41,226	292,664	333,890	-
Investments	622,052	1,866,159	2,488,211	-
Interfund Balances	1,100	(1,100)	-	-
Land and Construction in Progress	284,036	1,390,873	1,674,909	99,939
Other Capital Assets, net of depreciation	5,686,259	7,848,568	13,534,827	11,677
Total Assets	<u>9,913,854</u>	<u>12,916,712</u>	<u>22,830,566</u>	<u>612,320</u>
LIABILITIES				
Current Liabilities				
Bonds Pending Court	1,899	-	1,899	-
Refundable Meter Deposits	-	325,656	325,656	-
Long -term liabilities				
Due within one year	23,122	348,317	371,439	-
Due in more than one year	9,495	2,630,303	2,639,798	-
Total Liabilities	<u>34,516</u>	<u>3,304,276</u>	<u>3,338,792</u>	<u>-</u>
NET POSITION				
Invested in Capital Assets	5,937,678	6,260,821	12,198,499	-
Restricted for				
Sewer Project and Debt Service	1,328,959	80,221	1,409,180	-
Street and Alley	106,729	-	106,729	-
Cemetery	82,321	-	82,321	-
Water	4,147	-	4,147	-
EMS	679,218	-	679,218	-
Grants	-	-	-	-
Unrestricted	1,740,286	3,271,394	5,011,680	612,320
Total Net Position	<u>\$ 9,879,338</u>	<u>\$ 9,612,436</u>	<u>\$ 19,491,774</u>	<u>\$ 612,320</u>

The notes to the financial statements are an integral part of this statement

City of Marlow
Government-Wide Statement of Activities— Modified Cash Basis
For the Year Ended June 30, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<i>Functions/Programs</i>								
Primary Government								
Governmental Activities								
General Government	\$ 369,896	\$ 18,635	\$ -	\$ -	\$ (351,261)	\$ -	\$ (351,261)	
Highways and Streets	427,099	-	-	-	(427,099)	-	(427,099)	
Public Safety	1,595,174	142,420	14,488	-	(1,438,266)	-	(1,438,266)	
Culture and Recreation	257,224	-	2,951	-	(254,273)	-	(254,273)	
Cemetery	138,838	42,641	-	-	(96,197)	-	(96,197)	
Interest Expense	1,824	-	-	-	(1,824)	-	(1,824)	
Total Governmental Activities	<u>2,790,055</u>	<u>203,696</u>	<u>17,439</u>	<u>-</u>	<u>(2,568,920)</u>	<u>-</u>	<u>(2,568,920)</u>	
Business-Type Activities								
Electric	3,247,384	3,982,686	-	-	-	735,302	735,302	
Water	667,620	599,477	-	-	-	(68,143)	(68,143)	
Sanitation	732,991	738,986	-	-	-	5,995	5,995	
Sewer	97,453	303,319	-	-	-	205,866	205,866	
General Government and Recreation	677,279	183,006	-	-	-	(494,273)	(494,273)	
Total Business Type Activities	<u>5,422,727</u>	<u>5,807,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384,747</u>	<u>384,747</u>	
Total Primary Government	<u>8,212,782</u>	<u>6,011,170</u>	<u>17,439</u>	<u>-</u>	<u>(2,568,920)</u>	<u>384,747</u>	<u>(2,184,173)</u>	
Component Unit								
Marlow Economic Development Authority	<u>21,743</u>	<u>2,250</u>	<u>42,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,507</u>
General Revenues								
Taxes					2,021,786	-	2,021,786	-
Investment Return					39,729	56,509	96,238	3,368
Rent and Royalties					15,201	-	15,201	-
Miscellaneous					115,115	-	115,115	-
Transfers					578,000	(578,000)	-	-
Total General Revenues and Transfers					<u>2,769,831</u>	<u>(521,491)</u>	<u>2,248,340</u>	<u>3,368</u>
Change in Net Position					200,911	(136,744)	64,167	25,875
Net Position - Beginning					<u>9,678,427</u>	<u>9,749,180</u>	<u>19,427,607</u>	<u>586,445</u>
Net Position - Ending					<u>\$ 9,879,338</u>	<u>\$ 9,612,436</u>	<u>\$ 19,491,774</u>	<u>\$ 612,320</u>

The notes to the financial statements are an integral part of this statement

City of Marlow
Balance Sheet – Modified Cash Basis
Governmental Funds
June 30, 2020

	General Fund	Capital Improvement Fund	Sewer Project Fund	Other Governmental Funds	Total
Assets					
Cash and Cash Investments	\$ 400,247	\$ 895,207	1,134,977	\$ 848,750	\$ 3,279,181
Restricted Cash	41,226	-	-	-	41,226
Investments	193,458	-	307,294	121,300	622,052
Due from (to) Other Funds	1,269	-	-	(169)	1,100
Total Assets	\$ 636,200	\$ 895,207	\$ 1,442,271	\$ 969,881	\$ 3,943,559
Liabilities					
Bonds Pending Court	\$ 1,899	\$ -	\$ -	\$ -	\$ 1,899
Total Liabilities	1,899	-	-	-	1,899
Fund Balances					
Restricted	\$ 4,147	\$ -	\$ 1,328,959	\$ 868,268	\$ 2,201,374
Assigned	18,140	895,207	113,312	101,613	1,128,272
Unassigned	612,014	-	-	-	612,014
Total Fund Balances	\$ 634,301	\$ 895,207	\$ 1,442,271	\$ 969,881	\$ 3,941,660
Total Liabilities and Fund Balances	\$ 636,200	\$ 895,207	\$ 1,442,271	\$ 969,881	

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 fund.	5,970,295
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(32,617)</u>
Net position of governmental activities.	<u>\$ 9,879,338</u>

