



City of Marlow, Oklahoma

Financial Statements

Year –End: June 30, 2021

City of Marlow
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 For the Fiscal Year Ended June 30, 2021

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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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2021, 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

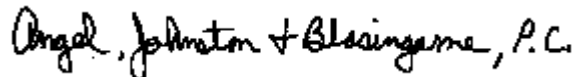
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marlow, Oklahoma basic financial statements. The Supplemental Information as listed in the table of contents, are presented for additional analysis and are not a required part of the 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 23, 2022 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 23, 2022

BASIC FINANCIAL STATEMENTS

City of Marlow
Government-Wide Statement of Net Position – Modified Cash Basis
June 30, 2021

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|----------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total | MEDA |
| ASSETS | | | | |
| Cash and Cash Equivalent | \$ 3,968,070 | \$ 1,846,817 | \$ 5,814,887 | \$ 484,563 |
| Restricted Cash and Cash Equivalents | 18,398 | 250,409 | 268,807 | - |
| Investments | 631,353 | 1,894,065 | 2,525,418 | - |
| Interfund Balances | 2,035 | (2,035) | - | - |
| Land and Construction in Progress | 324,514 | 1,390,873 | 1,715,387 | 99,939 |
| Other Capital Assets, net of depreciation | 5,685,001 | 7,463,122 | 13,148,123 | 10,971 |
| Total Assets | <u>10,629,371</u> | <u>12,843,251</u> | <u>23,472,622</u> | <u>595,473</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Bonds Pending Court | 1,899 | - | 1,899 | - |
| Refundable Meter Deposits | - | 335,416 | 335,416 | - |
| Long -term liabilities | | | | |
| Due within one year | 27,883 | 360,133 | 388,016 | - |
| Due in more than one year | - | 2,243,335 | 2,243,335 | - |
| Total Liabilities | <u>29,782</u> | <u>2,938,884</u> | <u>2,968,666</u> | <u>-</u> |
| NET POSITION | | | | |
| Invested in Capital Assets | 5,981,632 | 6,250,527 | 12,232,159 | - |
| Restricted for | | | | |
| Debt Service | - | 52,561 | 52,561 | - |
| Street and Alley | 146,036 | - | 146,036 | - |
| Cemetery | 88,558 | - | 88,558 | - |
| Special Library and CINCH | 19,064 | - | 19,064 | - |
| EMS | 673,143 | - | 673,143 | - |
| Capital Improvement | 1,508,859 | - | 1,508,859 | - |
| Unrestricted | 2,182,297 | 3,601,279 | 5,783,576 | 595,473 |
| Total Net Position | <u>\$ 10,599,589</u> | <u>\$ 9,904,367</u> | <u>\$ 20,503,956</u> | <u>\$ 595,473</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, 2021

| | 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 | Primary Government Total | |
| <i>Functions/Programs</i> | | | | | | | | |
| Primary Government | | | | | | | | |
| Governmental Activities | | | | | | | | |
| General Government | \$ 301,887 | \$ 8,624 | \$ 41,821 | \$ 36,270 | \$ (215,172) | \$ - | \$ (215,172) | |
| Highways and Streets | 415,410 | - | - | - | (415,410) | - | (415,410) | |
| Public Safety | 1,671,483 | 129,870 | 351,850 | 8,248 | (1,181,515) | - | (1,181,515) | |
| Culture and Recreation | 242,484 | - | 2,909 | 2,500 | (237,075) | - | (237,075) | |
| Cemetery | 175,004 | 58,302 | - | 45,000 | (71,702) | - | (71,702) | |
| Interest Expense | 1,570 | - | - | - | (1,570) | - | (1,570) | |
| Total Governmental Activities | <u>2,807,838</u> | <u>196,796</u> | <u>396,580</u> | <u>92,018</u> | <u>(2,122,444)</u> | <u>-</u> | <u>(2,122,444)</u> | |
| Business-Type Activities | | | | | | | | |
| Electric | 3,153,986 | 3,944,016 | - | - | - | 790,030 | 790,030 | |
| Water | 637,667 | 619,050 | - | - | - | (18,617) | (18,617) | |
| Sanitation | 684,927 | 750,349 | - | - | - | 65,422 | 65,422 | |
| Sewer | 94,370 | 322,797 | - | - | - | 228,427 | 228,427 | |
| General Government and Recreation | 506,000 | 181,537 | - | - | - | (324,463) | (324,463) | |
| Total Business Type Activities | <u>5,076,950</u> | <u>5,817,749</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>740,799</u> | <u>740,799</u> | |
| Total Primary Government | <u>7,884,788</u> | <u>6,014,545</u> | <u>396,580</u> | <u>92,018</u> | <u>(2,122,444)</u> | <u>740,799</u> | <u>(1,381,645)</u> | |
| Component Unit | | | | | | | | |
| Marlow Economic Development Authority | <u>21,034</u> | <u>2,250</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(18,784)</u> |
| General Revenues | | | | | | | | |
| Taxes | | | | | 2,152,431 | - | 2,152,431 | - |
| Investment Return | | | | | 17,024 | 32,913 | 49,937 | 1,937 |
| Rent and Royalties | | | | | 18,298 | - | 18,298 | - |
| Miscellaneous | | | | | 173,161 | - | 173,161 | - |
| Transfers | | | | | 481,780 | (481,780) | - | - |
| Total General Revenues and Transfers | | | | | <u>2,842,694</u> | <u>(448,867)</u> | <u>2,393,827</u> | <u>1,937</u> |
| Change in Net Position | | | | | 720,250 | 291,932 | 1,012,182 | (16,847) |
| Net Position - Beginning | | | | | <u>9,879,339</u> | <u>9,612,435</u> | <u>19,491,774</u> | <u>612,320</u> |
| Net Position - Ending | | | | | <u>\$ 10,599,589</u> | <u>\$ 9,904,367</u> | <u>\$ 20,503,956</u> | <u>\$ 595,473</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, 2021

