



City of Marlow, Oklahoma

Financial Statements

Year –End: June 30, 2022

City of Marlow
 TABLE OF CONTENTS
 For the Fiscal Year Ended June 30, 2022

	Page
FINANCIAL SECTION	
Independent Auditor’s Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	4
Statement of Activities – Modified Cash Basis	5
Fund Financial Statements:	
Balance Sheet-Modified Cash Basis	
Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balances-Modified Cash Basis- Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis- of Governmental Funds to the Statement Activities –Modified Cash Basis	8
Statement of Net Position – Modified Cash Basis – Proprietary Fund	9
Statement of Revenues, Expenditures, and Changes in Fund Net Position- Modified Cash Basis- Proprietary Fund	10
Statement of Cash Flows – Modified Cash Basis – Proprietary Fund	11
Notes to the Financial Statements	12
Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Budget and Actual:	
General Fund	29
Capital Improvement Fund	30
Tax Revenue Capital Projects Fund	31
Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis Nonmajor Governmental Special Revenue Funds	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Nonmajor Governmental Special Revenue Funds	33
Combining Statement of Assets, Liabilities and Fund Balance- Modified Cash Basis General Fund	34

City of Marlow
TABLE OF CONTENTS
For the Fiscal Year Ended June 30, 2022

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – General Fund	35
Schedule of Grant Activity	36
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37

FINANCIAL



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Marlow, Oklahoma

Report on the Audit of the Financial Statements

Opinions

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 the aggregate remaining fund information of the City of Marlow, Oklahoma (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, 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 modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

HSPG & ASSOCIATES, PC

5400 N Grand Blvd, Suite 330 • Oklahoma City, Oklahoma 73112 • Phone: 405.844.9995 • Fax: 405.844.9975

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining schedules – modified cash basis, and the schedule of grant activity, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedules and the schedule of grant activity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2023, 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 solely 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'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 City's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

August 22, 2023

BASIC FINANCIAL STATEMENTS

City of Marlow
Government-Wide Statement of Net Position – Modified Cash Basis
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	MEDA
ASSETS				
Cash and Cash Equivalent	\$ 4,135,617	\$ 2,000,610	\$ 6,136,227	\$ 509,386
Restricted Cash and Cash Equivalents	37,593	261,587	299,180	-
Investments	637,359	1,912,079	2,549,438	-
Land and Construction in Progress	284,036	1,390,873	1,674,909	99,939
Other Capital Assets, net of depreciation	6,584,919	7,016,854	13,601,773	10,266
Total Assets	<u>11,679,524</u>	<u>12,582,003</u>	<u>24,261,527</u>	<u>619,591</u>
LIABILITIES				
Current Liabilities				
Bonds Pending Court	1,899	-	1,899	-
Refundable Meter Deposits	-	349,898	349,898	-
Long -term liabilities				
Due within one year	18,497	368,435	386,932	-
Due in more than one year	9,343	1,875,000	1,884,343	-
Total Liabilities	<u>29,739</u>	<u>2,593,333</u>	<u>2,623,072</u>	<u>-</u>
NET POSITION				
Invested in Capital Assets	6,841,115	6,164,292	13,005,407	110,205
Restricted for				
Debt Service	-	51,467	51,467	-
Street and Alley	167,434	-	167,434	-
Cemetery	91,488	-	91,488	-
Special Library and CINCH	141,706	-	141,706	-
EMS	734,289	-	734,289	-
Capital Improvement	1,214,719	-	1,214,719	-
Unrestricted	2,459,034	3,772,911	6,231,945	509,386
Total Net Position	<u>\$ 11,649,785</u>	<u>\$ 9,988,670</u>	<u>\$ 21,638,455</u>	<u>\$ 619,591</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, 2022