The notes to the financial statements are an integral part of this statement

City of Marlow
Statement of Revenues, Expenditures and
Changes in Fund Balance – Modified Cash Basis – Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Capital Improvement Fund	Sewer Project Fund	Other Governmental Funds	Total
REVENUE					
Taxes	\$ 1,024,370	\$ 277,937	\$ 453,828	\$ 265,651	\$ 2,021,786
Grants	7,593	-	-	-	7,593
License and Permits	36,701	-	-	-	36,701
Charges for Service	18,635	-	-	-	18,635
Fines	105,719	-	-	-	105,719
Miscellaneous	59,358	150	-	55,607	115,115
Investment Return	12,356	1,185	17,393	8,793	39,727
Royalties	-	15,201	-	9,846	25,047
Cemetery	37,456	-	-	5,185	42,641
	<u>1,302,188</u>	<u>294,473</u>	<u>471,221</u>	<u>345,082</u>	<u>2,412,964</u>
Total Revenue					
EXPENDITURES					
Current					
General Government	256,724	-	56,000	1	312,725
Public Safety	1,210,303	-	-	219,140	1,429,443
Highways and Streets	205,910	22,928	-	-	228,838
Culture and Recreation	153,112	-	-	-	153,112
Cemetery	133,229	-	-	332	133,561
Capital Outlay					
General Government	-	-	463,451	-	463,451
Public Safety	29,723	-	-	175,627	205,350
Highways and Streets	-	36,977	-	65,729	102,706
Debt Service	-	23,112	-	-	23,112
	<u>1,989,001</u>	<u>83,017</u>	<u>519,451</u>	<u>460,829</u>	<u>3,052,298</u>
Total Expenditures					
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(686,813)	211,456	(48,230)	(115,747)	(639,334)
Other Financing Sources					
Capital Lease Proceeds	29,723	-	-	-	29,723
Transfers In	620,000	-	-	-	620,000
Transfers Out	-	(42,000)	-	-	(42,000)
Total Other Financing Sources	<u>649,723</u>	<u>(42,000)</u>	<u>-</u>	<u>-</u>	<u>607,723</u>
Net Change in Fund Balances	(37,090)	169,456	(48,230)	(115,747)	(31,611)
Fund Balances - Beginning	671,391	725,751	1,490,501	1,085,628	3,973,271
Fund Balances - Ending	<u>\$ 634,301</u>	<u>\$ 895,207</u>	<u>\$ 1,442,271</u>	<u>\$ 969,881</u>	<u>\$ 3,941,660</u>

The notes to the financial statements are an integral part of this statement

City of Marlow
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance – Modified Cash Basis – Governmental Funds
to the Statement of Activities – Modified Cash Basis
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$ (31,611)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	240,955
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The issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(8,433)</u>
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Change in net position of governmental activities.	<u><u>\$ 200,911</u></u>
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The notes to the financial statements are an integral part of this statement

City of Marlow
Statement of Net Position – Modified Cash Basis – Proprietary Fund
June 30, 2020

	<u>Marlow Municipal Authority</u>
<i>ASSETS</i>	
Current Assets	
Cash and Cash Equivalent	\$ 1,519,547
Restricted Cash and Cash Equivalents	212,443
Investments	1,866,159
Due From (to) Other Funds	<u>(1,100)</u>
Total Current Assets	<u>3,597,049</u>
Noncurrent Assets	
Restricted Cash and Cash Equivalents	80,221
Capital Assets	
Land and Construction in Progress	1,390,873
Other Capital Assets	47,182,916
Less Accumulated Depreciation	<u>(39,334,348)</u>
Total Noncurrent Assets	<u>9,319,662</u>
Total Assets	<u>12,916,711</u>
<i>LIABILITIES</i>	
Current Liabilities	
Refundable Meter Deposits	325,655
Notes Payable, Current Portion	<u>348,317</u>
Total Current Liabilities	673,972
Noncurrent Liabilities	
Notes Payable	<u>2,630,303</u>
Total Noncurrent Liabilities	<u>2,630,303</u>
Total Liabilities	<u>3,304,275</u>
<i>NET POSITION</i>	
Invested in Capital Assets, net of related debt	6,260,821
Restricted for Debt Service	80,221
Unrestricted	<u>3,271,394</u>
Total Net Position	<u>\$ 9,612,436</u>

The notes to the financial statements are an integral part of this statement

City of Marlow
Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis
Proprietary Fund
For the Year Ended June 30, 2020

	Marlow Municipal Authority
Operating Revenues:	
Electric	\$ 3,982,686
Water	599,477
Sanitation	738,986
Sewer	303,319
Pool	4,858
Miscellaneous	178,148
Total Operating Revenue	5,807,474
Operating Expenses:	
Electric	3,247,384
Water	578,071
Sanitation	732,991
Sewer	97,453
Pool	17,681
General Government	659,598
Total Operating Expenses	5,333,178
Operating Income (Loss)	474,296
Nonoperating Revenues (Expenses):	
Interest Revenue	56,509
Interest Expense	(89,549)
Total Nonoperating Revenues (Expenses)	(33,040)
Income (Loss) before Transfers	441,256
Other Financing Sources (Uses):	
Transfers In	-
Transfers Out	(578,000)
Total Other Financing Sources	(578,000)
Net Change in Net Position	(136,744)
Total Net Position - Beginning	9,749,180
Total Net Position - Ending	\$ 9,612,436

The notes to the financial statements are an integral part of this statement

City of Marlow
Statement of Cash Flows – Modified Cash Basis – Proprietary Fund
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Revenues Received	\$ 5,807,474
Vendors and Others Paid	<u>(4,859,666)</u>
Net Cash Provided by Operating Activities	947,808