| | General Fund | Capital Improvement Fund | Tax Revenue Capital Projects Fund | Other Governmental Funds | Total |
|-------------------------------------|-----------------|--------------------------------|---|--------------------------------|--------------|
| Assets | | | | | |
| Cash and Cash Investments | \$ 725,032 | \$ 1,035,774 | 1,317,033 | \$ 890,231 | \$ 3,968,070 |
| Restricted Cash | 18,398 | - | - | - | 18,398 |
| Investments | 196,350 | - | 311,889 | 123,114 | 631,353 |
| Due from (to) Other Funds | 2,204 | - | - | (169) | 2,035 |
| Total Assets | \$ 941,984 | \$ 1,035,774 | \$ 1,628,922 | \$ 1,013,176 | \$ 4,619,856 |
| Liabilities | | | | | |
| Bonds Pending Court | \$ 1,899 | \$ - | \$ - | \$ - | \$ 1,899 |
| Total Liabilities | 1,899 | - | - | - | 1,899 |
| Fund Balances | | | | | |
| Restricted | \$ 19,064 | \$ - | \$ 1,508,859 | \$ 907,737 | \$ 2,435,660 |
| Assigned | - | 1,035,774 | 120,063 | 105,439 | 1,261,276 |
| Unassigned | 921,021 | - | - | - | 921,021 |
| Total Fund Balances | \$ 940,085 | \$ 1,035,774 | \$ 1,628,922 | \$ 1,013,176 | \$ 4,617,957 |
| Total Liabilities and Fund Balances | \$ 941,984 | \$ 1,035,774 | \$ 1,628,922 | \$ 1,013,176 | |

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. | 6,009,515 |
| Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the fund. | <u>(27,883)</u> |
| Net position of governmental activities. | <u>\$ 10,599,589</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, 2021

| | General Fund | Capital Improvement Fund | Tax Revenue Capital Projects Fund | Other Governmental Funds | Total |
|--|-------------------|--------------------------------|---|--------------------------------|---------------------|
| REVENUE | | | | | |
| Taxes | \$ 1,072,144 | \$ 324,942 | \$ 477,359 | \$ 277,986 | \$ 2,152,431 |
| Grants | 396,080 | 36,270 | 45,000 | 8,248 | 485,598 |
| License and Permits | 28,773 | - | - | - | 28,773 |
| Charges for Service | 11,624 | - | - | - | 11,624 |
| Fines | 101,097 | - | - | - | 101,097 |
| Miscellaneous | 92,731 | 80,263 | - | 2,082 | 175,076 |
| Investment Return | 7,582 | 101 | 6,751 | 3,940 | 18,374 |
| Royalties | - | 18,298 | - | - | 18,298 |
| Cemetery | 51,044 | - | - | 7,258 | 58,302 |
| | <u>1,761,075</u> | <u>459,874</u> | <u>529,110</u> | <u>299,514</u> | <u>3,049,573</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 203,021 | - | - | - | 203,021 |
| Public Safety | 1,263,512 | - | - | 230,218 | 1,493,730 |
| Highways and Streets | 196,304 | 35,675 | - | - | 231,979 |
| Culture and Recreation | 141,683 | - | - | - | 141,683 |
| Cemetery | 159,888 | - | - | 1,134 | 161,022 |
| Capital Outlay | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | 26,439 | 48,733 | 107,793 | 24,868 | 207,833 |
| Culture and Recreation | 7,062 | 102,605 | - | - | 109,667 |
| Cemetery | - | - | 134,809 | - | 134,809 |
| Highways and Streets | 55,977 | 7,397 | 99,857 | - | 163,231 |
| Debt Service | - | 32,741 | - | - | 32,741 |
| | <u>2,053,886</u> | <u>227,151</u> | <u>342,459</u> | <u>256,220</u> | <u>2,879,716</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(292,811)</u> | <u>232,723</u> | <u>186,651</u> | <u>43,294</u> | <u>169,857</u> |
| Other Financing Sources | | | | | |
| Capital Lease Proceeds | 26,439 | - | - | - | 26,439 |
| Transfers In | 572,156 | - | - | - | 572,156 |
| Transfers Out | - | (92,156) | - | - | (92,156) |
| Total Other Financing Sources | <u>598,595</u> | <u>(92,156)</u> | <u>-</u> | <u>-</u> | <u>506,439</u> |
| Net Change in Fund Balances | 305,784 | 140,567 | 186,651 | 43,294 | 676,296 |
| Fund Balances - Beginning | <u>634,301</u> | <u>895,207</u> | <u>1,442,271</u> | <u>969,882</u> | <u>3,941,661</u> |
| Fund Balances - Ending | <u>\$ 940,085</u> | <u>\$ 1,035,774</u> | <u>\$ 1,628,922</u> | <u>\$ 1,013,176</u> | <u>\$ 4,617,957</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, 2021

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

| | |
|---|--------------------------|
| Net change in fund balances - total governmental funds | \$ 676,296 |
| 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. | 40,704 |
| The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net assets. | (1,484) |
| 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>4,734</u> |
| Change in net position of governmental activities. | <u><u>\$ 720,250</u></u> |

