



# **City of Marlow, Oklahoma**

Financial Statements

Year –End: June 30, 2023

City of Marlow  
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**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, 2023, 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, 2023, 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

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 11, 2024, 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 11, 2024

**BASIC FINANCIAL STATEMENTS**



**City of Marlow**  
**Government-Wide Statement of Net Position – Modified Cash Basis**  
**June 30, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	MEDA
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,880,494	\$ 1,737,150	\$ 6,617,644	\$ 539,956
Restricted Cash and Cash Equivalents	37,510	213,690	251,200	-
Investments	645,595	2,484,593	3,130,188	-
Land and Construction in Progress	287,036	1,262,271	1,549,307	99,939
Other Capital Assets, net of depreciation	7,158,710	6,650,990	13,809,700	9,561
Total Assets	<u>13,009,345</u>	<u>12,348,694</u>	<u>25,358,039</u>	<u>649,456</u>
<b>LIABILITIES</b>				
Current Liabilities				
Bonds Pending Court	1,899	-	1,899	-
Refundable Meter Deposits	-	353,022	353,022	-
Long -term liabilities				
Due within one year	19,487	355,000	374,487	-
Due in more than one year	<u>11,110</u>	<u>1,520,000</u>	<u>1,531,110</u>	<u>-</u>
Total Liabilities	<u>32,496</u>	<u>2,228,022</u>	<u>2,260,518</u>	<u>-</u>
<b>NET POSITION</b>				
Invested in Capital Assets	7,415,149	6,038,261	13,453,410	109,500
Restricted for				
Debt Service	-	3,623	3,623	-
Street and Alley	211,035	-	211,035	-
Cemetery	23,485	-	23,485	-
Special Library and CINCH	142,694	-	142,694	-
Capital Improvement	1,312,614	-	1,312,614	-
Unrestricted	<u>3,871,872</u>	<u>4,078,788</u>	<u>7,950,660</u>	<u>539,956</u>
Total Net Position	<u>\$ 12,976,849</u>	<u>\$ 10,120,672</u>	<u>\$ 23,097,521</u>	<u>\$ 649,456</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, 2023**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
	Expenses							MEDA
<i>Functions/Programs</i>								
Primary Government								
Governmental Activities								
General Government	\$ 388,725	\$ 16,656	\$ -	\$ 389,648	\$ 17,579	\$ -	\$ 17,579	
Highways and Streets	659,749	-	-	-	(659,749)	-	(659,749)	
Public Safety	1,784,734	141,726	24,157	295,120	(1,323,731)	-	(1,323,731)	
Culture and Recreation	295,271	-	2,910	-	(292,361)	-	(292,361)	
Cemetery	237,297	52,798	-	-	(184,499)	-	(184,499)	
Interest Expense	2,041	-	-	-	(2,041)	-	(2,041)	
Total Governmental Activities	<u>3,367,817</u>	<u>211,180</u>	<u>27,067</u>	<u>684,768</u>	<u>(2,444,802)</u>	<u>-</u>	<u>(2,444,802)</u>	
Business-Type Activities								
Electric	4,040,147	4,849,769	-	-	-	809,622	809,622	
Water	697,848	812,201	-	-	-	114,353	114,353	
Sanitation	801,120	844,265	-	-	-	43,145	43,145	
Sewer	93,720	403,989	-	-	-	310,269	310,269	
General Government and Recreation	707,084	172,606	-	-	-	(534,478)	(534,478)	
Total Business Type Activities	<u>6,339,919</u>	<u>7,082,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>742,911</u>	<u>742,911</u>	
Total Primary Government	<u>\$ 9,707,736</u>	<u>\$ 7,294,010</u>	<u>\$ 27,067</u>	<u>\$ 684,768</u>	<u>(2,444,802)</u>	<u>742,911</u>	<u>(1,701,891)</u>	
Component Unit								
Marlow Economic Development Authority	<u>\$ 18,007</u>	<u>\$ 3,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (14,387)</u>
General Revenues								
Taxes					2,977,832	-	2,977,832	-
Investment Return					20,008	(10,909)	9,099	2,252
Rent and Royalties					44,672	-	44,672	-
Miscellaneous					129,354	-	129,354	-
Payment from City					-	-	-	42,000
Transfers					600,000	(600,000)	-	-
Total General Revenues and Transfers					<u>3,771,866</u>	<u>(610,909)</u>	<u>3,160,957</u>	<u>44,252</u>
Change in Net Position					1,327,064	132,002	1,459,066	29,865
Net Position - Beginning					<u>11,649,785</u>	<u>9,988,670</u>	<u>21,638,455</u>	<u>619,591</u>
Net Position - Ending					<u>\$ 12,976,849</u>	<u>\$ 10,120,672</u>	<u>\$ 23,097,521</u>	<u>\$ 649,456</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, 2023**