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer, Net	<u>(578,000)</u>
Net Cash Used by Noncapital Financing Activities	(578,000)

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Payment of Debt	(331,991)
Purchase of Property, Plant and Equipment	(26,796)
Decrease in Restricted Cash - Capital Financing	<u>2,294</u>
Net Cash Used by Capital Financing Activities	(356,493)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	56,509
Interest Expense	(89,549)
Increase in Restricted Cash and Investments	<u>(54,506)</u>
Net Cash Used by Investing Activities	<u>(87,546)</u>

Net Decrease in Cash and Cash Equivalents (74,231)

Cash and Cash Equivalents, July 1, 2019 1,593,778

Cash and Cash Equivalents, June 30, 2020 \$ 1,519,547

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating Income \$ 474,296

Adjustment to Reconcile Operating Income to
Net Cash Provided by Operating Activities:

Depreciation and Amortization Expense	459,208
Increase in Due from (to) Other Funds	1,101
Increase in Meter Deposits Payable	<u>13,203</u>

Net Cash Provided by Operating Activities \$ 947,808

The notes to the financial statements are an integral part of this statement

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Marlow, Oklahoma, (the City) is a charter city operating under a Council-Manager form of government authorized by the charter and Title 11 of the Oklahoma statutes. The governing body of the City is the City Council comprised of five elected members. The appointed City Manager is the administrative head of the City.

The accompanying financial statements present the City of Marlow and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Unit

The Marlow Municipal Authority (Authority) serves all the citizens of the government and is governed by a board comprised of the government's elected council and two appointed members. The rates for user charges and bond issuance authorizations are approved by the government's council and the legal liability for the general obligation portion of the Authority's debt remains with the government. The Authority is presented as an Enterprise fund.

Discretely presented Component Unit

The Marlow Economic Development Authority (MEDA) was established to promote industrial development in the Marlow area. MEDA has a separate governing board. The City transfers funds to this Authority. Complete financial statements can be obtained from the City.

B. Government-wide and fund financial statements

Government-Wide Financial Statements

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

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The government-wide financial statements of the City are prepared on a modified cash basis of accounting. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenditures at date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred. Donated capital assets are recorded at estimated fair market value at date of donation.
- Court bonds payable are recorded as liabilities.
- Investments

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in each fund-type financial statements.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements – (continued)

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The modified cash basis of accounting is used. However, the governmental funds focus on a current financial resources measurement thus capital assets and debt is not recorded.

The City reports the following major government funds:

General Fund - is the Government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Funds combined with the General Fund are OHFA Grant, CINCH and Special Library.

Capital Improvement Fund - is a special revenue fund which accounts for dedicated sales tax to be used for capital projects.

Sewer Project Fund - is a special revenue fund which accounts for one-percent dedicated sales tax to be used for sewer and sanitation improvements.

Nonmajor Governmental Funds are the Cemetery Care, EMS, Street and Alley Funds.

The City reports the Marlow Municipal Authority (MMA) as a major proprietary fund. MMA accounts for the activities related to the provision of water and sewer services to businesses and residents. It operates the water and sewer treatment plants, water distribution system, sewer collections systems and pump stations.

Proprietary funds are accounted for using the modified cash basis of accounting modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded. Donated capital assets are recorded at estimated fair market value at date of donation.
- Long-term debt is recorded when incurred.
- Customer Meter deposits are held and recorded as a liability.
- Investments

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, liabilities, and net position or equity

1. Deposits and investments

For purposes of the statement of cash flows, the City considers short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents

Oklahoma Statutes authorize the City to invest in direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposits of financial institutions located in the state of Oklahoma or fully-insured certificates of deposits of financial institutions located outside the state; savings accounts, and county, municipal or school district general obligation debt.

The City does not have a specific policy limiting the concentration amount that may be invested with one issuer. The City has no formal policy on managing credit risk.

Public trusts created under Oklahoma Statutes Title 60 are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

2. Interfund transactions

Interfund receivables and payables arise from interfund transactions and are recorded in the period transacted. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

3. Restricted assets

Certain proceeds of the Authority's notes payable, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable loan covenants. The debt service reserve accounts are used to report resources set aside to make up potential futures deficiencies, or to meet unexpected contingencies or to fund asset construction, renewals and replacements. Customer utility deposits and reserves held with the Oklahoma Municipal Assurance Group are reported as restricted cash.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	10-20
Infrastructure	50
System infrastructure	30-50
Vehicles, Office and computer equipment	5
Machinery and equipment	10

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

5. Fund equity

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources as of June 30, 2020.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has restricted resources by state law and from grants as of June 30, 2020.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal ordinance or resolution of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the council delegating this responsibility to the clerk through the budgetary process. The Town has assigned resources of interest earnings in special revenue funds as of June 30, 2020.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

City of Marlow would typically use Restricted fund balances first, followed by Committed resources, and the Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

5. Fund equity - continued

As of June 30, 2020, fund balances are composed of the following:

	General Fund	Capital Improvement Fund	Sewer Project Fund	Other Governmental Funds	Total Governmental Funds
Restricted					
Cemetery	\$ -	\$ -	\$ -	\$ 82,321	\$ 82,321
Water	4,147	-	-	-	4,147
Capital Improvements	-	-	-	-	-
EMS	-	-	-	679,218	679,218
Street and Alley	-	-	-	106,729	106,729
Sewer Construction and Debt Service	-	-	1,328,959	-	1,328,959
Assigned					
Capital Improvements	-	895,207	-	-	895,207
EMS	-	-	-	74,515	74,515
Library	18,140	-	-	-	18,140
Street and Alley	-	-	-	27,098	27,098
Sewer Construction and Debt Service	-	-	113,312	-	113,312
Unassigned	612,014	-	-	-	612,014
	<u>\$ 634,301</u>	<u>\$ 895,207</u>	<u>\$ 1,442,271</u>	<u>\$ 969,881</u>	<u>\$ 3,941,660</u>

The City would typically use restricted fund balances first, followed by committed resources and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation of the \$5,937,678 difference between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation is capital assets used in governmental activities that are not financial resources.