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, 2021

| | <u>Marlow Municipal Authority</u> |
|---|---------------------------------------|
| <i>ASSETS</i> | |
| Current Assets | |
| Cash and Cash Equivalent | \$ 1,846,817 |
| Restricted Cash and Cash Equivalents | 197,848 |
| Investments | 1,894,065 |
| Due From (to) Other Funds | <u>(2,035)</u> |
| Total Current Assets | <u>3,936,695</u> |
| Noncurrent Assets | |
| Restricted Cash and Cash Equivalents | 52,561 |
| Capital Assets | |
| Land and Construction in Progress | 1,390,873 |
| Other Capital Assets | 47,030,119 |
| Less Accumulated Depreciation | <u>(39,566,997)</u> |
| Total Noncurrent Assets | <u>8,906,556</u> |
| Total Assets | <u>12,843,251</u> |
| <i>LIABILITIES</i> | |
| Current Liabilities | |
| Refundable Meter Deposits | 335,416 |
| Notes Payable, Current Portion | <u>360,133</u> |
| Total Current Liabilities | 695,549 |
| Noncurrent Liabilities | |
| Notes Payable | <u>2,243,335</u> |
| Total Noncurrent Liabilities | <u>2,243,335</u> |
| Total Liabilities | <u>2,938,884</u> |
| <i>NET POSITION</i> | |
| Invested in Capital Assets, net of related debt | 6,250,527 |
| Restricted for Debt Service | 52,561 |
| Unrestricted | <u>3,601,279</u> |
| Total Net Position | <u>\$ 9,904,367</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, 2021

| | Marlow Municipal Authority |
|--|-------------------------------|
| Operating Revenues: | |
| Electric | \$ 3,944,016 |
| Water | 619,050 |
| Sanitation | 750,349 |
| Sewer | 322,797 |
| Pool | 6,173 |
| Miscellaneous | 175,364 |
| Total Operating Revenue | 5,817,749 |
| Operating Expenses: | |
| Electric | 3,153,986 |
| Water | 558,447 |
| Sanitation | 684,927 |
| Sewer | 94,370 |
| Pool | 6,859 |
| General Government | 499,141 |
| Total Operating Expenses | 4,997,730 |
| Operating Income (Loss) | 820,019 |
| Nonoperating Revenues (Expenses): | |
| Interest Revenue | 32,913 |
| Interest Expense | (79,220) |
| Total Nonoperating Revenues (Expenses) | (46,307) |
| Income (Loss) before Transfers | 773,712 |
| Other Financing Sources (Uses): | |
| Transfers In | - |
| Transfers Out | (481,780) |
| Total Other Financing Sources | (481,780) |
| Net Change in Net Position | 291,932 |
| Total Net Position - Beginning | 9,612,435 |
| Total Net Position - Ending | \$ 9,904,367 |

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------------|
| Operating Revenues Received | \$ 5,817,749 |
| Vendors and Others Paid | <u>(4,544,187)</u> |
| Net Cash Provided by Operating Activities | 1,273,562 |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---|------------------|
| Transfer, Net | <u>(480,000)</u> |
| Net Cash Used by Noncapital Financing Activities Activities | (480,000) |

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

| | |
|---|---------------|
| Payment of Debt | (375,152) |
| Purchase of Property, Plant and Equipment | (59,182) |
| Decrease in Restricted Cash - Capital Financing | <u>27,660</u> |
| Net Cash Used by Capital Financing Activities | (406,674) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|-----------------|
| Interest Income | 32,913 |
| Interest Expense | (79,220) |
| Increase in Restricted Cash and Investments | <u>(13,311)</u> |
| Net Cash Used by Investing Activities | <u>(59,618)</u> |

Net Decrease in Cash and Cash Equivalents 327,270

Cash and Cash Equivalents, July 1, 2020 1,519,547

Cash and Cash Equivalents, June 30, 2021 \$ 1,846,817

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

Operating Income \$ 820,019

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

Depreciation and Amortization Expense 442,848

Increase in Due from (to) Other Funds 935

Increase in Meter Deposits Payable 9,760

Net Cash Provided by Operating Activities \$ 1,273,562

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

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2021

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, 2021

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, 2021

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.

Tax Revenue Capital Projects 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, 2021

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, 2021

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, 2021

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, 2021.

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, 2021.

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, 2021.

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, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

5. Fund equity - continued

As of June 30, 2021, fund balances are composed of the following:

| | General Fund | Capital Improvement Fund | Tax Revenue Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------|-------------------|--------------------------------|---|--------------------------------|--------------------------------|
| Restricted | | | | | |
| Cemetery | \$ - | \$ - | \$ - | \$ 88,558 | \$ 88,558 |
| Special Library and CINCH | 19,064 | - | - | - | 19,064 |
| EMS | - | - | - | 673,143 | 673,143 |
| Street and Alley | - | - | - | 146,036 | 146,036 |
| Capital Improvement | - | - | 1,508,859 | - | 1,508,859 |
| Assigned | | | | | |
| Capital Improvement | - | 1,035,774 | 120,063 | - | 1,155,837 |
| EMS | - | - | - | 78,015 | 78,015 |
| Library | - | - | - | - | - |
| Street and Alley | - | - | - | 27,424 | 27,424 |
| Unassigned | 921,021 | - | - | - | 921,021 |
| | <u>\$ 940,085</u> | <u>\$ 1,035,774</u> | <u>\$ 1,628,922</u> | <u>\$ 1,013,176</u> | <u>\$ 4,617,957</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, 2021

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 \$5,983,076 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 | \$ 324,514 |
| Capital assets, being depreciated | 19,240,327 |
| Less Accumulated Depreciation | <u>(13,555,326)</u> |
| | <u><u>\$ 6,009,515</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>\$ 27,883</u> |
|----------------|------------------|

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 \$45,398 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 | \$ 615,537 |
| Depreciation Expense | <u>(574,833)</u> |
| | <u><u>\$ 40,704</u></u> |

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2021

**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 next element of the reconciliation explains that the net effect of various miscellaneous transactions involving capital assets is to decrease net assets.

| | |
|----------------------------------|----------|
| Loss on disposal of assets | \$ 3,264 |
| Fixed Asset Transferred from MMA | (1,780) |
| | \$ 1,484 |
| | \$ 1,484 |

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 | 31,173 |
| Capital Lease Proceeds | (26,439) |
| | 4,734 |
| | 4,734 |

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.

