City of Marietta, Oklahoma
Annual Financial Report

For the Fiscal Year Ended
June 30, 2013

City of Marietta, Oklahoma
Annual Financial Report
For the Fiscal Year Ended June 30, 2013
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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Marietta, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Marietta, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Oklahoma, as of June 30, 2013, and the respective changes in modified cash basis financial position, and where applicable

cash flows, thereof for the year then ended in accordance with the basis of accounting described in Note 1.C.

Basis of Accounting

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

Other Matters

Supplemental Information

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

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

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blanchard, Oklahoma's basic financial statements. The Oklahoma Municipal Retirement Fund summary schedule of funding progress and the Budgetary Information are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
April 21, 2015

City of Marietta, Oklahoma
Statement of Net Position – Modified Cash Basis
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Marietta Public Works Authority
Assets				
Current Assets				
Cash and Cash Equivalent	$ 380,330	$ 150	$ 380,480	$ 400,379
Restricted Cash and Cash Equivalent	137,102	-	137,102	41,176
Interfund Balances	(456)	456	-	-
Inventory	-	-	-	97,286
Total Current Assets	516,976	606	517,582	538,841
Noncurrent Assets				
Land	57,498	-	57,498	12,854
Buildings	515,947	-	515,947	299,715
Machinery and Equipment	874,824	493,297	1,368,121	255,429
Vehicles	319,039	-	319,039	101,435
Furniture and Fixtures	11,745	-	11,745	65,828
Land Improvements	30,000	-	30,000	-
Infrastructure	794,372	81,600	875,972	3,888,123
Accumulated Depreciation	(1,540,165)	(344,514)	(1,884,679)	(3,094,548)
Capital Assets, Net of Depreciation	1,063,260	230,383	1,293,643	1,528,836
Total Noncurrent Assets	1,063,260	230,383	1,293,643	1,528,836
Total Assets	1,580,236	230,989	1,811,225	2,067,677
Liabilities				
Current Liabilities				
Accrued Expenses	-	-	-	7,421
Refundable Meter Deposits	-	-	-	39,330
Capital Leases, Current Portion	20,622	-	20,622	-
Notes Payable, Current Portion	-	20,040	20,040	6,738
Total Liabilities	20,622	20,040	40,662	53,489
Noncurrent Liabilities				
Capital Leases / Notes Payable	41,333	38,671	80,004	-
Total Liabilities	61,955	58,711	120,666	53,489
Net Position				
Invested in Capital Assets	1,001,305	171,672	1,172,977	1,522,098
Restricted for Other Purposes	137,102	-	137,102	6,738
Unrestricted	379,874	606	380,480	485,352
Total Net Position	$ 1,518,281	$ 172,278	$ 1,690,559	$ 2,014,188

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

City of Marietta, Oklahoma
Statement of Activities – Modified Cash Basis
For the Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Functions/Programs								
Primary Government								
Governmental Activities								
General Government	388,894	$ 3,771	$ -	$ -	$ (385,123)	$ -	$ (385,123)	$ -
Highways and Streets	196,744	79,209	-	20,697	(96,838)	-	(96,838)	-
Public Safety	462,520	-	10,000	-	(452,520)	-	(452,520)	-
Cemetery and Parks	48,896	25,418	-	-	(23,478)	-	(23,478)	-
Culture and Recreation	15,143	-	-	-	(15,143)	-	(15,143)	-
Total Governmental Activities	1,112,197	108,398	10,000	20,697	(973,102)	-	(973,102)	-
Business-Type Activities								
Sanitation	154,273	283,652	-	-	-	129,379	129,379	-
Transfer Site	167,482	60,328	-	-	-	(107,154)	(107,154)	-
Total Business Type Activities	321,755	343,980	-	-	-	22,225	22,225	-
Total Primary Government	$ 1,433,952	$ 452,378	$ 10,000	$ 20,697	(973,102)	22,225	(950,877)	-
Component Unit								
Marietta Public Works Authority	$ 934,165	$ 1,010,777	$ -	$ -	$ -	$ -	$ -	$ 76,612
General Revenues								
Taxes:								
Sales Tax					568,600	-	568,600	-
Use Tax					40,800	-	40,800	-
Franchise Tax					105,958	-	105,958	-
Alcohol Beverage Tax					50,369	-	50,369	-
Other Taxes					35,205	-	35,205	-
Interest					1,506	-	1,506	1,101
Miscellaneous					31,306	-	31,306	-
Transfers					15,632	(25,206)	(9,574)	9,574
Total General Revenues and Transfers					849,376	(25,206)	824,170	10,675
Change in Net Position					(123,726)	(2,981)	(126,707)	87,287
Net Position - Beginning, as restated					1,642,007	175,259	1,817,266	1,926,901
Net Position - Ending					$ 1,518,281	$ 172,278	$ 1,690,559	$ 2,014,188

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

City of Marietta, Oklahoma
Balance Sheet – Governmental Funds – Modified Cash Basis
June 30, 2013

	General	Cemetery Donation	Other Governmental	Total
Assets				
Cash and Cash Equivalent	$ 380,330	$ 134,031	$ 3,071	$ 517,432
Total Assets	$ 380,330	$ 134,031	$ 3,071	$ 517,432
Liabilities				
Due To Other Funds	$ 456	$ -	$ -	$ 456
Total Liabilities	456	-	-	456
Fund Balances				
Restricted	-	134,031	3,071	137,102
Committed	-	-	-	-
Assigned	3,294	-	-	3,294
Unassigned	376,580	-	-	376,580
Total Fund Balances	379,874	134,031	3,071	516,976
Total Liabilities and Fund Balances	$ 380,330	$ 134,031	$ 3,071	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	1,063,260
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(61,955)
Net position of governmental activities.	$ 1,518,281