Capital assets, not being depreciated	\$ 284,036
Capital assets, being depreciated	18,759,112
Less Accumulated Depreciation	<u>(13,072,853)</u>
	<u><u>\$ 5,970,295</u></u>

The other element of the reconciliation is that long-term liabilities, are not due and payable in the current period, and, therefore, are not reported in the fund.

Capital Leases	<u>\$ 32,617</u>
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B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the \$232,522 difference between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 794,368
Depreciation Expense	<u>(553,413)</u>
	<u><u>\$ 240,955</u></u>

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –
(CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities. – (continued)

The final element of the reconciliation explains that the repayment of the principal of long-term debt consumes current financial resources, but has no effect on net position.

Principal repayment	21,290
Capital Lease Proceeds	(29,723)
	(8,433)
	(8,433)

III. BUDGETARY INFORMATION

The city manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year end; therefore, encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

IV. DEPOSITS AND INVESTMENTS

Deposit Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows state statutes regarding custodial credit risk which requires collateral for all deposits in excess of Federal Deposit Insurance. At June 30, 2020, the bank balance was \$5,132,619. This amount was insured and collateralized.

At June 30, 2020, the primary government reporting entity had the following deposits:

<u>Type of Deposits and Investments</u>	<u>Credit Rating</u>	<u>Carrying Value</u>	
		<u>Primary Government</u>	<u>Component Unit</u>
Deposits:			
Demand Deposits		\$ 3,570,425	\$ 280,704
Time Deposits		1,414,388	220,000
OMAG Escrow		67,584	-
Money Market Mutual Funds			
Federated Government Obligation		80,222	-
Total Deposits		<u>\$ 5,132,619</u>	<u>\$ 500,704</u>
Reconciliation to Statements of Net Position:			
Cash and cash equivalents		<u>\$ 5,132,619</u>	<u>\$ 500,704</u>

Component Unit: At June 30, 2020, MEDA had a bank balance of \$500,704. This amount was insured and collateralized.

As of June 30, 2020, the City had the following investments:

	<u>Maturity</u>	<u>Cost</u>	<u>Fair Value</u>
Certificate of Deposit	August, 2016	2,449,000	2,490,883
Federated Prime Cash Money Market Mutual Fund	NA	39,212	39,212
		<u>\$ 2,488,212</u>	<u>\$ 2,530,095</u>

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

Investment Credit Risk : Credit risk is the risk that an issuer of a debt-type investment will not fulfill its obligation to the holder of the investment. The City does not have a formal investment policy limiting the types of investments measured by assignment of a credit rating by a nationally recognized rating organization.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City does not have a formal policy limiting the amount that may be invested with one issuer.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

V. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government Activities:				
Capital assets, not being depreciated				
Land and Easements	\$ 284,036	\$ -	\$ -	\$ 284,036
Total capital assets, not being depreciated	<u>284,036</u>	<u>-</u>	<u>-</u>	<u>284,036</u>
Capital assets, being depreciated				
Land Improvements	6,384,499	-	-	6,384,499
Buildings	3,214,612	-	-	3,214,612
Building Improvements	583,280	7,500	-	590,780
Computers	247,697	182,295	-	429,992
Artwork	6,200	-	-	6,200
Vehicles	1,556,571	37,601	-	1,594,172
Machinery and Equipment	1,473,490	37,791	-	1,511,281
Infrastructure	4,498,395	529,181	-	5,027,576
Total capital assets, being depreciated	<u>17,964,744</u>	<u>794,368</u>	<u>-</u>	<u>18,759,112</u>
Less Accumulated Depreciation	<u>12,519,440</u>	<u>553,413</u>	<u>-</u>	<u>13,072,853</u>
Total capital assets, being depreciated, net	<u>5,445,304</u>	<u>240,955</u>	<u>-</u>	<u>5,686,259</u>
Governmental activities capital assets, net	<u>5,729,340</u>	<u>240,955</u>	<u>-</u>	<u>5,970,295</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated				
Land and Easements	\$ 1,390,873	\$ -	\$ -	\$ 1,390,873
Total capital assets, not being depreciated	<u>1,390,873</u>	<u>-</u>	<u>-</u>	<u>1,390,873</u>
Capital assets, being depreciated				
Land Improvements	2,005,586	-	-	2,005,586
Buildings	3,655,336	-	-	3,655,336
Vehicles	641,008	-	-	641,008
Machinery and Equipment	2,681,873	26,796	-	2,708,669
Water Rights	190,157	-	-	190,157
Infrastructure	37,982,160	-	-	37,982,160
Total capital assets, being depreciated	<u>47,156,120</u>	<u>26,796</u>	<u>-</u>	<u>47,182,916</u>
Less Accumulated Depreciation	<u>38,875,140</u>	<u>459,208</u>	<u>-</u>	<u>39,334,348</u>
Total capital assets, being depreciated, net	<u>8,280,980</u>	<u>(432,412)</u>	<u>-</u>	<u>7,848,568</u>
Business activities capital assets, net	<u>9,671,853</u>	<u>(432,412)</u>	<u>-</u>	<u>9,239,441</u>
Total Primary Government	<u>\$ 15,401,193</u>	<u>\$ (191,457)</u>	<u>\$ -</u>	<u>\$ 15,209,736</u>