At June 30, 2021, the Tax Revenue Capital Projects fund had expenditure exceeding budgeted amounts by \$43,335.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2021

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, 2021, the bank balance was \$6,083,694. This amount was insured and collateralized.

At June 30, 2021, 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 | | \$ 4,584,297 | \$ 264,563 |
| Time Deposits | | 1,416,675 | 220,000 |
| OMAG Escrow | | 30,161 | - |
| Money Market Mutual Funds | | 52,561 | - |
| Federated Government Obligation | | - | - |
| Total Deposits | | <u>\$ 6,083,694</u> | <u>\$ 484,563</u> |

Reconciliation to Statements of Net Position:

| | | |
|---------------------------|--------------|------------|
| Cash and cash equivalents | \$ 6,083,694 | \$ 484,563 |
|---------------------------|--------------|------------|

Component Unit: At June 30, 2021, MEDA had a bank balance of \$484,563. This amount was insured and collateralized.

As of June 30, 2021, the City had the following investments:

| | Maturity | Cost | Fair Value |
|---|--------------|---------------------|---------------------|
| Certificate of Deposit | August, 2022 | 1,427,000 | 1,439,507 |
| Federated Government Obligation | NA | 1,085,154 | 1,085,154 |
| Federated Prime Cash Money Market Mutual Fund | NA | 13,264 | 13,265 |
| | | <u>\$ 2,525,418</u> | <u>\$ 2,537,926</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, 2021

V. CAPITAL ASSETS

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

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|-----------------------------|----------------------------|------------------------|--------------------|-----------------------------|
| Government Activities: | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land and Easements | \$ 284,036 | \$ - | \$ - | \$ - | \$ 284,036 |
| Construction in progress | - | 40,478 | - | - | 40,478 |
| Total capital assets, not being depreciated | <u>284,036</u> | <u>40,478</u> | <u>-</u> | <u>-</u> | <u>324,514</u> |
| Capital assets, being depreciated | | | | | |
| Land Improvements | 6,384,499 | - | - | - | 6,384,499 |
| Buildings | 3,214,612 | 67,314 | 4,420 | - | 3,277,506 |
| Building Improvements | 590,780 | 89,993 | - | - | 680,773 |
| Computers | 429,992 | - | - | - | 429,992 |
| Artwork | 6,200 | - | - | - | 6,200 |
| Vehicles | 1,594,172 | 38,077 | 92,556 | 40,100 | 1,579,793 |
| Machinery and Equipment | 1,511,281 | 145,011 | 36,968 | - | 1,619,324 |
| Infrastructure | 5,027,576 | 234,664 | - | - | 5,262,240 |
| Total capital assets, being depreciated | <u>18,759,112</u> | <u>575,059</u> | <u>133,944</u> | <u>40,100</u> | <u>19,240,327</u> |
| Less Accumulated Depreciation | <u>13,072,853</u> | <u>574,833</u> | <u>130,680</u> | <u>38,320</u> | <u>13,555,326</u> |
| Total capital assets, being depreciated, net | <u>5,686,259</u> | <u>226</u> | <u>3,264</u> | <u>1,780</u> | <u>5,685,001</u> |
| Governmental activities capital assets, net | <u>5,970,295</u> | <u>40,704</u> | <u>3,264</u> | <u>1,780</u> | <u>6,009,515</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>-</u> | <u>1,390,873</u> |
| Capital assets, being depreciated | | | | | |
| Land Improvements | 2,005,586 | - | - | - | 2,005,586 |
| Buildings | 3,655,336 | 8,645 | - | - | 3,663,981 |
| Vehicles | 641,008 | 50,537 | 137,879 | (40,100) | 513,566 |
| Machinery and Equipment | 2,708,669 | - | 34,000 | - | 2,674,669 |
| Water Rights | 190,157 | - | - | - | 190,157 |
| Infrastructure | 37,982,160 | - | - | - | 37,982,160 |
| Total capital assets, being depreciated | <u>47,182,916</u> | <u>59,182</u> | <u>171,879</u> | <u>(40,100)</u> | <u>47,030,119</u> |
| Less Accumulated Depreciation | <u>39,334,348</u> | <u>442,848</u> | <u>171,879</u> | <u>(38,320)</u> | <u>39,566,997</u> |
| Total capital assets, being depreciated, net | <u>7,848,568</u> | <u>(383,666)</u> | <u>-</u> | <u>(1,780)</u> | <u>7,463,122</u> |
| Business activities capital assets, net | <u>9,239,441</u> | <u>(383,666)</u> | <u>-</u> | <u>(1,780)</u> | <u>8,853,995</u> |
| Total Primary Government | <u>\$ 15,209,736</u> | <u>\$ (342,962)</u> | <u>\$ 3,264</u> | <u>\$ -</u> | <u>\$ 14,863,510</u> |