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

City of Marietta, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Modified Cash Basis
For the Year Ended June 30, 2013

	General	Cemetery Donation	Other Governmental	Total
REVENUE				
Taxes	$ 800,932	$ -	$ -	$ 800,932
License & Permits	3,771	-	-	3,771
Miscellaneous	31,306	-	-	31,306
Fines & Forfeitures	79,209	-	-	79,209
Grant Revenue	29,557	-	1,140	30,697
Charges for Services	20,085	-	5,333	25,418
Interest	1,500	1	5	1,506
Total Revenue	966,360	1	6,478	972,839
EXPENDITURES				
Current				
General Government	377,716	-	-	377,716
Highways and Streets	147,600	-	-	147,600
Public Safety	397,940	-	1,140	399,080
Cemetery and Parks	39,239	-	-	39,239
Culture and Recreation	7,772	-	-	7,772
Capital Outlay				
Cemetery and Parks	1,295	-	10,000	11,295
Public Safety	115,907	-	-	115,907
Highways and Streets	9,000	-	-	9,000
Debt Service	39,469	-	-	39,469
Total Expenditures	1,135,938	-	11,140	1,147,078
Excess (Deficiency) of Revenues Over (Under) Expenditures	(169,578)	1	(4,662)	(174,239)
Other Financing Sources				
Capital Lease Financing	65,649	-	-	65,649
Transfers In	25,206	-	-	25,206
Transfers Out	(9,574)	-	-	(9,574)
Total Other Financing Sources	81,281	-	-	81,281
Net Change in Fund Balances	(88,297)	1	(4,662)	(92,958)
Fund Balances - Beginning	468,171	134,030	7,733	609,934
Fund Balances - Ending	$ 379,874	$ 134,031	$ 3,071	$ 516,976

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

City of Marietta, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds – Modified Cash Basis to the Statement of Activities
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in assets - total governmental funds	$ (92,958)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(531)
The issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(30,237)
Change in net position of governmental activities.	$ (123,726)

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

City of Marietta, Oklahoma
Statement of Net Position – Proprietary Funds – Modified Cash Basis
June 30, 2013

	Sanitation Transfer Site
ASSETS	
Current Assets	
Cash and Cash Equivalent	$ 150
Due to Other Funds	456
Total Current Assets	606
Noncurrent Assets	
Machinery and Equipment	493,297
Infrastructure	81,600
Accumulated Depreciation	(344,514)
Total Noncurrent Assets	230,383
Total Assets	230,989
LIABILITIES	
Current Liabilities	
Notes Payable, Current	20,040
Total Current Liabilities	20,040
Noncurrent Liabilities	
Notes Payable	38,671
Total Noncurrent Liabilities	38,671
Total Liabilities	58,711
NET POSITION	
Invested in Capital Assets	171,672
Unrestricted	606
Total Net Position	$ 172,278

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

City of Marietta, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds – Modified Cash Basis
For the Year Ended June 30, 2013

	Sanitation Transfer Site
Operating Revenues:	
Sanitation Revenue	$ 283,652
Transfer Site Revenue	60,328
Total Operating Revenue	343,980
Operating Expenses:	
Sanitation	
Personnel Services	73,044
Materials and Supplies	29,512
Other Services and Charges	10,920
Depreciation Expense	36,919
Transfer Site	
Personnel Services	71,499
Materials and Supplies	25,787
Tipping Fees - SORD	58,544
Other Services and Charges	66
Depreciation Expense	11,586
Total Operating Expenses	317,877
Operating Income (Loss)	26,103
Nonoperating Revenues (Expenses):	
Interest Expense	(3,878)
Total Nonoperating Revenues (Expenses)	(3,878)
Income (Loss) before Transfers	22,225
Other Financing Sources (Uses):	
Transfers In	-
Transfers Out	(25,206)
Total Other Financing Sources	(25,206)
Net Change in Net Position	(2,981)
Total Net Position - Beginning	175,259
Total Net Position - Ending	$ 172,278

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

City of Marietta, Oklahoma
Statement of Cash Flows – Proprietary Funds – Modified Cash Basis
For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Revenues Received	$	343,980
Vendors and Others Paid		(269,828)
Net Cash Provided by Operating Activities		74,152
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers, Net		(25,206)
Net Cash Used by Noncapital Financing Activities		(25,206)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Payment of Debt		20,007
Purchase of Property, Plant and Equipment		(69,226)
Net Cash Used by Capital Financing Activities		(49,219)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Expense		(3,878)
Net Cash Used by Investing Activities		(3,878)
Net Decrease in Cash and Cash Equivalents		(4,151)
Cash and Cash Equivalents, July 1, 2012		4,301
Cash and Cash Equivalents, June 30, 2013	$	150

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$	26,103
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization		48,505
Increase in Due From Other Funds		(456)
Net Cash Provided by Operating Activities	$	74,152

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Marietta is a charter city created under Title 11 of the Oklahoma Statutes. The governing body of the City is the City Council comprised of five elected members. The City Clerk, Treasurer and Mayor are also elected.

For financial reporting purposes the financial statements included all funds and account groups over which the City Council exercises oversight responsibility. The criteria used to determine whether or not to include other entities in the financial statements were (1) the selection of governing authority, (2) designation of management, (3) ability to significantly influence operations, and (4) accountability for fiscal matters. Based on this criteria, the Marietta Public Works Authority is included.