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Primary Government Total	Unit
							MEDA	
<i>Functions/Programs</i>								
Primary Government								
Governmental Activities								
General Government	\$ 338,885	\$ 19,200	\$ -	\$ 385,988	\$ 66,303	\$ -	\$ 66,303	
Highways and Streets	470,226	-	-	-	(470,226)	-	(470,226)	
Public Safety	1,625,239	122,522	11,508	9,831	(1,481,378)	-	(1,481,378)	
Culture and Recreation	260,620	-	2,910	-	(257,710)	-	(257,710)	
Cemetery	217,269	47,267	-	-	(170,002)	-	(170,002)	
Total Governmental Activities	<u>2,912,239</u>	<u>188,989</u>	<u>14,418</u>	<u>395,819</u>	<u>(2,313,013)</u>	<u>-</u>	<u>(2,313,013)</u>	
Business-Type Activities								
Electric	3,641,910	4,382,679	-	-	-	740,769	740,769	
Water	637,824	662,415	-	-	-	24,591	24,591	
Sanitation	640,591	766,281	-	-	-	125,690	125,690	
Sewer	94,121	351,414	-	-	-	257,293	257,293	
General Government and Recreation	693,738	207,042	-	-	-	(486,696)	(486,696)	
Total Business Type Activities	<u>5,708,184</u>	<u>6,369,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>661,647</u>	<u>661,647</u>	
Total Primary Government	<u>\$ 8,620,423</u>	<u>\$ 6,558,820</u>	<u>\$ 14,418</u>	<u>\$ 395,819</u>	<u>(2,313,013)</u>	<u>661,647</u>	<u>(1,651,366)</u>	
Component Unit								
Marlow Economic Development Authority	<u>\$ 21,933</u>	<u>\$ 3,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ (18,313)</u>	
General Revenues								
Taxes					2,354,874	-	2,354,874	
Investment Return					11,779	22,656	34,435	
Rent and Royalties					27,151	-	27,151	
Miscellaneous					369,402	-	369,402	
Payment from City					-	-	-	
Transfers					600,000	(600,000)	-	
Total General Revenues and Transfers					<u>3,363,206</u>	<u>(577,344)</u>	<u>2,785,862</u>	
Change in Net Position					1,050,193	84,303	1,134,496	
Net Position - Beginning					<u>10,599,592</u>	<u>9,904,367</u>	<u>20,503,959</u>	
Net Position - Ending					<u>\$ 11,649,785</u>	<u>\$ 9,988,670</u>	<u>\$ 21,638,455</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, 2022

	General Fund	Capital Improvement Fund	Tax Revenue Capital Projects Fund	Other Governmental Funds	Total
Assets					
Cash and Cash Investments	\$ 717,989	\$ 1,074,777	980,923	\$ 1,361,928	\$ 4,135,617
Restricted Cash	37,593	-	-	-	37,593
Investments	198,218	-	314,856	124,285	637,359
Total Assets	\$ 953,800	\$ 1,074,777	\$ 1,295,779	\$ 1,486,213	\$ 4,810,569
Liabilities					
Bonds Pending Court	\$ 1,899	-	-	-	\$ 1,899
Total Liabilities	1,899	-	-	-	1,899
Fund Balances					
Restricted	141,706	39,003	1,175,716	993,211	2,349,636
Assigned	-	1,035,774	120,063	493,002	1,648,839
Unassigned	810,195	-	-	-	810,195
Total Fund Balances	951,901	1,074,777	1,295,779	1,486,213	4,808,670
Total Liabilities and Fund Balances	\$ 953,800	\$ 1,074,777	\$ 1,295,779	\$ 1,486,213	

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. 6,868,955

Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the fund. (27,840)