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2021

V. CAPITAL ASSETS – (continued)

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

| <i>Component Unit Activities:</i> | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|--------------------------|------------------------|--------------------|--------------------|--------------------------|
| <i>Capital assets, not being depreciated</i> | | | | | |
| Land and Easements | \$ 99,939 | \$ - | \$ - | \$ - | \$ 99,939 |
| Total capital assets, not being depreciated | <u>99,939</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>99,939</u> |
| <i>Capital assets, being depreciated</i> | | | | | |
| Buildings | 17,615 | - | - | - | 17,615 |
| Total capital assets, being depreciated | <u>17,615</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,615</u> |
| Less Accumulated Depreciation | <u>5,938</u> | <u>706</u> | <u>-</u> | <u>-</u> | <u>6,644</u> |
| Total capital assets, being depreciated, net | <u>11,677</u> | <u>(706)</u> | <u>-</u> | <u>-</u> | <u>10,971</u> |
| Component Unit capital assets, net | <u>\$ 111,616</u> | <u>\$ (706)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 110,910</u> |

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

| | |
|---|-------------------|
| Government activities: | |
| General Government | \$ 98,866 |
| Highways and Streets | 183,431 |
| Public Safety | 177,753 |
| Culture and Recreation | 100,801 |
| Cemetery | <u>13,982</u> |
| Total depreciation expense - governmental activities | <u>\$ 574,833</u> |
| Business-type activities | |
| Electric | \$ 119,075 |
| Water | 189,629 |
| General Government | 38,615 |
| Pool | 1,145 |
| Sewer | <u>94,384</u> |
| Total depreciation expense - business-type activities | <u>\$ 442,848</u> |

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2021

VI. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers as of June 30, 2021 were as follows:

| | Transfer In | Transfer Out | Net |
|--------------------|-------------------|---------------------|-------------|
| Governmental Funds | \$ 572,156 | \$ (92,156) | \$ 480,000 |
| Proprietary Funds | - | (481,780) | (481,780) |
| Government Wide | 1,780 | - | 1,780 |
| | <u>\$ 573,936</u> | <u>\$ (573,936)</u> | <u>\$ -</u> |

| Transfer To | Transfer From | Amount |
|--------------|----------------------------|-------------------|
| General Fund | Marlow Municipal Authority | \$ 480,000 |
| General Fund | Marlow Municipal Authority | 1,780 |
| General Fund | Capital Improvement | <u>92,156</u> |
| | | <u>\$ 573,936</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, 2021 were as follows:

| <u>Receivable Fund</u> <u>Due to/from other funds</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--|---------------------|-----------------|
| General Fund | MMA | \$ 89 |
| General Fund | Cemetery | 169 |
| MMA | General Fund | <u>1,777</u> |
| | | <u>\$ 2,035</u> |

VII. LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2021, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|-----------------------------------|----------------------|------------------|-------------------|---------------------|------------------------|
| Primary Government | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Capital Leases | \$ 32,617 | \$ 26,439 | \$ 31,173 | \$ 27,883 | \$ 27,883 |
| | <u>\$ 32,617</u> | <u>\$ 26,439</u> | <u>\$ 31,173</u> | <u>\$ 27,883</u> | <u>\$ 27,883</u> |
| <i>Business-Type Activities</i> | | | | | |
| Revenue Bonds - Private Placement | \$ 2,880,000 | \$ - | \$ 325,000 | \$ 2,555,000 | \$ 335,000 |
| Capital Leases | 98,620 | - | 50,152 | 48,468 | 25,133 |
| Total Business-Type Activities | <u>2,978,620</u> | <u>-</u> | <u>375,152</u> | <u>2,603,468</u> | <u>360,133</u> |
| Total Primary Government | <u>\$ 3,011,237</u> | <u>\$ 26,439</u> | <u>\$ 406,325</u> | <u>\$ 2,631,351</u> | <u>\$ 388,016</u> |

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2021

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, 2021.

| <u>Date</u> | <u>Capital Asset</u> | <u>Amount</u> | <u>Accumulated Depreciation</u> |
|-------------|----------------------|---------------|-------------------------------------|
| 5/16/2019 | 2019 Tahoe | \$ 35,805 | \$ 17,903 |
| 10/15/2019 | 2020 Chevy Silverado | 37,601 | 12,534 |
| 8/31/2020 | 2020 Dodge Charger | 38,077 | 6,346 |

| <u>Year Ending June 30</u> | <u>Capital Leases</u> | | | |
|----------------------------|-----------------------|-----------------|----------------------|-----------------|
| | <u>Governmental</u> | | <u>Business-Type</u> | |
| | <u>Principial</u> | <u>Interest</u> | <u>Principial</u> | <u>Interest</u> |
| 2022 | \$ 27,883 | \$ 925 | \$ 25,133 | \$ 1,696 |
| 2023 | - | - | 23,334 | 817 |
| | <u>\$ 27,883</u> | <u>\$ 925</u> | <u>\$ 48,467</u> | <u>\$ 2,513</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, 2021 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, 2021

VII. LONG-TERM LIABILITIES (continued)

| Year Ending June 30 | Business-Type - Private Placement | | | |
|---------------------|-----------------------------------|-------------------|---------------------|-------------------|
| | 2013 Note | | 2017 Note | |
| | Principal | Interest | Principal | Interest |
| 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 | 15,964 |
| 2026 | 170,000 | 17,903 | 210,000 | 11,246 |
| 2027-2031 | 450,000 | 21,235 | 325,000 | 7,638 |
| | <u>\$ 1,250,000</u> | <u>\$ 160,659</u> | <u>\$ 1,305,000</u> | <u>\$ 109,820</u> |

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

Governmental Activities:

Public Safety \$ 1,570

Business Type Activities:

