

City of Marietta, Oklahoma
Annual Financial Report

For the Fiscal Year Ended
June 30, 2021

City of Marietta, Oklahoma
Annual Financial Report
For the Fiscal Year Ended June 30, 2021
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FINANCIAL SECTION

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, discretely presented component unit, each major fund, and aggregate remaining fund information of the City of Marietta, Oklahoma as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.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 fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marietta Public Works Authority which represents 39 percent, 38 percent, and 54 percent, respectively, of the assets, net position, and revenues of the City of Marietta. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marietta Public Works Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements and the report of other auditors, 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, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marietta, Oklahoma, as of June 30, 2021, and the respective changes in modified cash basis financial position, and where applicable cash flows, thereof for the year then ended in accordance with the basis of accounting described in Note 1.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

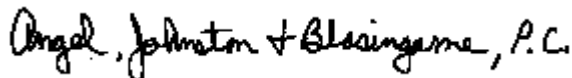
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marietta, Oklahoma basic financial statements. The combining and individual nonmajor fund financial statements-modified cash basis and schedule of grant activity-modified cash basis are presented for additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements-modified cash basis and schedule of grant activity-modified cash basis are the responsibility of management and were 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 and individual nonmajor 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.

The Budgetary Information and the General Fund-Budget to Actual- Statement of Revenues, Expenditures and Changes in Fund Balance on the Modified Cash Basis 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 December 6, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Marietta's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma
December 9, 2021

City of Marietta, Oklahoma
Statement of Net Position – Modified Cash Basis
June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Marietta Public Works Authority
Assets				
Current Assets				
Cash and Cash Equivalent	\$ 1,291,494	\$ 115,356	\$ 1,406,850	\$ 820,150
Restricted Cash and Cash Equivalent	50,907	-	50,907	31,998
Inventory	-	-	-	113,751
Total Current Assets	1,342,401	115,356	1,457,757	965,899
Noncurrent Assets				
Capital Assets, Non-Depreciable	58,038	-	58,038	12,854
Capital Assets, Net of Depreciation	1,600,601	300,652	1,901,253	1,190,583
Total Noncurrent Assets	1,658,639	300,652	1,959,291	1,203,437
Total Assets	3,001,040	416,008	3,417,048	2,169,336
Liabilities				
Current Liabilities				
Accrued Expenses	-	-	-	7,102
Refundable Meter Deposits - Current	-	-	-	8,350
Capital Leases, Current Portion	80,366	40,063	120,429	-
Notes Payable, Current Portion	-	-	-	28,246
Total Current Liabilities	80,366	40,063	120,429	43,698
Noncurrent Liabilities				
Refundable Meter Deposits	-	-	-	23,648
Capital Leases / Notes Payable	225,462	48,296	273,758	189,777
Total Noncurrent Liabilities	225,462	48,296	273,758	213,425
Net Position				
Invested in Capital Assets	1,352,811	212,293	1,565,104	985,414
Restricted for Other Purposes	78,753	-	78,753	-
Unrestricted	1,263,648	115,356	1,379,004	926,799
Total Net Position	\$ 2,695,212	\$ 327,649	\$ 3,022,861	\$ 1,912,213