Net position of governmental activities. \$ 11,649,785

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, 2022

	General Fund	Capital Improvement Fund	Tax Revenue Capital Projects Fund	Other Governmental Funds	Total
REVENUE					
Taxes	\$ 1,140,194	\$ 403,776	\$ 512,205	\$ 298,699	\$ 2,354,874
Grants	14,418	-	-	395,819	410,237
License and Permits	20,092	-	-	-	20,092
Charges for Service	19,200	-	-	-	19,200
Fines	102,430	-	-	-	102,430
Miscellaneous	199,024	125,081	(1)	50,601	374,705
Investment Return	1,980	600	4,881	1,875	9,336
Royalties	-	27,151	-	-	27,151
Cemetery	41,262	-	-	6,005	47,267
Total Revenue	<u>1,538,600</u>	<u>556,608</u>	<u>517,085</u>	<u>752,999</u>	<u>3,365,292</u>
EXPENDITURES					
Current					
General Government	304,614	31,477	1,274	1	337,366
Public Safety	1,308,983	-	-	128,991	1,437,974
Highways and Streets	238,879	-	-	-	238,879
Culture and Recreation	155,833	-	-	-	155,833
Cemetery	196,401	-	-	3,250	199,651
Capital Outlay					
General Government	-	133,117	506,495	-	639,612
Public Safety	28,118	12,479	107,793	125,797	274,187
Cemetery	-	232,920	134,809	-	367,729
Highways and Streets	-	-	99,857	22,000	121,857
Debt Service					
Principal Retirement	-	28,161	-	-	28,161
Interest Expense	-	1,451	-	-	1,451
Total Expenditures	<u>2,232,828</u>	<u>439,605</u>	<u>850,228</u>	<u>280,039</u>	<u>3,802,700</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(694,228)</u>	<u>117,003</u>	<u>(333,143)</u>	<u>472,960</u>	<u>(437,408)</u>
Other Financing Sources					
Debt Proceeds	28,118	-	-	-	28,118
Transfers In	678,000	-	-	75	678,075
Transfers Out	(75)	(78,000)	-	-	(78,075)
Total Other Financing Sources	<u>706,043</u>	<u>(78,000)</u>	<u>-</u>	<u>75</u>	<u>628,118</u>
Net Change in Fund Balances	11,815	39,003	(333,143)	473,035	190,710
Fund Balances - Beginning	940,086	1,035,774	1,628,922	1,013,178	4,617,960
Fund Balances - Ending	<u>\$ 951,901</u>	<u>\$ 1,074,777</u>	<u>\$ 1,295,779</u>	<u>\$ 1,486,213</u>	<u>\$ 4,808,670</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, 2022

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

Net change in fund balances - total governmental funds	\$ 190,710
--------------------------------------------------------	------------

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.

Capital Outlay	1,403,384
Depreciation Expense	(541,084)

The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net assets.

Loss on disposal of assets	(2,860)
----------------------------	---------

The issuance of long-term debt 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.

Principal repayment	28,161
Capital Lease Proceeds	<u>(28,118)</u>

Change in net position of governmental activities.	<u>\$ 1,050,193</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, 2022

	Marlow Municipal Authority
<i>ASSETS</i>	
Current Assets	
Cash and Cash Equivalent	\$ 2,000,611
Restricted Cash and Cash Equivalents	210,120
Investments	1,912,079
Total Current Assets	4,122,810
Noncurrent Assets	
Restricted Cash and Cash Equivalents	51,467
Capital Assets	
Land and Construction in Progress	1,390,873
Other Capital Assets	47,030,119
Less Accumulated Depreciation	(40,013,265)
Total Noncurrent Assets	8,459,194
Total Assets	12,582,004
<i>LIABILITIES</i>	
Current Liabilities	
Refundable Meter Deposits	349,899
Current Portion	
Revenue Bonds	345,000
Notes Payable	23,435
Total Current Liabilities	718,334
Noncurrent Liabilities	
Revenue Bonds	1,875,000
Total Noncurrent Liabilities	1,875,000
Total Liabilities	2,593,334
<i>NET POSITION</i>	
Invested in Capital Assets, net of related debt	6,509,292
Restricted for Debt Service	51,467
Unrestricted	3,427,911
Total Net Position	\$ 9,988,670

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, 2022

	Marlow Municipal Authority
Operating Revenues:	
Electric	\$ 4,382,679
Water	662,415
Sanitation	766,281
Sewer	351,414
Pool	13,670
Miscellaneous	193,372
Total Operating Revenue	6,369,831
Operating Expenses:	
Electric	3,641,910
Water	570,878
Sanitation	640,591
Sewer	94,121
Pool	27,305
General Government	666,433
Total Operating Expenses	5,641,238
Operating Income (Loss)	728,593
Nonoperating Revenues (Expenses):	
Interest Revenue	22,656
Interest Expense	(66,946)
Total Nonoperating Revenues (Expenses)	(44,290)
Income (Loss) before Transfers	684,303
Other Financing Sources (Uses):	
Transfers In	-
Transfers Out	(600,000)
Total Other Financing Sources	(600,000)
Net Change in Net Position	84,303
Total Net Position - Beginning	9,904,367
Total Net Position - Ending	\$ 9,988,670

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Revenues Received	\$ 6,369,831
Vendors and Others Paid	<u>(5,182,522)</u>
Net Cash Provided by Operating Activities	1,187,309

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer, Net	<u>(600,000)</u>
Net Cash Used by Noncapital Financing Activities	(600,000)