Water \$ 79,220

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 \$2,825,479. Principal and interest paid for the current year and total customer net revenues were \$400,712 and \$1,295,780, 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, 2021

VII. LONG-TERM LIABILITIES (continued)

Debt Service Coverage Ratio is computed as follows:

| | |
|---|------------------|
| <i>Debt Service Coverage Ratio:</i> | |
| Operating Revenues | \$ 5,817,749 |
| Interest Revenue | <u>32,913</u> |
| Total Revenue | 5,850,662 |
| | |
| Operating Expenses | 4,997,730 |
| Less: Depreciation Expense | <u>(442,848)</u> |
| Total Expenses | <u>4,554,882</u> |
| | |
| Net Revenue Available for Debt Service | <u>1,295,780</u> |
| | |
| <i>Average Annual Debt Service</i> | |
| BancFirst 2013 Sales Tax Revenue Note | 155,000 |
| Sales Tax Revenue Note Payable, Series 2017 | <u>173,125</u> |
| | 328,125 |
| | |
| Coverage Ratio | <u>395%</u> |
| Required Coverage Ratio | <u>125%</u> |

VIII. RESTRICTED ASSETS

Restricted cash as of June 30, 2021 is as follows:

| | |
|--|-------------------|
| Funds restricted for debt service reserves | \$ 52,561 |
| Meter deposits | 186,085 |
| Oklahoma Municipal Assurance Group Escrow | <u>30,161</u> |
| | <u>\$ 268,807</u> |

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2021

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 2020-2021, City of Marlow and Marlow Municipal Authority's annual pension cost of \$96,311, 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, 2021. 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, 2021

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 |
|---------------------------|--------------------|-----------------|------------|-------------------|-----------------------|
| 2021 | 364,868 | 74,944 | 46,394 | 28,550 | 39,771 |
| 2020 | 351,568 | 73,849 | 45,716 | 28,133 | 38,321 |
| 2019 | 348,420 | 73,045 | 45,219 | 27,826 | 37,978 |

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, 2021. 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 |
|---------------------------|--------------------|-----------------|------------|-------------------|-----------------------|
| 2021 | 185,547 | 42,676 | 25,977 | 16,699 | 58,262 |
| 2020 | 185,497 | 42,664 | 25,970 | 16,695 | 58,246 |
| 2019 | 184,501 | 42,435 | 25,830 | 16,605 | 57,933 |

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

The City contributed \$1,080 to the Fire Pension fund for the Broken Bow volunteer fire department for the year ended June 30, 2021.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2021

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, 2021, 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 400 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, 2021, is \$103,892.

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.

XII. SUBSEQUENT EVENTS

The City has received ARPA grant of \$385,906 and has approved a street overlay contract of \$453,912 and a property purchase of \$150,000 to be paid for out of the Tax Revenue Capital Project fund.

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, 2021

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|--|--------------------|--------------------|-------------------|----------------------------------|
| | Original | Final | | |
| REVENUE | | | | |
| Taxes | \$ 858,200 | \$ 858,200 | \$ 1,072,144 | \$ 213,944 |
| Intergovernmental | 6,500 | 48,321 | 396,080 | 347,759 |
| License | 28,900 | 28,900 | 28,773 | (127) |
| Charges for Service | 15,000 | 15,000 | 11,624 | (3,376) |
| Fines | 79,500 | 79,500 | 101,097 | 21,597 |
| Miscellaneous | 64,800 | 78,956 | 90,230 | 11,274 |
| Interest | 2,000 | 2,000 | 6,209 | 4,209 |
| Royalties | - | - | - | - |
| Cemetery | 31,500 | 31,500 | 51,044 | 19,544 |
| Total Revenue | <u>1,086,400</u> | <u>1,142,377</u> | <u>1,757,201</u> | <u>614,824</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 305,500 | 275,236 | 203,021 | 72,215 |
| Public Safety | 1,305,885 | 1,336,804 | 1,263,512 | 73,292 |
| Highways and Streets | 234,550 | 214,900 | 196,304 | 18,596 |
| Culture and Recreation | 166,935 | 160,060 | 141,682 | 18,378 |
| Cemetery | 146,250 | 172,120 | 159,888 | 12,232 |
| Capital Outlay | | | | |
| Highways and Streets | - | 55,977 | 55,977 | - |
| Total Expenditures | <u>2,159,120</u> | <u>2,215,097</u> | <u>2,020,384</u> | <u>194,713</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,072,720)</u> | <u>(1,072,720)</u> | <u>(263,183)</u> | <u>809,537</u> |
| Other Financing Sources | | | | |
| Transfers In | 702,000 | 702,000 | 572,156 | (129,844) |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources | <u>702,000</u> | <u>702,000</u> | <u>572,156</u> | <u>(129,844)</u> |
| Net Change in Fund Balance | (370,720) | (370,720) | 308,973 | 679,693 |
| Fund Balance - Beginning | <u>370,720</u> | <u>370,720</u> | <u>612,045</u> | <u>241,325</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>921,018</u> | <u>\$ 921,018</u> |
| Change in Fund Balance of Municipal Court Fund, combined with General fund for presentation, and not for budget purposes | | | <u>(909)</u> | |
| Fund Balance - Ending | | | <u>\$ 920,109</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, 2021