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

V. CAPITAL ASSETS – (continued)

Capital asset activity for MEDA for the year ended June 30, 2020 was as follows:

Component Unit Activities:

Capital assets, not being depreciated

Land and Easements	\$ 99,939	\$ -	\$ -	\$ 99,939
Total capital assets, not being depreciated	<u>99,939</u>	<u>-</u>	<u>-</u>	<u>99,939</u>

Capital assets, being depreciated

Buildings	17,615	-	-	17,615
Total capital assets, being depreciated	<u>17,615</u>	<u>-</u>	<u>-</u>	<u>17,615</u>

Less Accumulated Depreciation	<u>5,234</u>	<u>704</u>	<u>-</u>	<u>5,938</u>
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Total capital assets, being depreciated, net	<u>12,381</u>	<u>(704)</u>	<u>-</u>	<u>11,677</u>
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Component Unit capital assets, net	<u>\$ 112,320</u>	<u>\$ (704)</u>	<u>\$ -</u>	<u>\$ 111,616</u>
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Depreciation expense was charged to functions/programs of the primary government as follows:

Government activities:

General Government	\$ 57,172
Highways and Streets	221,295
Public Safety	165,558
Culture and Recreation	104,112
Cemetery	<u>5,276</u>

Total depreciation expense - governmental activities	<u>\$ 553,413</u>
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Business-type activities

Electric	\$ 130,035
Water	191,949
General Government	38,615
Pool	1,145
Sewer	<u>97,464</u>

Total depreciation expense - business-type activities	<u>\$ 459,208</u>
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City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

VI. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers as of June 30, 2020 were as follows:

	Transfer In	Transfer Out	Net
Governmental Funds	\$ 620,000	\$ (42,000)	\$ 578,000
Proprietary Funds	-	(578,000)	(578,000)
Government Wide	-	-	-
	<u>\$ 620,000</u>	<u>\$ (620,000)</u>	<u>\$ -</u>

Transfer To	Transfer From	Amount
General Fund	Marlow Municipal Authority	\$ 578,000
General Fund	Capital Improvement	<u>42,000</u>
		<u>\$ 620,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

Interfund receivable and payables as of June 30, 2020 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Due to/from other funds</u>		
General Fund	MMA	\$ 1,310
General Fund	Cemetery	169
MMA	General Fund	<u>210</u>
		<u>\$ 1,689</u>

VII. LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2020, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
<i>Governmental Activities</i>					
Capital Leases	\$ 24,184	\$ 29,723	\$ 21,290	\$ 32,617	\$ 23,122
	<u>\$ 24,184</u>	<u>\$ 29,723</u>	<u>\$ 21,290</u>	<u>\$ 32,617</u>	<u>\$ 23,122</u>
<i>Business-Type Activities</i>					
Revenue Bonds - Private Placement	\$ 3,190,000	\$ -	\$ 310,000	\$ 2,880,000	\$ 325,000
Capital Leases	120,610	-	21,990	98,620	23,317
Total Business-Type Activities	<u>3,310,610</u>	<u>-</u>	<u>331,990</u>	<u>2,978,620</u>	<u>348,317</u>
Total Primary Government	<u>\$ 3,334,794</u>	<u>\$ 29,723</u>	<u>\$ 353,280</u>	<u>\$ 3,011,237</u>	<u>\$ 371,439</u>

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

VII. LONG-TERM LIABILITIES (continued)

The Following capital assets were purchased by capital lease that were considered in-substance cash transactions. The table discloses the amount capitalized and the related depreciation expense through June 30, 2020.

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
11/29/2018	2019 Tahoe	\$ 35,805	\$ 10,742
5/16/2019	Bucket Truck	\$ 120,610	\$ 26,132
10/15/2019	2020 Silverado	\$ 36,701	\$ 5,013

<u>Year Ending June 30</u>	<u>Capital Leases</u>			
	<u>Governmental</u>		<u>Business-Type</u>	
	<u>Prinicipal</u>	<u>Interest</u>	<u>Prinicipal</u>	<u>Interest</u>
2021	\$ 23,122	\$ 503	\$ 23,317	\$ 3,508
2022	9,495	28	24,147	2,678
2023	-	-	25,005	1,819
2024	-	-	26,151	930
	<u>\$ 32,617</u>	<u>\$ 531</u>	<u>\$ 98,620</u>	<u>\$ 8,935</u>

Private Placements – Long-term commitments payable from net revenues generated by the utility revenues pledged to the City’s business-type activities at June 30, 2020 includes the following:

Revenue Notes Payable – Private Placements

2013 Utility System Revenue Note, original issue amount \$2,220,000 dated December 3, 2013, issued by Marlow Municipal Authority payable in semi-annual installments, interest rate of 3.1%, for a term of approximately fifteen years.

2017 Utility System Revenue Note, original issue amount \$1,935,000 dated October 5, 2017, issued by Marlow Municipal Authority payable in semi-annual installments, interest rate of 2.33%, for a term of approximately fifteen years.