The Marietta Public Works Authority is a Title 60.O.S. public trust created June 15, 1959. The City Council appoints members to the Marietta Public Works Authority governing body. The Marietta Public Works Authority is a discretely presented component unit. Separate audited financial statements are produced for the Marietta Public Works Authority and may be obtained at their office located at 303 W. Main, Marietta, Oklahoma.

B. Government-wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the nonfiduciary activities of the primary government. 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.

The statement of activities 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.*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Government-wide and Fund Financial Statements - continued

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 the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level. The proprietary fund also uses the economic resources measurement focus.

The statement of net position and activities and the fund financial statements are reported on a modified basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- Capital assets and the depreciation of those assets, where applicable
- Long-term debt
- Cash-based interfund receivables and payables
- Other cash-based receivable and payables
- Capitalization of utility inventory

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The government 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.

Cemetery Donation Fund – accounts for donations received for the operations of the municipal cemetery.

The government reports the Sanitation / Transfer Site as a major proprietary fund. It accounts for activities related to operating the residential and commercial sanitation systems, and the public transfer site.

The government reports the following nonmajor governmental funds:

Special Revenue Funds

Cemetery Care
Grant
Volunteer Fire

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's sanitation and transfer site 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating 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. 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.

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City does not have a written investment policy that limits its investment choices other than the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to invest in bonds of cities, school districts, or counties within the State of Oklahoma; public trust bonds whose beneficiary is a county, municipality or school district, except industrial development bonds; direct obligations of the United States; and certificates of deposit. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

Investments for the government, as well as for its component units, are reported at cost, which approximates fair value.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Assets, Liabilities and Net Position or Equity – continued

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 government as assets with an initial individual cost of more than $1,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at their estimated fair value on the date received.

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, is depreciated using the straight line method over the following estimated useful lives:

Assets	***Years***
Buildings	30
Infrastructure	30
Vehicles	5
Computer Equipment	5
Machinery and Equipment	10-20

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Assets, Liabilities and Net Position or Equity – continued

Fund Equity

Government-wide Statements

Equity is classified as Net Position and displayed in three components:

1. *Invested in capital assets* – consists of capital assets net of accumulated depreciation reduced by the outstanding balances of notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

2. *Restricted Net Position* – consists of net position with constraints on the use either by (1) external groups or (2) law through constitutional provisions or enabling legislation. The City typically uses restricted assets first, as appropriate opportunities arise but reserves the right to selectively defer the use until a future project.

3. *Unrestricted Net Position* – All other net position that do not meet the definition of "restricted" or "invested in capital assets". The City Council has the authority to revise or alter this designation.

Fund Statements

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 City is bound to honor constraints on 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* – consists of 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.

- *Restricted* – consists of 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.

- *Committed* – consists of amounts that can be spent only for specific purposes because of constraints imposed by formal action 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 (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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Assets, Liabilities and Net Position or Equity – continued

Fund Equity - continued

- *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 Council or through the Council delegating this responsibility to the Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned interest earnings to the funds where earned for the purposes defined by the fund.

- *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 then 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.

Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation of the $1,001,305 difference between *fund balance - total governmental funds* and *Net Position - governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds."

Capital Leases	$ 61,955
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (61,955)

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

Land	$ 57,498
Buildings	515,947
Machinery and Equipment	874,824
Vehicles	319,039
Furniture and Fixtures	11,745
Land Improvements	30,000
Infrastructure	794,372
	2,603,425
Accumulated Depreciation	(1,540,165)
Capital Assets, Net	$ 1,063,260

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the $30,768 difference between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

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

Capital Outlay	136,202
Depreciation Expense	(136,733)
Net adjustment to decrease net change in *fund balance - total governmental funds* to arrive at changes in *net position - governmental activities*	$ (531)

Another element of that reconciliation explains that "repayment of principal of long term debt consumes the current financial resources of governmental funds."

Capital Lease Principal Payments	$ 35,412
Capital Lease Proceeds	(65,649)
Net adjustment to decrease net change in *fund balance - total governmental funds* to arrive at changes in *net position - governmental activities*	$ (30,237)

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* required collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2013, the City's bank balances of $599,565 were not exposed to custodial credit risk.

Investment 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

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U.S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's component unit. The City's investments at June 30, 2013 consisted of certificates of deposit.

The Marietta Public Works Authority, is a Public Trust under Oklahoma Statutes Title 60 and is not subject to investment limitations. The Authority is primarily governed by any restrictions in its trust or note indenture.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer.

Restricted Cash

Restricted cash in the Governmental Funds at June 30, 2013 consists of the Cemetery Donation Fund in the amount of $137,102.

Investments at June 30, 2013 for the City and Authority consisted of certificates of deposit.

III. DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets

Capital asset activity of the Primary Government for the year ended June 30, 2013 was a follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	$ 57,498	$ -	$ -	$ 57,498
Total Capital Assets, not being depreciated	57,498	-	-	57,498
Capital Assets, being depreciated:				
Buildings	515,947	-	-	515,947
Machinery and Equipment	758,824	116,000	-	874,824
Vehicles	321,487	20,202	22,650	319,039
Furniture and Fixtures	11,745	-	-	11,745
Land Improvements	30,000	-	-	30,000
Infrastructure	794,372	-	-	794,372
Total Capital Assets, being depreciated	2,432,375	136,202	22,650	2,545,927
Less Accumulated Depreciation	1,426,082	136,733	22,650	1,540,165
Total Capital Assets, being depreciated, net	1,006,293	(531)	-	1,005,762
Governmental Activities Capital Assets, net	$ 1,063,791	$ (531)	$ -	$ 1,063,260
Business Type Activities:				
Capital Assets, being depreciated:				
Machinery and Equipment	424,071	69,226	-	493,297
Infrastructure	81,600	-	-	81,600
Total Capital Assets, being depreciated	505,671	69,226	-	574,897
Less Accumulated Depreciation	296,010	48,504	-	344,514
Total Capital Assets, being depreciated, net	209,661	20,722	-	230,383
Business Type Activities Capital Assets, net	$ 209,661	$ 20,722	$ -	$ 230,383

III. DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets – continued

Capital asset activity of the Component Unit for the year ended June 30, 2013 was a follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit:				
Capital Assets, not being depreciated:				
Land	$ 107,906	$ -	$ 95,052	$ 12,854
Total Capital Assets, not being depreciated	107,906	-	95,052	12,854
Capital Assets, being depreciated:				
Buildings	85,629	214,086	-	299,715
Machinery and Equipment	253,929	1,500	-	255,429
Vehicles	101,435	-	-	101,435
Furniture and Fixtures	65,828	-	-	65,828
Land Improvements	-	-	-	-
Infrastructure	3,886,881	1,242	-	3,888,123
Total Capital Assets, being depreciated	4,393,702	216,828	-	4,610,530
Less Accumulated Depreciation	2,975,596	118,952	-	3,094,548
Total Capital Assets, being depreciated, net	1,418,106	97,876	-	1,515,982
Component Unit Capital Assets, net	$ 1,526,012	$ 97,876	$ 95,052	$ 1,528,836

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

Governmental Activities:	
General Government	$ 11,178
Highways and Streets	49,144
Public Safety	59,383
Cemetery and Parks	9,657
Culture and Recreation	7,371
Total Depreciation Expense - Governmental Activities	$ 136,733
Business Type Activities:	
Sanitation	$ 36,919
Transfer Site	11,586
Total Depreciation Expense - Business Type Activities	$ 48,505

III. DETAILED NOTES ON ALL FUNDS - continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2013 is as follows:

Interfund Transfers

	Transfers Out:			
	General	***Enterprise***	***Component Unit***	***Total***
Transfers In:				
General Fund	$ -	$ 25,206	$ (9,574)	$ 15,632
	$ -	$ 25,206	$ (9,574)	$ 15,632
		(1)	**(2)**	

Reason / Purpose
(1) – Budgeted operating transfers.
(2) – Grant transfer.

D. Long Term Debt

Notes Payable

The Enterprise Fund incurs bank, association, and individual debt to purchase equipment. The notes have various maturities with rates of 5.00% to 5.25% percent annum.

BancFirst - 5.147% interest, monthly payments of $1,133. Matures July 2017. Proceeds used for the purchase of a 2 Freightliner Trash Trucks, which serve as collateral.	$ 49,954
BancFirst - 5.00% interest, monthly payments of $2,164. Matures December 2013. Proceeds used for the purchase of a sanitation truck, which serves as collateral.	8,757
Total Notes Payable	$ 58,711

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III. DETAILED NOTES ON ALL FUNDS - continued

D. Long Term Debt - continued

Notes Payable - continued

Principal maturities are as follows:

Year Ending June 30,	*Principal*	*Interest*
2014	$ 20,040	$ 2,399
2015	11,878	1,713
2016	12,504	1,087
2017	13,162	428
2018	1,127	5
Total	$ 58,711	$ 5,632

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the inception date.

The assets acquired through capital leases are as follows:

Assets:	*Governmental Activities*
Vehicles	$ 108,447
Machinery and Equipment	70,649
	179,096
Less Accumulated Depreciation	(107,694)
	$ 71,402

III. DETAILED NOTES ON ALL FUNDS - continued

D. Long Term Debt – continued

Capital Leases - continued

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

Year Ending June 30,	*Governmental Activities*
2014	$ 23,112
2015	14,865
2016	14,865
2017	14,865
Total minimum lease payments	67,707
Less amount representing interest	(5,752)
Present value of minimum lease payments	$ 61,955

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

Business Type Activities		*Governmental Activities*	
Sanitation	$ 3,878	Public Safety	$ 4,058
	$ 3,878		$ 4,058

Notes Payable – Component Unit

The Marietta Public Works Authority has entered into two promissory notes with the Oklahoma Water Resources board. Proceeds to be used for the improvement of the water and sewer system. Interest rates range from 0.5% to 1.38%.

Oklahoma Water Resources Board - 0.5% interest, semi-annual payments due February 15 and August 15. Proceeds used for water system improvements.	$ 6,738
Total Notes Payable	$ 6,738

III. DETAILED NOTES ON ALL FUNDS – continued

D. Long Term Debt – continued

Notes Payable – Component Unit - continued

Principal maturities are as follows:

Year Ending June 30,	*Principal*	*Interest*
2014	$ 6,738	$ 34
Total	$ 6,738	$ 34

Provisions of the OWRB Notes which are pertinent to the financial statements are as follows:

Pledged Revenues – Revenues generated from the Public Works Authority will be used first to meet debt service; second to pay operation and maintenance expenses of the system; and third to replenish the minimum required balance of the reserve fund requirement.