	General Fund	Capital Improvement Fund	Tax Revenue Capital Projects Fund	Other Governmental Funds	Total
<b>Assets</b>					
Cash and Cash Investments	\$ 950,021	\$ 1,137,943	1,082,305	\$ 1,710,225	\$ 4,880,494
Restricted Cash	37,510	-	-	-	37,510
Investments	200,779	-	318,925	125,891	645,595
Total Assets	<u>\$ 1,188,310</u>	<u>\$ 1,137,943</u>	<u>\$ 1,401,230</u>	<u>\$ 1,836,116</u>	<u>\$ 5,563,599</u>
<b>Liabilities</b>					
Bonds Pending Court	\$ 1,899	-	-	-	\$ 1,899
Total Liabilities	<u>1,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,899</u>
<b>Fund Balances</b>					
Restricted	142,694	39,003	1,273,611	234,520	1,689,828
Assigned	-	1,098,940	127,619	1,601,596	2,828,155
Unassigned	<u>1,043,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,043,717</u>
Total Fund Balances	<u>1,186,411</u>	<u>1,137,943</u>	<u>1,401,230</u>	<u>1,836,116</u>	5,561,700
Total Liabilities and Fund Balances	<u>\$ 1,188,310</u>	<u>\$ 1,137,943</u>	<u>\$ 1,401,230</u>	<u>\$ 1,836,116</u>	

*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. 7,445,746

Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the fund. (30,597)

Net position of governmental activities. \$ 12,976,849

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, 2023**

	General Fund	Capital Improvement Fund	Tax Revenue Capital Projects Fund	Other Governmental Funds	Total
<b>REVENUE</b>					
Taxes	\$ 1,512,898	\$ 388,634	\$ 696,821	\$ 379,479	\$ 2,977,832
Grants	27,067	-	250,000	434,768	711,835
License and Permits	19,755	-	-	-	19,755
Charges for Service	16,656	-	-	-	16,656
Fines	121,971	-	-	-	121,971
Miscellaneous	88,550	37,475	-	2,944	128,969
Investment Return	6,942	113	7,556	5,782	20,393
Royalties	-	44,672	-	-	44,672
Cemetery	46,288	-	-	6,510	52,798
Total Revenue	<u>1,840,127</u>	<u>470,894</u>	<u>954,377</u>	<u>829,483</u>	<u>4,094,881</u>
<b>EXPENDITURES</b>					
Current					
General Government	344,656	128,594	9,386	602	483,238
Public Safety	1,454,973	-	-	118,400	1,573,373
Highways and Streets	270,902	-	-	15,285	286,187
Culture and Recreation	177,454	-	-	-	177,454
Cemetery	203,766	-	-	2,429	206,195
Capital Outlay	30,366	33,000	839,540	313,214	1,216,120
Debt Service					
Principal Retirement	-	-	-	27,609	27,609
Interest Expense	-	-	-	2,041	2,041
Total Expenditures	<u>2,482,117</u>	<u>161,594</u>	<u>848,926</u>	<u>479,580</u>	<u>3,972,217</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(641,990)</u>	<u>309,300</u>	<u>105,451</u>	<u>349,903</u>	<u>122,664</u>
Other Financing Sources					
Debt Proceeds	30,366	-	-	-	30,366
Transfers In	868,634	22,500	-	-	891,134
Transfers Out	(22,500)	(268,634)	-	-	(291,134)
Total Other Financing Sources	<u>876,500</u>	<u>(246,134)</u>	<u>-</u>	<u>-</u>	<u>630,366</u>
Net Change in Fund Balances	234,510	63,166	105,451	349,903	753,030
Fund Balances - Beginning	<u>951,901</u>	<u>1,074,777</u>	<u>1,295,779</u>	<u>1,486,213</u>	<u>4,808,670</u>
Fund Balances - Ending	<u>\$ 1,186,411</u>	<u>\$ 1,137,943</u>	<u>\$ 1,401,230</u>	<u>\$ 1,836,116</u>	<u>\$ 5,561,700</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, 2023**

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

Net change in fund balances - total governmental funds	\$ 753,030
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital Outlay	1,216,120
Depreciation Expense	(639,329)

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	27,609
Debt Proceeds	<u>(30,366)</u>

Change in net position of governmental activities.	<u><u>\$ 1,327,064</u></u>
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The notes to the financial statements are an integral part of this statement.