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Payment of Debt	(360,033)
Decrease in Restricted Cash - Capital Financing	<u>1,094</u>
Net Cash Used by Capital Financing Activities	(358,939)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	22,656
Interest Expense	(66,946)
Increase in Restricted Investments	<u>(18,014)</u>
Net Cash Used by Investing Activities	<u>(62,304)</u>

Net Increase in Cash and Cash Equivalents 166,066

Cash and Cash Equivalents, July 1, 2021 2,044,665

Cash and Cash Equivalents, June 30, 2022 \$ 2,210,731

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

Operating Income	<u>\$ 728,593</u>
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization Expense	446,268
Increase in Due from (to) Other Funds	(2,035)
Increase in Meter Deposits Payable	<u>14,483</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,187,309</u></u>

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

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2022

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. MEDA does not issue separate financial statements.

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, 2022

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.
- 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, 2022

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, and ARPA.

The City reports the Marlow Municipal Authority (MMA) as a major proprietary fund. MMA accounts for the activities related to the provision of electric, water and sewer services to businesses and residents. It operates the electric, 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.
- 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, 2022

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, 2022

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 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. 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, 2022

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, 2022.

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 City has restricted resources by state law and from grants as of June 30, 2022.

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 management through the budgetary process. The City has assigned resources of interest earnings in special revenue funds as of June 30, 2022.

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.

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, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

5. Fund equity - continued

As of June 30, 2022, 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	\$ -	\$ -	\$ -	\$ 91,488	\$ 91,488
Special Library and CINCH	141,706	-	-	-	141,706
Capital Improvements	-	39,003	-	-	39,003
EMS	-	-	-	734,289	734,289
Street and Alley	-	-	-	167,434	167,434
Capital Improvement	-	-	1,175,716	-	1,175,716
Assigned					
Capital Improvement	-	1,035,774	120,063	386,012	1,541,849
EMS	-	-	-	79,566	79,566
Street and Alley	-	-	-	27,424	27,424
Unassigned	810,195	-	-	-	810,195
	<u>\$ 951,901</u>	<u>\$ 1,074,777</u>	<u>\$ 1,295,779</u>	<u>\$ 1,486,213</u>	<u>\$ 4,808,670</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, 2022

II. 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.

III. DEPOSITS AND INVESTMENTS

A summary of cash and investments shown in the statement of net position follows:

		<u>Primary Government</u>			
Cash and Cash Equivalents		\$	6,136,227		
Restricted Cash and Cash Equivalents			299,180		
Investments			2,549,438		
Total Deposits		<u>\$</u>	<u>8,984,845</u>		
<u>Type</u>	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Maturities in Years</u>		
			<u>Demand</u>	<u>Less than One</u>	<u>One - Five</u>
Demand Deposits	\$ 4,992,070	N/A	\$ 4,992,070	-	-
Time Deposits	1,840,709	N/A	-	1,381,709	459,000
OMAG Escrow	61,628	N/A	-	61,628	-
Money Market Mutual Funds	5,279	AAA	-	5,279	-
U.S. Government Sponsored Entities	2,085,159	1	-	-	2,085,159
		<u>\$</u>	<u>8,984,845</u>		

(1) U.S. government sponsored entities (GSE) securities are debt issued by a financial intermediary established by the federal government to fund loans for a public purpose. GSE's lack the explicit backing of the U.S. government, but are federally chartered entities. GSE securities are listed below with the corresponding credit ratings:

GSE Name	S&P Rating	Moody Rating
Federal Home Loan Bank	AA+	Aaa

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, 2022, the bank balance was \$6,435,407. This amount was insured and collateralized.

Component Unit: At June 30, 2022, MEDA had a bank balance of \$509,386. This amount was insured and collateralized.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2022

III. DEPOSITS AND INVESTMENTS

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 has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations – rating agencies – as of the year end.