The collateral for the notes is a pledge of revenues generated by the water, sanitary sewer and electric systems. In the event of default, the lender has all rights and remedies as allowed by law or pursuant to the provisions of the loan agreement, including but not limited to: 1) suit for specific performance of any or all of the covenants of the authority contained in the indenture or in the bond; 2) acceleration of the payment of principal and interest accrued; 3) appointment of temporary trustees to take over, operate and maintain the System on a profitable basis and ensure the payment of the principal and interest on the bonds; 4) suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of the indenture.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

VII. LONG-TERM LIABILITIES (continued)

Year Ending June 30	Business-Type - Private Placement			
	2013 Note		2017 Note	
	Principal	Interest	Principal	Interest
2021	\$ 145,000	\$ 42,160	\$ 180,000	\$ 31,555
2022	150,000	37,588	185,000	29,361
2023	155,000	32,860	190,000	24,992
2024	160,000	28,055	195,000	20,619
2025	165,000	23,018	200,000	15,963
2026-2030	620,000	39,138	535,000	18,883
	<u>\$ 1,395,000</u>	<u>\$ 202,819</u>	<u>\$ 1,485,000</u>	<u>\$ 141,373</u>

Interest expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Public Safety \$ 1,824

Business Type Activities:

Water \$ 89,549

Utility Revenues Pledged

The City has pledged future water, sanitary sewer and electric revenues, net of specified operating expenses, to repay \$4,155,000 in revenue notes. The notes are payable from the water, sanitary sewer and electric customer net revenues and are payable through 2026. Annual principal and interest payments on the note are expected to require less than 30% of net revenues. The total principal and interest remaining to be paid on the notes is \$3,224,192. Principal and interest paid for the current year and total customer net revenues were \$394,710 and \$990,013, respectively.

Debt Service Requirement

All net revenues (gross revenues less operating expenses) received by the Authority by reason of its ownership and/or operation of the properties are pledged for the payment of the interest and timely retirement of the debt as well as a dedicated sewer improvement sales tax.

The Authority at all times will maintain schedules of rates and charges for services rendered through the mortgage property which will provide annually net revenues available for debt service not less than one and one-quarter times the average annual principal and interest required to be paid.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

VII. LONG-TERM LIABILITIES (continued)

Debt Service Coverage Ratio is computed as follows:

<i>Debt Service Coverage Ratio:</i>	
Operating Revenues	\$ 5,807,474
Interest Revenue	<u>56,509</u>
Total Revenue	5,863,983
Operating Expenses	5,333,178
Less: Depreciation Expense	<u>(459,208)</u>
Total Expenses	<u>4,873,970</u>
Net Revenue Available for Debt Service	<u>990,013</u>
<i>Average Annual Debt Service</i>	
BancFirst 2013 Sales Tax Revenue Note	153,500
Sales Tax Revenue Note Payable, Series 2017	<u>172,778</u>
	326,278
Coverage Ratio	<u>303%</u>
Required Coverage Ratio	<u>125%</u>

VIII. RESTRICTED ASSETS

Restricted cash as of June 30, 2020 is as follows:

Funds restricted for debt service reserves	\$ 80,221
Meter deposits	186,085
Oklahoma Municipal Assurance Group Escrow	<u>67,584</u>
	<u>\$ 333,890</u>

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

IX. PENSION PLANS

Municipal Retirement Plan

The City of Marlow and its employees participate in the Oklahoma Municipal Retirement Fund as a defined contribution plan. All regular full-time employees, except those covered under another retirement system are eligible. Employees are vested at 7 years.

The OMRF issues a publicly available financial report that includes financial statements and the required supplementary information that can be obtained by requesting a copy at City Hall.

Funding Policy: The contribution requirements are established and may be amended by the OMRF board. Employees are required to contribute 5 percent of their annual covered salary after tax. The City's required contribution rate is 10%.

Annual Pension Cost: For 2019-2020, City of Marlow and Marlow Municipal Authority's annual pension cost of \$92,064, were equal to the required contributions

Policemen's Retirement Plan

Police department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements. A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equals 2.5% of the average compensation of the highest 30 consecutive months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2020. Participating members are required to contribute 8%. The Oklahoma State Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the System and is required by statute to make appropriations as necessary to insure benefit payments are made.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

IX. PENSION PLANS (continued)

Policemen's Retirement Plan – (continued)

Trend Information:

Year Ending June 30	Covered Payroll	Pension Cost	City Share	Employee Share	On-Behalf Payments
2020	351,568	73,849	45,716	28,133	38,321
2019	348,420	73,045	45,219	27,826	37,978
2018	345,626	72,581	44,931	27,650	37,673

Additional information can be obtained by writing Oklahoma Police Pension and Retirement Board, 1001 N.W. 63rd, Suite 305, Oklahoma City, OK 73116.

Firefighters' Retirement Plan

Fire department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Firefighters' Pension Fund, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees.

The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equal to 2.5% of the average compensation of the highest 30 months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years. The contribution rates for the City and its employees are established by Statute. The City is required to contribute 14% per the year June 30, 2020. Participating members are required to contribute 9%.

The Oklahoma State Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the System and is required by statute to make appropriations as necessary to insure benefit payments are made.

Trend Information:

Year Ending June 30	Covered Payroll	Pension Cost	City Share	Employee Share	On-Behalf Payments
2020	185,497	42,664	25,970	16,695	58,246
2019	184,501	42,435	25,830	16,605	57,933
2018	177,910	40,919	24,907	16,012	55,864

Additional information can be obtained by writing Oklahoma Firefighters Pension and Retirement Board, 4545 N. Lincoln Blvd., Suite 165, Oklahoma City, OK 73105.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2020

X. COMMITMENTS AND CONTINGENCIES

Federal Programs

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The final acceptance of the audits of these programs including the year ended June 30, 2020, has not been given. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, the City expects such amounts, if any, to be immaterial.

Donated Assets

The County has donated to the City of Marlow, a Pierce Pumper valued at \$491,000. The County acquired the equipment through a lease with Welch State Bank. The Payments are being made from the county sales tax to support county fire services. However, it is likely the currently approved sales tax will run out prior to the lease being fully paid. It is anticipated that the county citizens will be asked to renew this sales tax. If the citizens do not extend the tax, then it is anticipated that the City will have to obtain its own financing for the equipment to retain possession.