**City of Marlow**  
**Statement of Net Position – Modified Cash Basis – Proprietary Fund**  
**June 30, 2023**

	<u>Marlow Municipal Authority</u>
<i>ASSETS</i>	
Current Assets	
Cash and Cash Equivalent	\$ 1,737,150
Restricted Cash and Cash Equivalents	210,067
Investments	<u>2,484,593</u>
Total Current Assets	<u>4,431,810</u>
Noncurrent Assets	
Restricted Cash and Cash Equivalents	3,623
Capital Assets	
Land and Construction in Progress	1,262,271
Other Capital Assets	47,117,394
Less Accumulated Depreciation	<u>(40,466,404)</u>
Total Noncurrent Assets	<u>7,916,884</u>
Total Assets	<u>12,348,694</u>
<i>LIABILITIES</i>	
Current Liabilities	
Refundable Meter Deposits	353,022
Current Portion	
Revenue Bonds	<u>355,000</u>
Total Current Liabilities	708,022
Noncurrent Liabilities	
Revenue Bonds	<u>1,520,000</u>
Total Noncurrent Liabilities	<u>1,520,000</u>
Total Liabilities	<u>2,228,022</u>
<i>NET POSITION</i>	
Invested in Capital Assets, net of related debt	6,038,261
Restricted for Debt Service	3,623
Unrestricted	<u>4,078,788</u>
Total Net Position	<u><u>\$ 10,120,672</u></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, 2023**

	Marlow Municipal Authority
Operating Revenues:	
Electric	\$ 4,849,769
Water	812,201
Sanitation	844,265
Sewer	403,989
Pool	15,591
Miscellaneous	157,015
Total Operating Revenue	<u>7,082,830</u>
Operating Expenses:	
Electric	4,040,147
Water	639,543
Sanitation	801,120
Sewer	93,720
Pool	29,781
General Government	677,303
Total Operating Expenses	<u>6,281,614</u>
Operating Income (Loss)	801,216
Nonoperating Revenues (Expenses):	
Loss on Disposal of Assets	(44,699)
Interest Revenue	33,790
Interest Expense	(58,305)
Total Nonoperating Revenues (Expenses)	<u>(69,214)</u>
Income (Loss) before Transfers	<u>732,002</u>
Other Financing Sources (Uses):	
Transfers In	-
Transfers Out	(600,000)
Total Other Financing Sources	<u>(600,000)</u>
Net Change in Net Position	132,002
Total Net Position - Beginning	<u>9,988,670</u>
Total Net Position - Ending	<u><u>\$ 10,120,672</u></u>

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, 2023**

*CASH FLOWS FROM OPERATING ACTIVITIES*

Operating Revenues Received	\$ 7,082,830
Vendors and Others Paid	<u>(5,825,351)</u>
Net Cash Provided by Operating Activities	1,257,479

*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	(368,435)
Purchase of Property, Plant and Equipment	(87,276)
Proceeds from Disposition of Capital Assets	<u>83,903</u>
Net Cash Used by Capital Financing Activities	(371,808)

*CASH FLOWS FROM INVESTING ACTIVITIES*

Interest Income	33,790
Interest Expense	(58,305)
Net Purchases of Investments	<u>(572,514)</u>
Net Cash Used by Investing Activities	<u>(597,029)</u>

Net Increase in Cash and Cash Equivalents (311,358)

Cash and Cash Equivalents, July 1, 2022 2,262,198

Cash and Cash Equivalents, June 30, 2023 \$ 1,950,840

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

Operating Income \$ 801,216

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

Depreciation Expense	453,140
Increase in Meter Deposits Payable	<u>3,123</u>

Net Cash Provided by Operating Activities \$ 1,257,479

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



**City of Marlow, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2023**

**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, 2023**

**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, 2023**

**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, 2023**

**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, 2023**

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 future 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, 2023**

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, 2023.

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, 2023.

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, 2023.