The Marietta Public Works Authority at all times will maintain schedules of rates and charges for services sufficient to provide funds which together with other revenues pledged will provide Net Revenues Available for Debt Service equal to 125% of the maximum annual amount required for debt service. The revenues are pledged as collateral for the note. At June 30, 2012, the Marietta Public Works Authority had a debt service coverage ratio of 320%, and was in compliance with all debt covenants.

Revenue is pledged through August 2013, or until final repayment of debt.

Pledged Revenue	$ 6,738
Total Revenue	$ 726,568
Ratio Pledged Revenue to Total Revenue	0.93%

III. DETAILED NOTES ON ALL FUNDS – continued

D. Long Term Debt – continued

Changes in Long-Term Liabilities

Long term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	$ 31,718	$ 65,649	$ 35,412	$ 61,955	$ 20,622
Total Long Term Liabilities	$ 31,718	$ 65,649	$ 35,412	$ 61,955	$ 20,622
Business Type Activities:					
Notes Payable	$ 38,704	$ 59,800	$ 39,793	$ 58,711	$ 20,040
Total Long Term Liabilities	$ 38,704	$ 59,800	$ 39,793	$ 58,711	$ 20,040
Component Unit:					
Notes Payable	$ 67,970	$ -	$ 61,232	$ 6,738	$ 6,738
Total Long Term Liabilities	$ 67,970	$ -	$ 61,232	$ 6,738	$ 6,738

E. Restricted Assets

Balances of restricted assets at June 30, 2013, are as follows:

Primary Government:

Restricted Assets	
Cemetery Donation Fund	$ 134,031

Component Unit:

Restricted Assets	
Customer Deposits	$ 41,176
Total Restricted Assets	$ 41,176

F. Fund Equity

Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports $137,102 of restricted Net Position, of which $2,980 is restricted by enabling legislation.

Enabling Legislation:

Cemetery Care Fund	$ 2,980

III. DETAILED NOTES ON ALL FUNDS – continued

F. Fund Equity – continued

Governmental Fund Balance Classifications

As of June 30, 2013, fund balances of the Governmental Funds were classified as follows:

	General	Cemetery Donation	Other Governmental	Total
Restricted				
Cemetery Capital Purchases	$ -	$ 134,031	$ 2,980	$ 137,011
Public Safety	-	-	91	91
Assigned			-	
Public Safety	3,294	-	-	3,294
Unassigned	376,580	-	-	376,580
	$ 379,874	$ 134,031	$ 3,071	$ 516,976

G. Pension Plans

Primary Government - Municipal Retirement Plan

Plan Description: The City participates in a cost sharing, multiple employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund. OMRF provides retirement, disability and death benefits to plan members and their beneficiaries. OMRF is authorized to establish and amend all plan provisions. Participation in the plan is mandatory for all full time employees, and each employee is required to contribute a percentage of his or her salary. 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 OMRF, 100 N. Broadway, Oklahoma City, OK 73102.

Funding Policy: The contribution requirements of City of Marietta, Oklahoma and its employees are established and may be amended by the OMRF board. Employees are required to contribute 5.25 percent of their annual covered salary. The Authority is required to contribute at an actuarially determined rate of 5.50 percent.

III. DETAILED NOTES ON ALL FUNDS – continued

G. Pension Plans – continued

Annual Pension Cost: For 2012-13, City of Marietta's annual pension cost was $28,350, the required contribution amount was $28,350. The required contribution was determined as part of the March 29, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.5 percent investment rate of return, (II) projected salary increases due to inflation of 3 percent, compounded annually, and (III) projected salary increases due to age/seniority, compounded annually.

Trend Information:

Year Ending June 30,	Contribution Rate	City Cost (APC)	Contributed	Net Pension Obligation
Primary Government				
2013	5.50%	$ 28,350	100%	$ -
2012	5.09%	24,161	100%	-
2011	6.64%	33,232	100%	-

Primary Government - Municipal Retirement Plan - continued

The funded status of the plan as of March 29, 2013, the most recent valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) - Entry Age b	Unfunded AAL (UAAL) b-a	Funded Ratio a/b	Covered Payroll c	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2013	778,476	785,630	7,154	99.1%	515354	1.4%

The schedule of funding progress presented as supplementary information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Component Unit – Municipal Retirement Plan

Plan Description: The Authority participates in a cost sharing, multiple employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund. OMRF provides retirement, disability and death benefits to plan members and their beneficiaries.

III. DETAILED NOTES ON ALL FUNDS – continued

G. Pension Plans – continued

Component Unit – Municipal Retirement Plan - continued

OMRF is authorized to establish and amend all plan provisions. Participation in the plan is mandatory for all full time employees, and each employee is required to contribute a percentage of his or her salary. Employees are vested at 10 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 OMRF, 100 N. Broadway, Oklahoma City, OK 73102.

Funding Policy: The contribution requirements of the Marietta Public Works Authority and its employees are established and may be amended by the OMRF board. Employees are required to contribute 5.00 percent of their annual covered salary after tax. The Authority is required to contribute at an actuarially determined rate of 19.72% percent; the rate at June 30, 2013.

Annual Pension Cost: For 2012-13, Marietta Public Works Authority's annual pension cost was $33,787, the required contribution amount was $33,787. The required contribution was determined as part of the March 29, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.5 percent investment rate of return, (II) projected salary increases due to inflation of 3 percent, compounded annually, and (III) projected salary increases due to age/seniority, compounded annually.