Compensated Absences

City employees are allowed to accrue a maximum of 240 hours of vacation time. Any accrued vacation remaining at the time an employee leaves employment of the city is payable to the employee. Vacation leave accrual as of June 30, 2020 is \$78,386.

XI. RISK MANAGEMENT

The City is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

City of Marlow, Oklahoma
Supplemental Schedule
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget to Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 894,200	\$ 894,200	\$ 1,024,370	\$ 130,170
Intergovernmental	17,000	17,000	8,616	(8,384)
License	27,900	27,900	36,701	8,801
Charges for Service	18,000	18,000	18,635	635
Fines	80,500	80,500	92,841	12,341
Miscellaneous	68,800	68,800	56,171	(12,629)
Interest	1,500	1,500	12,137	10,637
Cemetery	31,500	31,500	37,456	5,956
Total Revenue	<u>1,139,400</u>	<u>1,139,400</u>	<u>1,286,927</u>	<u>147,527</u>
EXPENDITURES				
Current				
General Government	293,725	311,314	256,724	54,590
Public Safety	1,237,235	1,225,935	1,194,798	31,137
Highways and Streets	240,150	240,150	205,910	34,240
Culture and Recreation	165,150	171,161	153,112	18,049
Cemetery	133,450	156,970	133,229	23,741
Total Expenditures	<u>2,069,710</u>	<u>2,105,530</u>	<u>1,943,773</u>	<u>161,757</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(930,310)</u>	<u>(966,130)</u>	<u>(656,846)</u>	<u>309,284</u>
Other Financing Sources				
Transfers In	690,000	690,000	620,000	(70,000)
Transfers Out	-	-	-	-
Total Other Financing Sources	<u>690,000</u>	<u>690,000</u>	<u>620,000</u>	<u>(70,000)</u>
Net Change in Fund Balance	(240,310)	(276,130)	(36,846)	239,284
Fund Balance - Beginning	<u>276,130</u>	<u>276,130</u>	<u>652,498</u>	<u>376,368</u>
Fund Balance - Ending	<u>\$ 35,820</u>	<u>\$ -</u>	<u>615,652</u>	<u>\$ 615,652</u>
Change in Fund Balance of Municipal Court Fund, combined with General fund for presentation, and not for budget purposes			<u>(3,607)</u>	
Fund Balance - Ending			<u>\$ 612,045</u>	

City of Marlow, Oklahoma
Supplemental Schedule
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget to Actual
Capital Improvement Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 120,000	\$ 120,000	\$ 277,937	\$ 157,937
Royalties	20,000	20,000	15,201	(4,799)
Miscellaneous	-	-	150	150
Interest	500	500	1,185	685
Total Revenue	140,500	140,500	294,473	153,973
EXPENDITURES				
Current				
Highways and Streets	40,000	26,075	22,928	3,147
Capital Outlay				
Highways and Streets	55,000	40,000	36,977	3,023
Debt Service	-	28,925	23,112	5,813
Total Expenditures	95,000	95,000	83,017	11,983
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	45,500	45,500	211,456	165,956
Other Financing Sources				
Transfers In	-	-	-	-
Transfers Out	(42,000)	(42,000)	(42,000)	-
Total Other Financing Sources	(42,000)	(42,000)	(42,000)	-
Net Change in Fund Balance	3,500	3,500	169,456	165,956
Fund Balance - Beginning	-	-	725,751	725,751
Fund Balance - Ending	\$ 3,500	\$ 3,500	\$ 895,207	\$ 891,707

City of Marlow, Oklahoma
Supplemental Schedule
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget to Actual
Sewer Project Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 453,800	\$ 453,800	\$ 453,828	\$ 28
Investment Return	10,000	10,000	17,395	7,395
Total Revenue	463,800	463,800	471,223	7,423
EXPENDITURES				
Current				
General Government	764,252	764,252	519,453	244,799
Total Expenditures	764,252	764,252	519,453	244,799
Net Change in Fund Balances	(300,452)	(300,452)	(48,230)	252,222
Fund Balances - Beginning	300,452	300,452	1,490,501	1,190,049
Fund Balances - Ending	-	-	1,442,271	1,442,271

City of Marlow, Oklahoma
Supplemental Schedule
Combining Statement of Assets, Liabilities and Fund Balance - Modified Cash Basis
Nonmajor Governmental Special Revenue Funds
For the Year Ended June 30, 2020

	Cemetery Care	EMS Fund	Street & Alley	Total
Assets				
Cash	\$ 82,490	632,433	\$ 133,827	\$ 848,750
Investments	-	121,300	-	121,300
Due from (to) Other Funds	(169)	-	-	(169)
 Total Assets	 \$ 82,321	 \$ 753,733	 \$ 133,827	 969,881
Fund Balances				
Restricted	\$ 82,321	\$ 679,218	\$ 106,729	\$ 868,268
Assigned	-	74,515	27,098	101,613
 Total Fund Balances	 82,321	 753,733	 133,827	 969,881
 Total Liabilities and Fund Balances	 \$ 82,321	 \$ 753,733	 \$ 133,827	 \$ 969,881

City of Marlow, Oklahoma
Supplemental Schedule
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Modified Cash Basis
Nonmajor Governmental Special Revenue Funds
For the Year Ended June 30, 2020