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, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

**5. Fund equity - continued**

As of June 30, 2023, 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	\$ -	\$ -	\$ -	\$ 23,485	\$ 23,485
Special Library and CINCH	142,694	-	-	-	142,694
Capital Improvements	-	39,003	-	-	39,003
Street and Alley	-	-	-	211,035	211,035
Capital Improvement	-	-	1,273,611	-	1,273,611
Assigned					
Capital Improvement	-	1,098,940	127,619	775,725	2,002,284
EMS	-	-	-	825,871	825,871
Unassigned	1,043,717	-	-	-	1,043,717
	<u>\$ 1,186,411</u>	<u>\$ 1,137,943</u>	<u>\$ 1,401,230</u>	<u>\$ 1,836,116</u>	<u>\$ 5,561,700</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, 2023**

**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:

<b>Primary Government</b>					
Cash and Cash Equivalents	\$	6,617,644			
Restricted Cash and Cash Equivalents		251,200			
Investments		3,130,188			
Total Deposits	\$	9,999,032			

  

Type	Carrying Value	Credit Rating	Maturities in Years		
			Demand	Less than One	One - Five
Demand Deposits	\$ 5,930,995	N/A	\$ 5,930,995	\$ -	\$ -
Time Deposits	1,331,734	N/A	-	872,734	459,000
OMAG Escrow	61,492	N/A	-	61,492	-
Money Market Mutual Funds	38,226	AAA	-	38,226	-
U.S. Government Sponsored Entities	2,636,585	1	-	-	2,636,585
	<u>\$ 9,999,032</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, 2023, the bank balance was \$4,663,239. This amount was insured and collateralized.

**Component Unit:** At June 30, 2023, MEDA had a bank balance of \$539,956. This amount was insured and collateralized.



**City of Marlow, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2023**

**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, 2023**

**IV. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><i>Government Activities:</i></b>				
<b><i>Capital assets, not being depreciated</i></b>				
Land and Easements	\$ 284,036	\$ 3,000	\$ -	\$ 287,036
Total capital assets, not being depreciated	<u>284,036</u>	<u>3,000</u>	<u>-</u>	<u>287,036</u>
<b><i>Capital assets, being depreciated</i></b>				
Land Improvements	6,668,554	273,151	-	6,941,705
Buildings	3,690,122	13,753	-	3,703,875
Building Improvements	751,616	139,763	-	891,379
Computers	429,992	-	-	429,992
Artwork	6,200	-	-	6,200
Vehicles	1,690,412	43,321	-	1,733,733
Machinery and Equipment	1,725,647	328,226	-	2,053,873
Infrastructure	<u>5,678,720</u>	<u>414,906</u>	<u>-</u>	<u>6,093,626</u>
Total capital assets, being depreciated	20,641,263	1,213,120	-	21,854,383
Less Accumulated Depreciation	<u>14,056,344</u>	<u>639,329</u>	<u>-</u>	<u>14,695,673</u>
Total capital assets, being depreciated, net	<u>6,584,919</u>	<u>573,791</u>	<u>-</u>	<u>7,158,710</u>
Governmental activities capital assets, net	<u>\$ 6,868,955</u>	<u>\$ 576,791</u>	<u>\$ -</u>	<u>\$ 7,445,746</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b><i>Business-type Activities:</i></b>				
<b><i>Capital assets, not being depreciated</i></b>				
Land and Easements	\$ 1,390,873	\$ -	\$ 128,602	\$ 1,262,271
Total capital assets, not being depreciated	<u>1,390,873</u>	<u>-</u>	<u>128,602</u>	<u>1,262,271</u>
<b><i>Capital assets, being depreciated</i></b>				
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	87,276	-	2,761,945
Water Rights	190,157	-	-	190,157
Infrastructure	<u>37,982,160</u>	<u>-</u>	<u>-</u>	<u>37,982,160</u>
Total capital assets, being depreciated	47,030,119	87,276	-	47,117,395
Less Accumulated Depreciation	<u>40,013,265</u>	<u>453,140</u>	<u>-</u>	<u>40,466,405</u>
Total capital assets, being depreciated, net	<u>7,016,854</u>	<u>(365,864)</u>	<u>-</u>	<u>6,650,990</u>
Business activities capital assets, net	<u>8,407,727</u>	<u>(365,864)</u>	<u>128,602</u>	<u>7,913,261</u>
<b>Total Primary Government</b>	<u><b>\$ 15,276,682</b></u>	<u><b>\$ 210,927</b></u>	<u><b>\$ 128,602</b></u>	<u><b>\$ 15,359,007</b></u>

**City of Marlow, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2023**

IV. CAPITAL ASSETS – (continued)

Capital asset activity for MEDA for the year ended June 30, 2023 was as follows:

<i>Component Unit Activities:</i>	Beginning Balance	Increases	Decreases	Ending Balance
<b><i>Capital assets, not being depreciated</i></b>				
Land and Easements	\$ 99,939	\$ -	\$ -	\$ 99,939
Total capital assets, not being depreciated	99,939	-	-	99,939
<b><i>Capital assets, being depreciated</i></b>				
Buildings	17,615	-	-	17,615
Total capital assets, being depreciated	17,615	-	-	17,615
Less Accumulated Depreciation	7,349	705	-	8,054
Total capital assets, being depreciated, net	10,266	(705)	-	9,561
<b>Component Unit capital assets, net</b>	<b>\$ 110,205</b>	<b>\$ (705)</b>	<b>\$ -</b>	<b>\$ 109,500</b>

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

Government activities:	
General Government	\$ 34,081
Highways and Streets	244,968
Public Safety	211,361
Culture and Recreation	117,817
Cemetery	31,102
Total depreciation expense - governmental activities	<u>\$ 639,329</u>
Business-type activities	
Electric	\$ 130,159
Water	189,501
General Government	38,615
Pool	1,145
Sewer	93,720
Total depreciation expense - business-type activities	<u>\$ 453,140</u>

**City of Marlow, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2023**

**V. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers as of June 30, 2023 were as follows:

	Transfer In	Transfer Out	Net
Governmental Funds	\$ 891,134	\$ (291,134)	\$ 600,000
Proprietary Funds	-	(600,000)	(600,000)
	<u>\$ 891,134</u>	<u>\$ (891,134)</u>	<u>\$ -</u>

Transfer To	Transfer From	Amount
General Fund	Marlow Municipal Authority	\$ 600,000
Capital Improvement	General Fund	22,500
General Fund	Capital Improvement	<u>268,634</u>
		<u>\$ 891,134</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, 2023, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Primary Government</b>					
<i>Governmental Activities</i>					
Notes Payable - Direct Borrowings	\$ 27,840	\$ 30,366	\$ 27,609	\$ 30,597	\$ 19,487
	<u>\$ 27,840</u>	<u>\$ 30,366</u>	<u>\$ 27,609</u>	<u>\$ 30,597</u>	<u>\$ 19,487</u>
<i>Business-Type Activities</i>					
Revenue Bonds - Private Placement	\$ 2,220,000	-	\$ 345,000	\$ 1,875,000	\$ 355,000
Notes Payable - Direct Borrowings	23,435	-	23,435	-	-
Total Business-Type Activities	<u>2,243,435</u>	<u>-</u>	<u>368,435</u>	<u>1,875,000</u>	<u>355,000</u>
Total Primary Government	<u>\$ 2,271,275</u>	<u>\$ 30,366</u>	<u>\$ 396,044</u>	<u>\$ 1,905,597</u>	<u>\$ 374,487</u>

**City of Marlow, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2023**

**VI. LONG-TERM LIABILITIES (continued)**

Annual debt service payments to maturity for long-term debt as of June 30, 2023 are as follows:

Year Ending June 30	Notes Payable			
	Governmental			
	Principal	Interest	Principal	Interest
2024	\$ 9,708	\$ 342	\$ 9,779	\$ 731
2025	-	-	11,110	389
	<u>\$ 9,708</u>	<u>\$ 342</u>	<u>\$ 20,889</u>	<u>\$ 1,120</u>

***Governmental Activities***

The City has entered into a \$30,366 debt agreement with a bank through December 2025, with interest at 3.5% for the purchase of a 2022 police car. Principal and interest are payable monthly.

\$ 20,889

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.

9,708

\$ 30,597

***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, 2023 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, 2023**

**VI. LONG-TERM LIABILITIES (continued)**

Annual debt service payments to maturity for revenue bonds at June 30, 2023 are as follows:

Year Ending June 30	Business-Type - Private Placement			
	2013 Note		2017 Note	
	Principal	Interest	Principal	Interest
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	180,000	7,130	110,000	1,285
2029	95,000	1,473	-	-
	<u>\$ 945,000</u>	<u>\$ 90,211</u>	<u>\$ 930,000</u>	<u>\$ 55,467</u>

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

*Governmental Activities:*

Public Safety \$ 2,041

*Business Type Activities:*

Water \$ 58,305

*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 \$2,020,678. Principal and interest paid for the current year and total customer net revenues were \$403,305 and \$1,292,549, respectively.

**VII. RESTRICTED ASSETS**

Restricted cash as of June 30, 2023 is as follows:

Funds restricted for debt service reserves	\$ 3,623
Meter deposits	186,085
Oklahoma Municipal Assurance Group Escrow	61,492
	<u>\$ 251,200</u>

**City of Marlow, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2023**

**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 2022-2023, City of Marlow and Marlow Municipal Authority's annual pension cost of \$113,217, were equal to the required contributions.