The funded status of the plan as of March 29, 2013, the most recent valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) - Entry Age b	Unfunded AAL (UAAL) b-a	Funded Ratio a/b	Covered Payroll c	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2013	$ 359,340	$ 655,069	$ 295,729	54.9%	$ 165,937	178.2%

III. DETAILED NOTES ON ALL FUNDS – continued

G. Pension Plans – continued

The schedule of funding progress presented as supplementary information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Year Ending June 30,	Contribution Rate	City Cost (APC)	Contributed	Net Pension Obligation
Component Unit				
2013	19.72%	$ 33,787	100%	$ -
2012	19.24%	33,207	100%	-
2011	18.90%	26,799	100%	-

H. 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.

General Liability, Physical Property and Automobile Liability/ Physical Damage - general liability, physical property and automobile liability/physical damage are insured through the Oklahoma Municipal Assurance Group risk entity pool. Deductibles range from $0 to $5,000. Risk of loss retained is limited to the excess of insurance liability coverage limits set my OMAG.

Worker's Compensation - Workers' compensation is insured through CompSource Oklahoma. Risk of loss retained is limited to the excess of insurance liability coverage limits set by CompSource Oklahoma.

III. DETAILED NOTES ON ALL FUNDS – continued

I. Commitments and Contingencies

Grant Programs

In the normal course of operations; the City participates in various federal and state grant programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

J. Related Party Transactions

During the 2012-2013 fiscal year, the City of Marietta transferred $9,574 of grant funds received from SODA to the Marietta Public Works Authority.

SUPPLEMENTARY INFORMATION

City of Marietta, Oklahoma
Unaudited – Oklahoma Municipal Retirement Fund
Schedule of Funding Progress
For the Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) - Entry Age b	Unfunded AAL (UAAL) b-a	Funded Ratio a/b	Covered Payroll c	UAAL as a Percentage of Covered Payroll (b-a)/c
Primary Government						
1/1/2005	723,307	465,262	(258,045)	155.5%	293,397	-88.0%
1/1/2006	681,230	466,910	(214,320)	145.9%	337,507	-63.5%
1/1/2007	704,496	514,595	(189,901)	136.9%	343,713	-55.2%
1/1/2008	722,018	569,601	(152,417)	126.8%	341,285	-44.7%
1/1/2009	648,859	597,208	(51,651)	108.6%	525,382	-9.8%
1/1/2010	654,516	650,856	(3,660)	100.6%	463,664	-0.8%
1/1/2011	684,269	686,465	2,196	99.7%	468,364	0.5%
1/1/2012	720,852	731,644	10,792	98.5%	487791	2.2%
1/1/2013	778,476	785,630	7,154	99.1%	515354	1.4%

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) - Entry Age b	Unfunded AAL (UAAL) b-a	Funded Ratio a/b	Covered Payroll c	UAAL as a Percentage of Covered Payroll (b-a)/c
Component Unit						
1/1/2005	433,298	602,416	169,118	71.9%	54,436	310.7%
1/1/2006	444,007	645,661	201,654	68.8%	177,086	113.9%
1/1/2007	464,268	666,791	202,523	69.6%	160,352	126.3%
1/1/2008	483,305	697,062	213,757	69.3%	160,129	133.5%
1/1/2009	420,033	650,761	230,728	64.5%	147,461	156.5%
1/1/2010	390,850	616,152	225,302	63.4%	129,508	174.0%
1/1/2011	368,631	624,769	256,138	59.0%	158,603	161.5%
1/1/2012	364,359	640,794	276,435	56.9%	166,963	165.6%

The schedule of funding progress presented above presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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City of Marietta, Oklahoma
Budgetary Information
June 30, 2013

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

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

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

City of Marietta, Oklahoma
Unaudited Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund – Modified Cash Basis
For the Year Ended June 30, 2013

	General Fund			
	Original	Final Budget	Actual	Variance with Final Budget
REVENUE				
Taxes	$ 818,000	$ 818,000	$ 800,932	$ (17,068)
License & Permits	3,000	3,000	3,771	771
Miscellaneous	25,000	25,000	31,306	6,306
Fines & Forfeitures	113,000	113,000	79,209	(33,791)
Grant Revenue	20,000	20,000	29,557	9,557
Charges for Services	19,000	19,000	20,085	1,085
Interest	3,000	3,000	1,500	(1,500)
Total Revenue	1,001,000	1,001,000	966,360	(34,640)
EXPENDITURES				
Current				
General Government	390,750	396,300	377,716	18,584
Highways and Streets	175,350	165,700	147,600	18,100
Public Safety	413,934	413,934	397,940	15,994
Cemetery and Parks	40,000	40,000	39,239	761
Culture and Recreation	7,900	8,800	7,772	1,028
Capital Outlay				
Cemetery and Parks	12,500	12,500	1,295	11,205
Public Safety	111,405	99,605	50,258	49,347
Highways and Streets	12,000	12,000	9,000	3,000
Debt Service	24,604	39,604	39,469	135
Total Expenditures	1,188,443	1,188,443	1,070,289	118,154
Excess (Deficiency) of Revenues Over (Under) Expenditures	(187,443)	(187,443)	(103,929)	83,514
Other Financing Sources				
Transfers In	106,000	106,000	99,119	(6,881)
Transfers Out	(89,000)	(89,000)	(83,487)	5,513
Total Other Financing Sources	17,000	17,000	15,632	(1,368)
Net Change in Fund Balances	(170,443)	(170,443)	(88,297)	82,146
Fund Balances - Beginning	179,312	179,312	468,171	288,859
Fund Balances - Ending	$ 8,869	$ 8,869	$ 379,874	$ 371,005