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|--|------------------|------------|-------------------|----------------------------------|
| | Original | Final | | |
| REVENUE | | | | |
| Taxes | \$ 240,000 | \$ 281,000 | \$ 324,942 | \$ 43,942 |
| Royalties | 15,000 | 15,000 | 18,298 | 3,298 |
| Grants | | | 36,270 | 36,270 |
| Miscellaneous | - | 43,825 | 80,263 | 36,438 |
| Interest | 1,000 | 1,000 | 101 | (899) |
| Total Revenue | 256,000 | 340,825 | 459,874 | 119,049 |
| EXPENDITURES | | | | |
| Current | | | | |
| Highways and Streets | 45,000 | 51,456 | 35,675 | 15,781 |
| Capital Outlay | | | | |
| Public Safety | - | 50,000 | 48,733 | 1,267 |
| Culture and Recreation | - | 105,000 | 102,605 | 2,395 |
| Highways and Streets | 139,000 | 29,628 | 7,397 | 22,231 |
| Debt Service | - | 32,741 | 32,741 | - |
| Total Expenditures | 184,000 | 268,825 | 227,151 | 41,674 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 72,000 | 72,000 | 232,723 | 160,723 |
| Other Financing Sources | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | (78,000) | (78,000) | (92,156) | (14,156) |
| Total Other Financing Sources | (78,000) | (78,000) | (92,156) | (14,156) |
| Net Change in Fund Balance | (6,000) | (6,000) | 140,567 | 146,567 |

City of Marlow, Oklahoma
Supplemental Schedule
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget to Actual
Tax Revenue Capital Projects Fund
For the Year Ended June 30, 2021

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|-----------------------------|-----------------------|-----------------------|-------------------------|----------------------------------|
| | Original | Final | | |
| REVENUE | | | | |
| Taxes | \$ 377,000 | \$ 396,074 | \$ 477,359 | \$ 81,285 |
| Intergovernmental | - | 45,000 | 45,000 | - |
| Investment Return | 7,000 | 7,000 | 6,751 | (249) |
| | <u>384,000</u> | <u>448,074</u> | <u>529,110</u> | <u>81,036</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | <u>235,000</u> | <u>299,124</u> | <u>342,459</u> | <u>(43,335)</u> |
| | <u>235,000</u> | <u>299,124</u> | <u>342,459</u> | <u>(43,335)</u> |
| Net Change in Fund Balances | 149,000 | 148,950 | 186,651 | 37,701 |
| Fund Balances - Beginning | <u>-</u> | <u>-</u> | <u>1,442,271</u> | <u>1,442,271</u> |
| Fund Balances - Ending | <u><u>149,000</u></u> | <u><u>148,950</u></u> | <u><u>1,628,922</u></u> | <u><u>1,479,972</u></u> |

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, 2021

| | <u>Cemetery Care</u> | <u>EMS Fund</u> | <u>Street & Alley</u> | <u>Total</u> |
|---|--------------------------|-----------------------|-------------------------------|-------------------------|
| Assets | | | | |
| Cash | \$ 88,727 | 628,044 | \$ 173,460 | \$ 890,231 |
| Investments | - | 123,114 | - | 123,114 |
| Due from (to) Other Funds | <u>(169)</u> | <u>-</u> | <u>-</u> | <u>(169)</u> |
| Total Assets | <u>\$ 88,558</u> | <u>\$ 751,158</u> | <u>\$ 173,460</u> | <u>1,013,176</u> |
| Fund Balances | | | | |
| Restricted | \$ 88,558 | \$ 673,143 | \$ 146,036 | \$ 907,737 |
| Assigned | <u>-</u> | <u>78,015</u> | <u>27,424</u> | <u>105,439</u> |
| Total Fund Balances | <u>88,558</u> | <u>751,158</u> | <u>173,460</u> | <u>1,013,176</u> |
| Total Liabilities and Fund Balances | <u>\$ 88,558</u> | <u>\$ 751,158</u> | <u>\$ 173,460</u> | <u>\$ 1,013,176</u> |

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, 2021

| | Cemetery Care | EMS Fund | Street & Alley | Total |
|-----------------------------|------------------|-------------------|-------------------|---------------------|
| REVENUE | | | | |
| Taxes | \$ - | 238,680 | \$ 39,306 | \$ 277,986 |
| Grants | - | 8,248 | - | 8,248 |
| Miscellaneous | - | 2,081 | 1 | 2,082 |
| Investment Return | 113 | 3,501 | 326 | 3,940 |
| Cemetery | 7,258 | - | - | 7,258 |
| Total Revenue | <u>7,371</u> | <u>252,510</u> | <u>39,633</u> | <u>299,514</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Safety | - | 230,218 | - | 230,218 |
| Cemetery | 1,134 | - | - | 1,134 |
| Capital Outlay | | | | |
| Public Safety | - | 24,868 | - | 24,868 |
| Total Expenditures | <u>1,134</u> | <u>255,086</u> | <u>-</u> | <u>256,220</u> |
| Net Change in Fund Balances | 6,237 | (2,576) | 39,633 | 43,294 |
| Fund Balances, Beginning | <u>82,321</u> | <u>753,734</u> | <u>133,827</u> | <u>969,882</u> |
| Fund Balances, Ending | <u>\$ 88,558</u> | <u>\$ 751,158</u> | <u>\$ 173,460</u> | <u>\$ 1,013,176</u> |