Year Ending June 30	City		MPWA	
	Cost (APC)	Contributed	Cost (APC)	Contributed
2023	\$ 64,832	\$ 64,832	\$ 48,385	\$ 48,385
2022	55,547	55,547	37,278	37,278
2021	52,815	52,815	36,765	36,765

**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, 2023. 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, 2023**

VIII. PENSION PLANS (continued)

*Police Retirement Plan – (continued)*

Trend Information:

Year Ending June 30	Covered Payroll	Pension Cost	City Share	Employee Share
2023	349,867	73,636	45,584	28,052
2022	341,613	71,476	44,247	27,229
2021	364,868	74,944	46,394	28,550

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, 2023. 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
2023	210,000	48,300	29,400	18,900
2022	195,994	45,079	27,439	17,639
2021	185,547	42,676	25,977	16,699

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, 2023.



**City of Marlow, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2023**

**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, 2023, 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, 2023, is \$189,302.

**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, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
<b>REVENUE</b>				
Taxes	\$ 996,500	\$ 996,500	\$ 1,512,898	\$ 516,398
Intergovernmental	6,500	6,500	25,067	18,567
License	18,500	18,500	19,755	1,255
Charges for Service	11,500	11,500	16,656	5,156
Fines	76,400	76,400	121,971	45,571
Miscellaneous	65,800	65,800	88,549	22,749
Interest	1,000	1,000	5,950	4,950
Cemetery	34,000	34,000	46,288	12,288
Total Revenue	<u>1,210,200</u>	<u>1,210,200</u>	<u>1,837,134</u>	<u>626,934</u>
<b>EXPENDITURES</b>				
Current				
General Government	479,050	422,300	344,656	77,644
Public Safety	1,415,860	1,472,737	1,454,973	17,764
Highways and Streets	294,950	294,625	270,902	23,723
Culture and Recreation	190,600	189,903	175,449	14,454
Cemetery	248,100	264,745	203,766	60,979
Total Expenditures	<u>2,628,560</u>	<u>2,644,310</u>	<u>2,449,746</u>	<u>194,564</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,418,360)</u>	<u>(1,434,110)</u>	<u>(612,612)</u>	<u>821,498</u>
Other Financing Sources				
Transfers In	<u>800,000</u>	<u>800,000</u>	<u>868,634</u>	<u>68,634</u>
Total Other Financing Sources	<u>800,000</u>	<u>800,000</u>	<u>846,134</u>	<u>46,134</u>
Net Change in Fund Balance	(618,360)	(634,110)	233,522	867,632
Fund Balance - Beginning	<u>634,110</u>	<u>634,110</u>	<u>810,192</u>	<u>176,082</u>
Fund Balance - Ending	<u>\$ 15,750</u>	<u>\$ -</u>	<u>1,043,714</u>	<u>\$ 1,043,714</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, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final
				Budget
<b>REVENUE</b>				
Taxes	\$ 320,000	\$ 320,000	\$ 388,634	\$ 68,634
Royalties	15,000	15,000	44,672	29,672
Miscellaneous	-	-	37,475	37,475
Interest	75	75	113	38
Total Revenue	<u>335,075</u>	<u>335,075</u>	<u>470,894</u>	<u>135,819</u>
<b>EXPENDITURES</b>				
Current				
Highways and Streets	65,000	115,000	128,594	(13,594)
Capital Outlay				
Highways and Streets	<u>218,750</u>	<u>100,115</u>	<u>33,000</u>	<u>67,115</u>
Total Expenditures	<u>283,750</u>	<u>215,115</u>	<u>161,594</u>	<u>53,521</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>51,325</u>	<u>119,960</u>	<u>309,300</u>	<u>189,340</u>
Other Financing Sources				
Transfers In	-	-	-	-
Transfers Out	<u>(200,000)</u>	<u>(268,635)</u>	<u>(268,634)</u>	<u>1</u>
Total Other Financing Sources	<u>(200,000)</u>	<u>(268,635)</u>	<u>(268,634)</u>	<u>1</u>
Net Change in Fund Balance	(148,675)	(148,675)	40,666	189,341
Fund Balance - Beginning	<u>150,000</u>	<u>150,000</u>	<u>1,074,777</u>	<u>924,777</u>
Fund Balance - Ending	<u>\$ 1,325</u>	<u>\$ 1,325</u>	<u>\$ 1,115,443</u>	<u>\$ 1,114,118</u>