City of Marietta, Oklahoma
Combining Balance Sheet
General Fund – Modified Cash Basis
June 30, 2013

	General	Municipal Court	Police Improvement	Police Reserves	Total
Assets					
Cash and Cash Equivalent	$ 377,107	$ (71)	$ 2,425	$ 869	$ 380,330
Total Assets	$ 377,107	$ (71)	$ 2,425	$ 869	$ 380,330
Liabilities					
Due To Other Funds	$ 456	$ -	$ -	$ -	$ 456
Total Liabilities	456	-	-	-	456
Fund Balances					
Restricted	-	-	-	-	-
Assigned	-	-	2,425	869	3,294
Unassigned	376,651	(71)	-	-	376,580
Total Fund Balances	376,651	(71)	2,425	869	379,874
Total Liabilities and Fund Balances	$ 377,107	$ (71)	$ 2,425	$ 869	$ 380,330

City of Marietta, Oklahoma
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund – Modified Cash Basis
For the Year Ended June 30, 2013

	General	Municipal Court	Police Improvement	Police Reserves	Total
REVENUE					
Taxes	$ 800,932	$ -	$ -	$ -	$ 800,932
License & Permits	3,771	-	-	-	3,771
Miscellaneous	31,304	1	1	-	31,306
Fines & Forfeitures	-	79,209	-	-	79,209
Grant Revenue	29,557	-	-	-	29,557
Charges for Services	20,085	-	-	-	20,085
Interest	1,495	3	2	-	1,500
Total Revenue	887,144	79,213	3	-	966,360
EXPENDITURES					
Current					
General Government	377,716	-	-	-	377,716
Highways and Streets	147,600	-	-	-	147,600
Public Safety	387,814	9,537	589	-	397,940
Cemetery and Parks	39,239	-	-	-	39,239
Culture and Recreation	7,772	-	-	-	7,772
Capital Outlay					
Cemetery and Parks	1,295	-	-	-	1,295
Public Safety	115,907	-	-	-	115,907
Highways and Streets	9,000	-	-	-	9,000
Debt Service	39,469	-	-	-	39,469
Total Expenditures	1,125,812	9,537	589	-	1,135,938
Excess (Deficiency) of Revenues Over (Under) Expenditures	(238,668)	69,676	(586)	-	(169,578)
Other Financing Sources					
Capital Lease Financing	65,649	-	-	-	65,649
Transfers In	98,869	-	250	-	99,119
Transfers Out	(9,574)	(70,507)	(3,406)	-	(83,487)
Total Other Financing Sources	154,944	(70,507)	(3,156)	-	81,281
Net Change in Fund Balances	(83,724)	(831)	(3,742)	-	(88,297)
Fund Balances - Beginning	460,375	760	6,167	869	468,171
Fund Balances - Ending	$ 376,651	$ (71)	$ 2,425	$ 869	$ 379,874

City of Marietta, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds – Modified Cash Basis
June 30, 2013

	Cemetery Care	Grant	Volunteer Fire	Total
Assets				
Cash and Cash Equivalent	2,980	-	91	$ 3,071
Total Assets	$ 2,980	$ -	$ 91	$ 3,071
Fund Balances				
Restricted	2,980	-	91	3,071
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	2,980	-	91	3,071
Total Liabilities and Fund Balances	$ 2,980	$ -	$ 91	$ 3,071

City of Marietta, Oklahoma
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds – Modified Cash Basis
For the Year Ended June 30, 2013

	Cemetery Care	Grant	Volunteer Fire	Total
REVENUE				
Grant Revenue	-	1,140	-	1,140
Charges for Services	$ 5,333	$ -	$ -	$ 5,333
Interest	5	-	-	5
Total Revenue	5,338	1,140	-	6,478
EXPENDITURES				
Current				
Public Safety	-	1,140	-	1,140
Cemetery and Parks	10,000	-	-	10,000
Total Expenditures	10,000	1,140	-	11,140
Net Change in Fund Balances	(4,662)	-	-	(4,662)
Fund Balances - Beginning	7,642	-	91	7,733
Fund Balances - Ending	$ 2,980	$ -	$ 91	$ 3,071

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CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the City Council
City of Marietta, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marietta, Oklahoma, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 21, 2015. The report was a special report on the City's use of a comprehensive basis of accounting, other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedure that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 13-1, 13-2, 13-3, 13-4, 13-5 and 13-6.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items: 13-3 and 13-4.

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.

Angel, Johnston & Blasingame, P.C.

Chickasha, Oklahoma
April 21, 2015

Deficiencies of Internal Control, Compliance and Other Matters

13-1. Criteria – A good system of internal control provides for a proper segregation of the accounting functions.

Condition – The City has a small number of employees that perform the duties that would optimally be divided among a larger number of employees.

Cause – Financial resources have not be available or been made available to hire the additional employees necessary to have proper segregation of duties.

Effect – Financial errors or irregularities could occur and not be detected in a timely manner.

Recommendation – Review the design of your accounting system to obtain the greatest amount of accountability.

Management response – Management agrees, and will look at ways to establish adequate internal controls, but due to the small size of the organization, it would not be cost-effective to hire additional employees.

13-2. Criteria – Fuel expenses should agree with the documentation of fuel used and purchased.

Condition – Each month each department documents their use of fuel and this amount is charged to the department. Actual fuel expenses above this amount is allocated to an account called "excess fuel". In the 2011-12 year this amount was approximately $2,400, but in the 2012-13 year this grew to over $8,000.

Cause – Lack of proper documentation by the departments and lack of oversight procedures.