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, 2022

IV. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 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>324,514</u>	<u>-</u>	<u>-</u>	<u>(40,478)</u>	<u>284,036</u>
Capital assets, being depreciated					
Land Improvements	6,384,499	284,055	-	-	6,668,554
Buildings	3,277,506	384,338	12,200	40,478	3,690,122
Building Improvements	680,773	70,843	-	-	751,616
Computers	429,992	-	-	-	429,992
Artwork	6,200	-	-	-	6,200
Vehicles	1,579,793	130,619	20,000	-	1,690,412
Machinery and Equipment	1,619,324	117,049	10,726	-	1,725,647
Infrastructure	5,262,240	416,480	-	-	5,678,720
Total capital assets, being depreciated	<u>19,240,327</u>	<u>1,403,384</u>	<u>42,926</u>	<u>40,478</u>	<u>20,641,263</u>
Less Accumulated Depreciation	<u>13,555,326</u>	<u>541,084</u>	<u>40,066</u>	<u>-</u>	<u>14,056,344</u>
Total capital assets, being depreciated, net	<u>5,685,001</u>	<u>862,300</u>	<u>2,860</u>	<u>40,478</u>	<u>6,584,919</u>
Governmental activities capital assets, net	<u>6,009,515</u>	<u>862,300</u>	<u>2,860</u>	<u>-</u>	<u>6,868,955</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	3,663,981	-	-	-	3,663,981
Vehicles	513,566	-	-	-	513,566
Machinery and Equipment	2,674,669	-	-	-	2,674,669
Water Rights	190,157	-	-	-	190,157
Infrastructure	37,982,160	-	-	-	37,982,160
Total capital assets, being depreciated	<u>47,030,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,030,119</u>
Less Accumulated Depreciation	<u>39,566,997</u>	<u>446,268</u>	<u>-</u>	<u>-</u>	<u>40,013,265</u>
Total capital assets, being depreciated, net	<u>7,463,122</u>	<u>(446,268)</u>	<u>-</u>	<u>-</u>	<u>7,016,854</u>
Business activities capital assets, net	<u>8,853,995</u>	<u>(446,268)</u>	<u>-</u>	<u>-</u>	<u>8,407,727</u>
Total Primary Government	<u>\$ 14,863,510</u>	<u>\$ 416,032</u>	<u>\$ 2,860</u>	<u>\$ -</u>	<u>\$ 15,276,682</u>

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2022

IV. CAPITAL ASSETS – (continued)

Capital asset activity for MEDA for the year ended June 30, 2022 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>6,644</u>	<u>705</u>	<u>-</u>	<u>-</u>	<u>7,349</u>
Total capital assets, being depreciated, net	<u>10,971</u>	<u>(705)</u>	<u>-</u>	<u>-</u>	<u>10,266</u>
Component Unit capital assets, net	<u>\$ 110,910</u>	<u>\$ (705)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,205</u>

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

Government activities:	
General Government	\$ 35,995
Highways and Streets	196,870
Public Safety	185,813
Culture and Recreation	104,788
Cemetery	<u>17,618</u>
Total depreciation expense - governmental activities	<u>\$ 541,084</u>
Business-type activities	
Electric	\$ 122,886
Water	189,501
General Government	38,615
Pool	1,145
Sewer	<u>94,121</u>
Total depreciation expense - business-type activities	<u>\$ 446,268</u>

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2022

V. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers as of June 30, 2022 were as follows:

	Transfer In	Transfer Out	Net
Governmental Funds	\$ 678,075	\$ (78,075)	\$ 600,000
Proprietary Funds	-	(600,000)	(600,000)
	<u>\$ 678,075</u>	<u>\$ (678,075)</u>	<u>\$ -</u>

Transfer To	Transfer From	Amount
General Fund	Marlow Municipal Authority	\$ 600,000
Cemetery	General Fund	75
General Fund	Capital Improvement	<u>78,000</u>
		<u>\$ 678,075</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.

VI. LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
<i>Governmental Activities</i>					
Notes Payable - Direct Borrowings	\$ 27,883	\$ 28,118	\$ 28,161	\$ 27,840	\$ 18,497
	<u>\$ 27,883</u>	<u>\$ 28,118</u>	<u>\$ 28,161</u>	<u>\$ 27,840</u>	<u>\$ 18,497</u>
<i>Business-Type Activities</i>					
Revenue Bonds - Private Placement	\$ 2,555,000	\$ -	\$ 335,000	\$ 2,220,000	\$ 345,000
Notes Payable - Direct Borrowings	48,468	-	25,033	23,435	23,435
Total Business-Type Activities	<u>2,603,468</u>	<u>-</u>	<u>360,033</u>	<u>2,243,435</u>	<u>368,435</u>
Total Primary Government	<u>\$ 2,631,351</u>	<u>\$ 28,118</u>	<u>\$ 388,194</u>	<u>\$ 2,271,275</u>	<u>\$ 386,932</u>

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2022

VI. LONG-TERM LIABILITIES (continued)

Annual debt service payments to maturity for long-term debt as of June 30, 2022 are as follows:

Year Ending June 30	Notes Payable			
	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2023	\$ 18,497	\$ 1,337	\$ 23,435	\$ 817
2024	9,343	342	-	-
	\$ 27,840	\$ 1,679	\$ 23,435	\$ 817

Governmental Activities

The City has entered into a \$26,439 debt agreement with a bank through December 2023, with interest at 3.5% for the purchase of a 2020 police car. Principal and interest are payable monthly.