**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, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
<b>REVENUE</b>				
Taxes	\$ 445,000	\$ 445,000	\$ 696,821	\$ 251,821
Intergovernmental	-	-	250,000	250,000
Investment Return	1,000	1,000	7,556	6,556
Total Revenue	446,000	446,000	954,377	508,377
<b>EXPENDITURES</b>				
Current				
General Government	560,050	560,050	848,926	(288,876)
Total Expenditures	560,050	560,050	848,926	(288,876)
Net Change in Fund Balances	(114,050)	(114,050)	105,451	219,501
Fund Balances - Beginning	115,000	115,000	1,295,779	1,180,779
Fund Balances - Ending	\$ 950	\$ 950	\$ 1,401,230	\$ 1,400,280

**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, 2023**

	Cemetery Care	EMS Fund	Street & Alley	ARPA Fund	Total
Assets					
Cash	\$ 23,485	\$ 699,980	\$ 211,035	\$ 775,725	\$ 1,710,225
Investments	<u>-</u>	<u>125,891</u>	<u>-</u>	<u>-</u>	<u>125,891</u>
Total Assets	<u><u>\$ 23,485</u></u>	<u><u>\$ 825,871</u></u>	<u><u>\$ 211,035</u></u>	<u><u>\$ 775,725</u></u>	<u><u>1,836,116</u></u>
Fund Balances					
Restricted	\$ 23,485	\$ -	\$ 211,035	\$ -	\$ 234,520
Assigned	<u>-</u>	<u>825,871</u>	<u>-</u>	<u>775,725</u>	<u>1,601,596</u>
Total Fund Balances	<u>23,485</u>	<u>825,871</u>	<u>211,035</u>	<u>775,725</u>	<u>1,836,116</u>
Total Liabilities and Fund Balances	<u><u>\$ 23,485</u></u>	<u><u>\$ 825,871</u></u>	<u><u>\$ 211,035</u></u>	<u><u>\$ 775,725</u></u>	<u><u>\$ 1,836,116</u></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, 2023**

	Cemetery Care	EMS Fund	Street & Alley	ARPA Fund	Total
<b>REVENUE</b>					
Taxes	\$ -	\$ 348,411	\$ 31,068	\$ -	\$ 379,479
Grants	-	45,120	-	389,648	434,768
Miscellaneous	-	2,944	1	(1)	2,944
Investment Return	408	4,313	995	66	5,782
Cemetery	6,510	-	-	-	6,510
Total Revenue	6,918	400,788	32,064	389,713	829,483
<b>EXPENDITURES</b>					
Current					
General Government	-	-	602	-	602
Public Safety	-	118,400	-	-	118,400
Highways and Streets	-	-	15,285	-	15,285
Cemetery	2,429	-	-	-	2,429
Capital Outlay					
Public Safety	-	240,722	-	-	240,722
Cemetery	72,492	-	-	-	72,492
Debt Service	-	29,650	-	-	29,650
Total Expenditures	74,921	388,772	15,887	-	479,580
Net Change in Fund Balances	(68,003)	12,016	16,177	389,713	349,903
Fund Balances, Beginning	91,488	813,855	194,858	386,012	1,486,213
Fund Balances, Ending	\$ 23,485	\$ 825,871	\$ 211,035	\$ 775,725	\$ 1,836,116

**City of Marlow, Oklahoma**  
**Supplemental Schedule**  
**Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis**  
**General Fund**  
**June 30, 2023**

	General Fund	CINCH	OHFA Grant	Special Library	Total
<b>Assets</b>					
Cash and Cash Investments	\$ 807,324	\$ 1,405	\$ 3	141,289	\$ 950,021
Restricted Cash	37,510	-	-	-	37,510
Investments	200,779	-	-	-	200,779
	<u>\$ 1,045,613</u>	<u>\$ 1,405</u>	<u>\$ 3</u>	<u>\$ 141,289</u>	<u>\$ 1,188,310</u>
Total Assets					
<b>Liabilities</b>					
Bonds Pending Court	\$ 1,899	\$ -	\$ -	\$ -	\$ 1,899
Total Liabilities	<u>1,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,899</u>
<b>Fund Balances</b>					
Restricted	-	1,405	-	141,289	142,694
Unassigned	<u>1,043,714</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>1,043,717</u>
Total Fund Balances	<u>1,043,714</u>	<u>1,405</u>	<u>3</u>	<u>141,289</u>	<u>1,186,411</u>
Total Liabilities and Fund Balances	<u>\$ 1,045,613</u>	<u>\$ 1,405</u>	<u>\$ 3</u>	<u>\$ 141,289</u>	<u>\$ 1,188,310</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, 2023**