City of Marlow, Oklahoma
Supplemental Schedule
Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis
General Fund
June 30, 2021

| | General Fund | CINCH | OHFA Grant | Special Library | Total |
|--|-------------------|-----------------|---------------|--------------------|-------------------|
| Assets | | | | | |
| Cash and Cash Investments | \$ 708,121 | \$ 1,307 | \$ 3 | 15,601 | \$ 725,032 |
| Restricted Cash | 18,398 | - | - | - | 18,398 |
| Investments | 196,350 | - | - | - | 196,350 |
| Due from (to) Other Funds | 48 | 2,156 | - | - | 2,204 |
| | <u>\$ 922,917</u> | <u>\$ 3,463</u> | <u>\$ 3</u> | <u>\$ 15,601</u> | <u>\$ 941,984</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 | \$ - | \$ 3,463 | \$ - | \$ 15,601 | \$ 19,064 |
| Assigned | - | - | - | - | - |
| Unassigned | <u>921,018</u> | <u>-</u> | <u>3</u> | <u>-</u> | <u>921,021</u> |
| Total Fund Balances | <u>921,018</u> | <u>3,463</u> | <u>3</u> | <u>15,601</u> | <u>940,085</u> |
| Total Liabilities and Fund Balances | <u>\$ 922,917</u> | <u>\$ 3,463</u> | <u>\$ 3</u> | <u>\$ 15,601</u> | <u>\$ 941,984</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, 2021

| | General Fund | CINCH | OHFA Grant | Special Library | Total |
|--|-------------------|-----------------|---------------|--------------------|-------------------|
| REVENUE | | | | | |
| Taxes | \$ 1,072,144 | \$ - | \$ - | \$ - | \$ 1,072,144 |
| Grants | 396,080 | - | - | - | 396,080 |
| License and Permits | 28,773 | - | - | - | 28,773 |
| Charges for Service | 11,624 | - | - | - | 11,624 |
| Fines | 101,097 | - | - | - | 101,097 |
| Miscellaneous | 90,230 | - | - | 2,501 | 92,731 |
| Interest | 6,209 | 1,350 | - | 23 | 7,582 |
| Cemetery | 51,044 | - | - | - | 51,044 |
| | <u>1,757,201</u> | <u>1,350</u> | <u>-</u> | <u>2,524</u> | <u>1,761,075</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 203,021 | - | - | - | 203,021 |
| Public Safety | 1,263,512 | - | - | - | 1,263,512 |
| Highways and Streets | 196,304 | - | - | - | 196,304 |
| Culture and Recreation | 141,682 | - | - | 1 | 141,683 |
| Cemetery | 159,888 | - | - | - | 159,888 |
| Capital Outlay | | | | | |
| Public Safety | 26,439 | - | - | - | 26,439 |
| Highways and Streets | 55,977 | - | - | - | 55,977 |
| Culture and Recreation | - | - | - | 7,062 | 7,062 |
| | <u>2,046,823</u> | <u>-</u> | <u>-</u> | <u>7,063</u> | <u>2,053,886</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(289,622)</u> | <u>1,350</u> | <u>-</u> | <u>(4,539)</u> | <u>(292,811)</u> |
| Other Financing Sources | | | | | |
| Capital Lease Proceeds | 26,439 | - | - | - | 26,439 |
| Transfers In | 572,156 | - | - | - | 572,156 |
| Transfers Out | - | - | - | - | - |
| Total Other Financing Sources | <u>598,595</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>598,595</u> |
| Net Change in Fund Balances | 308,973 | 1,350 | - | (4,539) | 305,784 |
| Fund Balances, Beginning | <u>612,045</u> | <u>2,113</u> | <u>3</u> | <u>20,140</u> | <u>634,301</u> |
| Fund Balances, Ending | <u>\$ 921,018</u> | <u>\$ 3,463</u> | <u>\$ 3</u> | <u>\$ 15,601</u> | <u>\$ 940,085</u> |

**City of Marlow, Oklahoma
Supplemental Schedule
Schedule of Grant Activity
Modified Cash Basis
For the Year Ended June 30, 2021**

| Granting Agency | Purpose | Award Amount | Expenditures 2020-2021 |
|------------------------------------|-----------------------|-------------------------|-----------------------------------|
| State Grants | | | |
| Oklahoma Department of Agriculture | Fire Operations Grant | \$ 4,826 | \$ 4,826 |
| Oklahoma Department of Libraries | Operations Grant | \$ 2,909 | \$ 2,909 |
| REAP Grant | Cemetery Roads | \$ 45,000 | \$ 45,000 |
| Oklahoma DEQ | Equipment | <u>\$ 36,270</u> | <u>\$ 36,270</u> |
| Total State Grants | | <u>\$ 89,005</u> | <u>\$ 89,005</u> |
| Federal Grants | | | |
| FEMA | DR 4575 | \$ 41,821 | \$ 41,821 |
| FEMA | EMPG | \$ 5,000 | \$ 5,000 |
| | First Responder | <u>\$ 8,248</u> | <u>\$ 8,248</u> |
| Total Federal Grants | | <u>\$ 55,069</u> | <u>\$ 55,069</u> |
| Total Grants | | <u>\$ 144,074</u> | <u>\$ 144,074</u> |
| CARES Act | | | |
| CARES Act Funding | | \$ 340,595 | \$ 340,595 |
| CARES Act Funding | | <u>829</u> | <u>\$ 829</u> |
| Total Cares Act Funding | | <u>\$ 341,424</u> | <u>\$ 341,424</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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 23, 2022. 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.

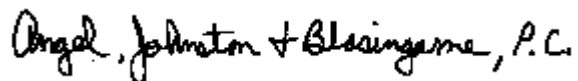
Our consideration of internal control for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist 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 23, 2022

**CITY OF MARLOW, OKLAHOMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2021**

Deficiencies of Internal Control, Compliance and Other Matters:

No findings were noted for the 2020-21 fiscal year.

**CITY OF MARLOW, OKLAHOMA
DISPOSITION OF PRIOR YEAR FINDINGS
Year Ended June 30, 2021**

Deficiencies of Internal Control, Compliance and Other Matters:

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