\$ 9,062

The City has entered into a \$28,118 debt agreement with a bank through December 2023, with interest at 3.5% for the purchase of a 2021 police car. Principal and interest are payable monthly.

18,778

\$ 27,840

Business Type Activities

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, 2022 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, 2022

VI. LONG-TERM LIABILITIES (continued)

Annual debt service payments to maturity for revenue bonds at June 30, 2022 are as follows:

Year Ending June 30	Business-Type - Private Placement			
	2013 Note		2017 Note	
	Principal	Interest	Principal	Interest
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	175,000	12,632	215,000	6,353
2028-2032	275,000	8,603	110,000	1,285
	\$ 1,100,000	\$ 123,071	\$ 1,120,000	\$ 80,459

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

<i>Governmental Activities:</i>	
Public Safety	\$ 1,452
<i>Business Type Activities:</i>	
Water	\$ 66,946

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 2032. The total principal and interest remaining to be paid on the notes is \$2,423,530. Principal and interest paid for the current year and total customer net revenues were \$401,946 and \$1,197,517, respectively.

VII. RESTRICTED ASSETS

Restricted cash as of June 30, 2022 is as follows:

Funds restricted for debt service reserves	\$ 51,467
Meter deposits	186,085
Oklahoma Municipal Assurance Group Escrow	61,628
	\$ 299,180

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2022

VIII. 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 2021-2022, City of Marlow and Marlow Municipal Authority's annual pension cost of \$100,325, were equal to the required contributions

Police 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, 2022. 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, 2022

VIII. PENSION PLANS (continued)

Police Retirement Plan – (continued)

Trend Information:

Year Ending June 30	Covered Payroll	Pension Cost	City Share	Employee Share
2022	\$ 341,613	\$ 71,476	\$ 44,247	\$ 27,229
2021	364,868	74,944	46,394	28,550
2020	351,568	73,849	45,716	28,133

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, 2022. 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
2022	\$ 195,994	\$ 45,079	\$ 27,439	\$ 17,639
2021	185,547	42,676	25,977	16,699
2020	185,497	42,664	25,970	16,695

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 \$1,020 to the Fire Pension fund for the Marlow volunteer fire department for the year ended June 30, 2022.

City of Marlow, Oklahoma
Notes to Financial Statements
June 30, 2022

IX. 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, 2022, 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.

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, 2022, is \$116,617.

X. 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, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 924,300	\$ 924,300	\$ 1,140,194	\$ 215,894
Intergovernmental	6,500	6,500	14,418	7,918
License	15,400	15,400	20,092	4,692
Charges for Service	13,000	13,000	19,200	6,200
Fines	79,500	79,500	102,430	22,930
Miscellaneous	66,800	66,800	74,023	7,223
Interest	2,000	2,000	4,338	2,338
Cemetery	33,000	33,000	41,262	8,262
Total Revenue	1,140,500	1,140,500	1,415,957	275,457
EXPENDITURES				
Current				
General Government	387,920	337,420	304,614	32,806
Public Safety	1,309,835	1,355,167	1,308,983	46,184
Highways and Streets	245,550	250,599	238,879	11,720
Culture and Recreation	157,085	165,439	155,832	9,607
Cemetery	192,250	201,230	196,401	4,829
Total Expenditures	2,292,640	2,309,855	2,204,709	105,146
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,152,140)	(1,169,355)	(788,752)	380,603
Other Financing Sources				
Transfers In	678,000	678,000	678,000	-
Transfers Out	-	-	(75)	(75)
Total Other Financing Sources	678,000	678,000	677,925	(75)
Net Change in Fund Balance	(474,140)	(491,355)	(110,827)	380,528
Fund Balance - Beginning	491,430	491,430	921,019	429,589
Fund Balance - Ending	\$ 17,290	\$ 75	810,192	\$ 810,117
Change in Fund Balance of Municipal Court Fund, combined with General fund for presentation, and not for budget purposes			(909)	
Fund Balance - Ending			\$ 809,283	