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, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Functions/Programs								
Primary Government								
Governmental Activities								
General Government	522,097	\$ 37,275	\$ -	\$ -	\$ (484,822)	\$ -	\$ (484,822)	\$ -
Highways and Streets	288,643	-	-	-	(288,643)	-	(288,643)	-
Public Safety	814,260	148,049	223,185	-	(443,026)	-	(443,026)	-
Cemetery and Parks	140,243	31,129	-	-	(109,114)	-	(109,114)	-
Culture and Recreation	14,039	-	-	-	(14,039)	-	(14,039)	-
Interest Expense	16,506	-	-	-	(16,506)	-	(16,506)	-
Total Governmental Activities	<u>1,795,788</u>	<u>216,453</u>	<u>223,185</u>	<u>-</u>	<u>(1,356,150)</u>	<u>-</u>	<u>(1,356,150)</u>	<u>-</u>
Business-Type Activities								
Sanitation	296,958	353,017	-	-	-	56,059	56,059	-
Transfer Site	107,546	104,322	-	-	-	(3,224)	(3,224)	-
Total Business Type Activities	<u>404,504</u>	<u>457,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,835</u>	<u>52,835</u>	<u>-</u>
Total Primary Government	<u>\$ 2,200,292</u>	<u>\$ 673,792</u>	<u>\$ 223,185</u>	<u>\$ -</u>	<u>(1,356,150)</u>	<u>52,835</u>	<u>(1,303,315)</u>	<u>-</u>
Component Unit								
Marietta Public Works Authority	<u>\$ 1,303,646</u>	<u>\$ 1,457,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,825</u>
General Revenues								
Taxes:								
Sales Tax					1,145,260	-	1,145,260	-
Use Tax					175,704	-	175,704	-
Franchise Tax					90,255	-	90,255	-
Alcohol Beverage Tax					99,201	-	99,201	-
Other Taxes					40,977	-	40,977	-
Interest					1,798	15	1,813	970
Miscellaneous					227,745	-	227,745	-
Transfers					8,552	(8,552)	-	-
Total General Revenues and Transfers					<u>1,789,492</u>	<u>(8,537)</u>	<u>1,780,955</u>	<u>970</u>
Change in Net Position					433,342	44,298	477,640	154,795
Net Position - Beginning					<u>2,261,870</u>	<u>283,351</u>	<u>2,545,221</u>	<u>1,757,418</u>
Net Position - Ending					<u>\$ 2,695,212</u>	<u>\$ 327,649</u>	<u>\$ 3,022,861</u>	<u>\$ 1,912,213</u>

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, 2021

	General	Other Governmental	Total
Assets			
Cash and Cash Equivalent	\$ 1,252,180	\$ 39,314	\$ 1,291,494
Restricted Cash and Cash Equivalent	50,907	-	50,907
Due from Other Funds	11,468	-	11,468
Total Assets	\$ 1,314,555	\$ 39,314	\$ 1,353,869
Liabilities			
Due to Other Funds	\$ -	\$ 11,468	\$ 11,468
Total Liabilities	-	11,468	11,468
Fund Balances			
Nonspendable	-		-
Restricted	50,907	27,846	78,753
Assigned	36,256	-	36,256
Unassigned	1,227,392	-	1,227,392
Total Fund Balances	1,314,555	27,846	1,342,401
Total Liabilities and Fund Balances	\$ 1,314,555	\$ 39,314	

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. 1,658,639

Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (305,828)

Net position of governmental activities. \$ 2,695,212

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, 2021

	General	Other Governmental	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Taxes	\$ 1,551,397	\$ -	\$ 1,551,397
License & Permits	37,275	-	37,275
Miscellaneous	218,433	1,312	219,745
Fines & Forfeitures	148,049	-	148,049
Grant Revenue	223,185	-	223,185
Charges for Services	23,566	7,563	31,129
Interest	1,795	3	1,798
Total Revenue	<u>2,203,700</u>	<u>8,878</u>	<u>2,212,578</u>
EXPENDITURES			
Current			
General Government	509,869	-	509,869
Highways and Streets	213,998	-	213,998
Public Safety	681,262	3,382	684,644
Cemetery and Parks	113,553	1,400	114,953
Culture and Recreation	6,668	-	6,668
Capital Outlay			
Cemetery and Parks	35,521	20,472	55,993
Public Safety	103,777	-	103,777
Highways and Streets	143,109	-	143,109
Debt Service	81,601	-	81,601
Total Expenditures	<u>1,889,358</u>	<u>25,254</u>	<u>1,914,612</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	314,342	(16,376)	297,966
Other Financing Sources			
Capital Lease Financing	120,803	-	120,803
Transfers In	8,552	-	8,552
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	129,355	-	129,355
Net Change in Fund Balances	443,697	(16,376)	427,321
Fund Balances - Beginning	<u>870,858</u>	<u>44,222</u>	<u>915,080</u>
Fund Balances - Ending	<u>\$ 1,314,555</u>	<u>\$ 27,846</u>	<u>\$ 1,342,401</u>