Effect – Unaccounted for fuel is growing, which either is causing departments expenses to be understated or the City could be purchasing fuel that is not being used by the City.

Recommendation – Establish a monthly reconciliation procedure that holds departments accountable for usage.

Management response – Management will look into implementing a reconciliation procedure from this point forward.

13-3. Criteria – The City has detailed bidding and approval procedures related to purchases in the ordinances.

Condition – The City is not following the City Ordinance related to the bidding and approval process. Purchases below $500 require mayor approval and over $500 a competitive bidding process. The competitive bidding process is to be submitted to the council at its next meeting for authorization.

Cause – General practice has not fully implemented these requirements.

Effect – The City is not in compliance with its City purchasing ordinance.

Recommendation – The procedure is very restrictive and cumbersome. The City should consider procedures that are more appropriate and practical. These should be adopted and followed by the City.

Management response – Management will consider adopting a less restrictive bidding procedure.

13-4. Criteria – State statutes establish many purchasing procedures. Purchase orders are to be used to initiate the purchasing process. If properly followed this insures the City stays within budget. Also the purchase orders should be by the encumbrance clerk to verify budgeted funds are available. And the invoices should be signed indicating receipt of goods or services.

Condition – In our expenditure testing we noted several purchase orders that were dated after the invoice date. The department head and the encumbrance clerk did not sign the purchase orders and the invoices were not signed indicating receipt of good or service.

Cause – There is not proper implementation of the state purchasing law.

Effect – Purchasing laws were violated and the budget could not be properly monitored.

Recommendation – The City needs to establish proper purchasing procedures. Management and the City Council must establish clarity and expectations related to these requirements.

Management response – Management will implement proper purchasing procedures from this point forward.

13-5. Criteria – Proper controls over the purchasing process should include new vendor authorization procedures.

Condition – There are no prior approval process for new vendors.

Cause – There has never been a review of purchasing procedure screening process.

Effect – This exposes the City to one of the most common fraud schemes involving improper vendor relations.

Recommendation – Implement proper vendor screening including background checks and reference checks.

Management response – Management agrees, and will determine the necessary criteria for implementing new vendor screening.

13-6. Criteria – All City sources of revenue should be placed in accounts for proper supervision by the City officials and City Council.

Condition – There is a state forestry grant to provide funding assistance to rural fire departments. These funds were apparently deposited into the separate volunteer fire account and so we were unable to audit the funds to see if they were appropriately spent. Also the City was unable to properly manage these funds.

Cause – There are separate volunteer funds. Separate funds can be appropriate, but City grants should be accounted for by City officials.

Effect – City is unable to guarantee the proper use of funds. Also statute requires City funds to be deposited into City accounts.

Recommendation – All governmental grants or awards in the name of the City should be deposited and accounted for by City officials.

Management response – Management will have the funds from the department of agriculture deposited directly into a city account to offset the operation costs of operating the fire department.

City of Marietta, Oklahoma
Summary Schedule of Prior Year Findings and Responses
June 30, 2013

Deficiencies of Internal Control, Compliance and Other Matters

12.1 Criteria – A good system of internal control provides for a proper segregation of the accounting functions.

Condition – The City has a small number of employees that perform the duties that would optimally be divided among a larger number of employees.

Disposition – This continues to be an issue.

12.2 Criteria – State statute requires collections to be deposited by the next business day..

Condition – At yearend we noted that deposits from the transfer station dating back to June 20th had not been deposited.

Disposition – This continues to be a compliance issue.

12.3 Criteria –Unaccountable allowances are required to be included in employee wages.

Condition – The police officers receive a uniform allowance that is not included in their wages.

Disposition – This continues to be an issue.

12.4 Criteria – Purchase order process is to be used to control the purchasing process. If properly followed this insures the City stays within budget, department heads maintain control and payments are made for only appropriately acquired goods and services.

Condition – We noted no purchase orders having a purchasing officer or encumbrance clerk signature, 15 of 20 items tested were not signed to indicate receipt of goods or services and 7 of 20 were dated after the invoice date.

Disposition – This continues to be an issue.

City of Marietta, Oklahoma
Schedule of Grant Activity – Modified Cash Basis
For the Year Ended June 30, 2013

Federal/State Grantor/ Pass-Though Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantors' Number	Program or Award Amount	Revenue Received Prior Years	Revenue Received Current Year	Contract Disbursed/ Expended	Contract Balance 6/30/2012
FEDERAL AWARD PROGRAMS							
Department of Justice			$ 1,140	-	1,140	1,140	-
TOTAL FEDERAL AWARD PROGRAMS				$ -	$ 1,140	$ 1,140	$ -
STATE & OTHER AWARD PROGRAMS							
Okla. Dept. of Agriculture, Food & Forestry							
Volunteer Fire Operational Grant			$ -	$ -	$ -	$ -	$ -
Rural Economic Action Plan Funds (REAP)							
Passed Through Southern Oklahoma Dev. Association							
Sewer System - MPWA			$ 9,574	-	9,574	9,574	-
Total REAP Grant				-	9,574	9,574	-
Okla. Dept. of Commerce							
Emergency Preparedness Grant		EMPG-12	10,000	5,000	5,000	5,000	-
Emergency Preparedness Grant		EMPG-13	10,000	-	5,000	5,000	5,000
Total				5,000	10,000	10,000	5,000
District Attorneys Council			$ 9,983	-	9,983	9,983	-
TOTAL STATE & OTHER AWARD PROGRAMS				$ 5,000	$ 29,557	$ 29,557	$ 5,000