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, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 280,000	\$ 280,000	\$ 403,776	\$ 123,776
Royalties	15,000	15,000	27,151	12,151
Miscellaneous	-	60,000	125,081	65,081
Interest	75	75	600	525
Total Revenue	295,075	355,075	556,608	201,533
EXPENDITURES				
Current				
General Government	45,000	6,000	31,477	(25,477)
Capital Outlay				
General Government	151,000	250,000	133,117	116,883
Public Safety	45,000	15,386	12,479	2,907
Cemetery	151,000	151,000	232,920	(81,920)
Debt Service	-	29,614	1,451	28,163
Total Expenditures	392,000	452,000	411,444	40,556
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,925)	(96,925)	145,164	242,089
Other Financing Sources				
Transfers In	-	-	-	-
Transfers Out	(78,000)	(78,000)	(78,000)	-
Total Other Financing Sources	(78,000)	(78,000)	(78,000)	-
Net Change in Fund Balance	(174,925)	(174,925)	67,164	242,089
Fund Balance - Beginning	175,000	175,000	1,035,774	860,774
Fund Balance - Ending	\$ 75	\$ 75	\$ 1,102,938	\$ 1,102,863

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, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 410,000	\$ 410,000	\$ 512,205	\$ 102,205
Investment Return	1,500	1,500	4,880	3,380
Total Revenue	411,500	411,500	517,085	105,585
EXPENDITURES				
Current				
General Government	1,205,050	1,205,050	850,228	354,822
Total Expenditures	1,205,050	1,205,050	850,228	354,822
Net Change in Fund Balances	(793,550)	(793,550)	(333,143)	460,407
Fund Balances - Beginning	795,000	795,000	1,628,922	833,922
Fund Balances - Ending	<u>\$ 1,450</u>	<u>\$ 1,450</u>	<u>\$ 1,295,779</u>	<u>\$ 1,294,329</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, 2022

	Cemetery Care	EMS Fund	Street & Alley	ARPA Fund	Total
Assets					
Cash	\$ 91,488	689,570	\$ 194,858	386,012	\$ 1,361,928
Investments	-	124,285	-	-	124,285
Total Assets	<u>\$ 91,488</u>	<u>\$ 813,855</u>	<u>\$ 194,858</u>	<u>\$ 386,012</u>	<u>1,486,213</u>
Fund Balances					
Restricted	\$ 91,488	\$ 734,289	\$ 167,434	\$ -	\$ 993,211
Assigned	-	79,566	27,424	386,012	493,002
Unassigned	-	-	-	-	-
Total Fund Balances	<u>91,488</u>	<u>813,855</u>	<u>194,858</u>	<u>386,012</u>	<u>1,486,213</u>
Total Liabilities and Fund Balances	<u>\$ 91,488</u>	<u>\$ 813,855</u>	<u>\$ 194,858</u>	<u>\$ 386,012</u>	<u>\$ 1,486,213</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, 2022

	Cemetery Care	EMS Fund	Street & Alley	ARPA Fund	Total
REVENUE					
Taxes	\$ -	256,102	\$ 42,597	\$ -	\$ 298,699
Grants	-	9,831	-	385,988	395,819
Miscellaneous	-	50,000	601	-	50,601
Investment Return	99	1,551	201	24	1,875
Cemetery	<u>6,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,005</u>
Total Revenue	<u>6,104</u>	<u>317,484</u>	<u>43,399</u>	<u>386,012</u>	<u>752,999</u>
EXPENDITURES					
Current					
General Government	-	-	1	-	1
Public Safety	-	128,991	-	-	128,991
Cemetery	3,250	-	-	-	3,250
Capital Outlay					
Public Safety	-	125,797	-	-	125,797
Highways and Streets	-	-	22,000	-	22,000
Total Expenditures	<u>3,250</u>	<u>254,788</u>	<u>22,001</u>	<u>-</u>	<u>280,039</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,854</u>	<u>62,696</u>	<u>21,398</u>	<u>386,012</u>	<u>472,960</u>
Other Financing Sources					
Transfers In	75	-	-	-	75
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75</u>
Net Change in Fund Balances	2,929	62,696	21,398	386,012	473,035
Fund Balances, Beginning	<u>88,559</u>	<u>751,159</u>	<u>173,460</u>	<u>-</u>	<u>1,013,178</u>
Fund Balances, Ending	<u>\$ 91,488</u>	<u>\$ 813,855</u>	<u>\$ 194,858</u>	<u>\$ 386,012</u>	<u>\$ 1,486,213</u>