	Cemetery Care	EMS Fund	Street & Alley	Total
REVENUE				
Taxes	\$ -	226,914	\$ 38,737	\$ 265,651
Grants	-	9,846	-	9,846
Miscellaneous	-	55,558	49	55,607
Investment Return	778	6,644	1,371	8,793
Cemetery	5,185	-	-	5,185
Total Revenue	<u>5,963</u>	<u>298,962</u>	<u>40,157</u>	<u>345,082</u>
EXPENDITURES				
Current				
General Government	-	-	1	1
Public Safety	-	219,140	-	219,140
Cemetery	332	-	-	332
Capital Outlay				
Public Safety	-	175,627	-	175,627
Highways and Streets	-	-	65,729	65,729
Total Expenditures	<u>332</u>	<u>394,767</u>	<u>65,730</u>	<u>460,829</u>
Net Change in Fund Balances	5,631	(95,805)	(25,573)	(115,747)
Fund Balances, Beginning	<u>76,690</u>	<u>849,538</u>	<u>159,400</u>	<u>1,085,628</u>
Fund Balances, Ending	<u>\$ 82,321</u>	<u>\$ 753,733</u>	<u>\$ 133,827</u>	<u>\$ 969,881</u>

City of Marlow, Oklahoma
Supplemental Schedule
Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis
General Fund
June 30, 2020

	General Fund	CINCH	OHFA Grant	Special Library	Total
Assets					
Cash and Cash Investments	\$ 379,212	\$ 892	\$ 3	20,140	\$ 400,247
Restricted Cash	41,226	-	-	-	41,226
Investments	193,458	-	-	-	193,458
Due from (to) Other Funds	48	1,221	-	-	1,269
	<u>\$ 613,944</u>	<u>\$ 2,113</u>	<u>\$ 3</u>	<u>\$ 20,140</u>	<u>\$ 636,200</u>
Total Assets					
Liabilities					
Bonds Pending Court	\$ 1,899	\$ -	\$ -	\$ -	\$ 1,899
Total Liabilities	<u>1,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,899</u>
Fund Balances					
Restricted	\$ 34	\$ 2,113	\$ -	\$ 2,000	\$ 4,147
Assigned	-	-	-	18,140	18,140
Unassigned	<u>612,011</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>612,014</u>
Total Fund Balances	<u>612,045</u>	<u>2,113</u>	<u>3</u>	<u>20,140</u>	<u>634,301</u>
Total Liabilities and Fund Balances	<u>\$ 613,944</u>	<u>\$ 2,113</u>	<u>\$ 3</u>	<u>\$ 20,140</u>	<u>\$ 636,200</u>

City of Marlow, Oklahoma
Supplemental Schedule
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Modified Cash Basis
General Fund
For the Year Ended June 30, 2020

	General Fund	CINCH	OHFA Grant	Special Library	Total
REVENUE					
Taxes	\$ 1,024,370	\$ -	\$ -	\$ -	\$ 1,024,370
Grants	7,593	-	-	-	7,593
License and Permits	36,701	-	-	-	36,701
Charges for Service	18,635	-	-	-	18,635
Fines	105,719	-	-	-	105,719
Miscellaneous	56,170	1,188	-	2,000	59,358
Interest	12,181	-	-	175	12,356
Cemetery	37,456	-	-	-	37,456
	<u>1,298,825</u>	<u>1,188</u>	<u>-</u>	<u>2,175</u>	<u>1,302,188</u>
EXPENDITURES					
Current					
General Government	256,724	-	-	-	256,724
Public Safety	1,210,303	-	-	-	1,210,303
Highways and Streets	205,910	-	-	-	205,910
Culture and Recreation	153,112	-	-	-	153,112
Cemetery	133,229	-	-	-	133,229
Capital Outlay					
Public Safety	29,723	-	-	-	29,723
	<u>1,989,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,989,001</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(690,176)</u>	<u>1,188</u>	<u>-</u>	<u>2,175</u>	<u>(686,813)</u>
Other Financing Sources					
Capital Lease Proceeds	29,723	-	-	-	29,723
Transfers In	620,000	-	-	-	620,000
Transfers Out	-	-	-	-	-
Total Other Financing Sources	<u>649,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,723</u>
Net Change in Fund Balances	(40,453)	1,188	-	2,175	(37,090)
Fund Balances, Beginning	<u>652,498</u>	<u>925</u>	<u>3</u>	<u>17,965</u>	<u>671,391</u>
Fund Balances, Ending	<u>\$ 612,045</u>	<u>\$ 2,113</u>	<u>\$ 3</u>	<u>\$ 20,140</u>	<u>\$ 634,301</u>

**City of Marlow, Oklahoma
Supplemental Schedule
Schedule of Grant Activity
Modified Cash Basis
For the Year Ended June 30, 2020**

Granting Agency	Purpose	Award Amount	Expenditures 2019-2020
Department of Agriculture	Fire Operations Grant	\$ 4,642	\$ 4,642
Department of Libraries	Operations Grant	\$ 2,951	\$ 2,951
PPE Reimbursement		\$ -	\$ 1,399
JAG Grant	Body Cameras	<u>\$ 9,846</u>	<u>\$ 9,846</u>
Total		<u><u>\$ 17,439</u></u>	<u><u>\$ 18,838</u></u>

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

Members of the City Council
City of Marlow, Oklahoma

We have audited audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marlow, Oklahoma, 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 February 19, 2021. The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 auditing 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 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 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.

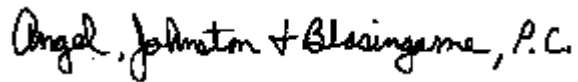
Our consideration of internal control for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

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



Chickasha, Oklahoma
February 19, 2021

**CITY OF MARLOW, OKLAHOMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2020**

Deficiencies of Internal Control, Compliance and Other Matters:

No findings were noted for the 2019-20 fiscal year.

**CITY OF MARLOW, OKLAHOMA
DISPOSITION OF PRIOR YEAR FINDINGS
Year Ended June 30, 2020**

Deficiencies of Internal Control, Compliance and Other Matters:

No findings were noted for the 2018-19 fiscal year.