	General Fund	CINCH	OHFA Grant	Special Library	Total
<b>REVENUE</b>					
Taxes	\$ 1,512,898	\$ -	\$ -	\$ -	\$ 1,512,898
Grants	25,067	-	-	2,000	27,067
License and Permits	19,755	-	-	-	19,755
Charges for Service	16,656	-	-	-	16,656
Fines	121,971	-	-	-	121,971
Miscellaneous	88,549	-	-	1	88,550
Interest	5,950	385	-	607	6,942
Cemetery	46,288	-	-	-	46,288
Total Revenue	<u>1,837,134</u>	<u>385</u>	<u>-</u>	<u>2,608</u>	<u>1,840,127</u>
<b>EXPENDITURES</b>					
Current					
General Government	344,656	-	-	-	344,656
Public Safety	1,454,973	-	-	-	1,454,973
Highways and Streets	270,902	-	-	-	270,902
Culture and Recreation	175,449	-	-	2,005	177,454
Cemetery	203,766	-	-	-	203,766
Capital Outlay					
Public Safety	30,366	-	-	-	30,366
Total Expenditures	<u>2,480,112</u>	<u>-</u>	<u>-</u>	<u>2,005</u>	<u>2,482,117</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(642,978)</u>	<u>385</u>	<u>-</u>	<u>603</u>	<u>(641,990)</u>
Other Financing Sources					
Capital Lease Proceeds	30,366	-	-	-	30,366
Transfers In	868,634	-	-	-	868,634
Transfers Out	(22,500)	-	-	-	(22,500)
Total Other Financing Sources	<u>876,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>876,500</u>
Net Change in Fund Balances	233,522	385	-	603	234,510
Fund Balances, Beginning	<u>810,192</u>	<u>1,020</u>	<u>3</u>	<u>140,686</u>	<u>951,901</u>
Fund Balances, Ending	<u>\$ 1,043,714</u>	<u>\$ 1,405</u>	<u>\$ 3</u>	<u>\$ 141,289</u>	<u>\$ 1,186,411</u>



**City of Marlow, Oklahoma  
Supplemental Schedule  
Schedule of Grant Activity  
Modified Cash Basis  
For the Year Ended June 30, 2023**

<b>Granting Agency</b>	<b>Purpose</b>	<b>Award Amount</b>	<b>Expenditures 2022-2023</b>
<b>State Grants</b>			
	Fire Operations		
Oklahoma Department of Agriculture	Grant	\$ 10,053	\$ 10,053
REAP	REAP	\$ 45,120	\$ 45,120
Oklahoma Department of Transportation		\$ 250,000	\$ 250,000
Oklahoma Department of Libraries	Operations Grant	<u>\$ 4,402</u>	<u>\$ 4,402</u>
Total State Grants		<u>\$ 309,575</u>	<u>\$ 309,575</u>
<b>Federal Grants</b>			
FEMA	EMPG	\$ 10,612	\$ 10,612
ARPA	ARPA	<u>\$ 389,648</u>	<u>\$ -</u>
Total Federal Grants		<u>\$ 400,260</u>	<u>\$ 10,612</u>
<b>Other Grants</b>			
ONEOK Foundation	Library	<u>\$ 2,000</u>	<u>\$ 2,000</u>
Total Other Grants		<u>\$ 2,000</u>	<u>\$ 2,000</u>
Total Grants		<u><u>\$ 711,835</u></u>	<u><u>\$ 322,187</u></u>



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, 2023, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated August 11, 2024. 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.

**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.

HSPG & ASSOCIATES, PC

The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-001.

### **City's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 11, 2024

**CITY OF MARLOW, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2023**

**Finding 2023-001; Investments**

**Criteria:** Controls should be sufficient to ensure that investments held by the City are allowable under state statutes.

**Condition:** State statutes restrict applicable debt securities to direct obligations of the United States Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of the state Oklahoma is pledged. At June 30, 2023, the City held approximately \$148,000 in securities issued by the Federal Home Loan Bank (FHLB), which is not an allowable security under state law.

**Cause:** Some confusion existed as to whether or not securities issued by FHLB complied with state law.

**Effect:** The City is not in compliance with state statutes.

**Recommendation:** Controls should be updated to ensure all securities held by the City are in compliance.

**Views of Responsive Officials of Auditee:** The City agrees with the finding and will update our investment policy to ensure compliance with state statutes.