City of Marlow, Oklahoma
Supplemental Schedule
Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis
General Fund
June 30, 2022

	General Fund	CINCH	OHFA Grant	Special Library	Total
Assets					
Cash and Cash Investments	\$ 576,280	\$ 1,020	\$ 3	140,686	\$ 717,989
Restricted Cash	37,593	-	-	-	37,593
Investments	198,218	-	-	-	198,218
	<u>\$ 812,091</u>	<u>\$ 1,020</u>	<u>\$ 3</u>	<u>\$ 140,686</u>	<u>\$ 953,800</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	-	1,020	-	140,686	141,706
Unassigned	810,192	-	3	-	810,195
	<u>810,192</u>	<u>1,020</u>	<u>3</u>	<u>140,686</u>	<u>951,901</u>
Total Fund Balances					
Total Liabilities and Fund Balances	<u>\$ 812,091</u>	<u>\$ 1,020</u>	<u>\$ 3</u>	<u>\$ 140,686</u>	<u>\$ 953,800</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, 2022

	General Fund	CINCH	OHFA Grant	Special Library	Total
REVENUE					
Taxes	\$ 1,140,194	\$ -	\$ -	\$ -	\$ 1,140,194
Grants	14,418	-	-	-	14,418
License and Permits	20,092	-	-	-	20,092
Charges for Service	19,200	-	-	-	19,200
Fines	102,430	-	-	-	102,430
Miscellaneous	74,023	-	-	125,001	199,024
Interest	4,338	(2,443)	-	85	1,980
Cemetery	41,262	-	-	-	41,262
	<u>1,415,957</u>	<u>(2,443)</u>	<u>-</u>	<u>125,086</u>	<u>1,538,600</u>
EXPENDITURES					
Current					
General Government	304,614	-	-	-	304,614
Public Safety	1,308,983	-	-	-	1,308,983
Highways and Streets	238,879	-	-	-	238,879
Culture and Recreation	155,832	-	-	1	155,833
Cemetery	196,401	-	-	-	196,401
Capital Outlay					
Public Safety	28,118	-	-	-	28,118
	<u>2,232,827</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2,232,828</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(816,870)</u>	<u>(2,443)</u>	<u>-</u>	<u>125,085</u>	<u>(694,228)</u>
Other Financing Sources					
Capital Lease Proceeds	28,118	-	-	-	28,118
Transfers In	678,000	-	-	-	678,000
Transfers Out	(75)	-	-	-	(75)
Total Other Financing Sources	<u>706,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>706,043</u>
Net Change in Fund Balances	(110,827)	(2,443)	-	125,085	11,815
Fund Balances, Beginning	<u>921,019</u>	<u>3,463</u>	<u>3</u>	<u>15,601</u>	<u>940,086</u>
Fund Balances, Ending	<u>\$ 810,192</u>	<u>\$ 1,020</u>	<u>\$ 3</u>	<u>\$ 140,686</u>	<u>\$ 951,901</u>

**City of Marlow, Oklahoma
Supplemental Schedule
Schedule of Grant Activity
Modified Cash Basis
For the Year Ended June 30, 2022**

Granting Agency	Purpose	Award Amount	Expenditures 2021-2022
State Grants			
Oklahoma Department of Agriculture	Fire Operations Grant	\$ 4,763	\$ 4,763
Oklahoma Department of Libraries	Operations Grant	<u>\$ 2,910</u>	<u>\$ 2,910</u>
Total State Grants		<u>\$ 7,673</u>	<u>\$ 7,673</u>
Federal Grants			
FEMA	EMPG	\$ 5,000	\$ 5,000
ARPA	ARPA	<u>\$ 385,988</u>	<u>\$ -</u>
Total Federal Grants		<u>\$ 390,988</u>	<u>\$ 5,000</u>
Other Grants			



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

To the Honorable Mayor and Members of the City Council
City of Marlow, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Marlow, Oklahoma (the “City”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City’s basic financial statements, and have issued our report thereon dated August 22, 2023. Our report included an emphasis of a matter paragraph related to the City’s use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

HSPG & ASSOCIATES, PC

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.

HSPG & Associates, P.C.

August 22, 2023