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, 2021

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

Net change in fund balances - total governmental funds \$ 427,321

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. 61,729

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. (55,708)

Change in net position of governmental activities. \$ 433,342

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
For the Year Ended June 30, 2021

	Sanitation Transfer Site
ASSETS	
Current Assets	
Cash and Cash Equivalent	\$ 115,356
Total Current Assets	115,356
Noncurrent Assets	
Machinery and Equipment	648,546
Infrastructure	81,600
Accumulated Depreciation	(429,494)
Total Noncurrent Assets	300,652
Total Assets	416,008
LIABILITIES	
Current Liabilities	
Capital Lease, Current	40,063
Total Current Liabilities	40,063
Noncurrent Liabilities	
Capital Lease	48,296
Total Noncurrent Liabilities	48,296
Total Liabilities	88,359
NET POSITION	
Invested in Capital Assets	212,293
Unrestricted	115,356
Total Net Position	\$ 327,649

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, 2021

	Sanitation Transfer Site
Operating Revenues:	
Sanitation Revenue	\$ 353,017
Transfer Site Revenue	104,322
Total Operating Revenue	457,339
Operating Expenses:	
Sanitation	
Personnel Services	145,877
Materials and Supplies	60,286
Other Services and Charges	12,825
Tipping Fees - SORD	35,995
Depreciation Expense	36,102
Transfer Site	
Personnel Services	50,828
Materials and Supplies	16,757
Tipping Fees - SORD	36,044
Depreciation Expense	3,917
Total Operating Expenses	398,631
Operating Income (Loss)	58,708
Nonoperating Revenues (Expenses):	
Interest Revenue	15
Interest Expense	(5,873)
Total Nonoperating Revenues (Expenses)	(5,858)
Income (Loss) before Transfers	52,850
Other Financing Sources (Uses):	
Transfers In	-
Transfers Out	(8,552)
Total Other Financing Sources	(8,552)
Net Change in Net Position	44,298
Total Net Position - Beginning	283,351
Total Net Position - Ending	\$ 327,649

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Revenues Received	\$ 457,339
Vendors and Others Paid	<u>(358,612)</u>
Net Cash Provided by Operating Activities	<u>98,727</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers, Net	<u>(8,552)</u>
Net Cash Used by Noncapital Financing Activities	<u>(8,552)</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Payment of Debt	(33,329)
Purchase of Property, Plant and Equipment	<u>(96,385)</u>
Net Cash Used by Capital Financing Activities	<u>(129,714)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Expense	(5,873)
Interest Income	<u>15</u>
Net Cash Used by Investing Activities	<u>(5,858)</u>

Change in Cash and Cash Equivalents	(45,397)
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Cash and Cash Equivalents, July 1, 2020	<u>160,753</u>
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Cash and Cash Equivalents, June 30, 2021	<u><u>\$ 115,356</u></u>
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**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating Income	\$ <u>58,708</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization	<u>40,019</u>
Net Cash Provided by Operating Activities	<u><u>\$ 98,727</u></u>

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

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Marietta is an aldermanic government created under Title 11 of the Oklahoma Statutes. The governing body of the City is the City Council comprised of eight 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*.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

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
- Inventory
- Long-term debt
- Cash-based interfund receivables and payables
- Other cash-based receivable and payables

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

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.

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 payments-in-lieu of taxes and other 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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

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.

Inventory – Component Unit

All inventories are valued at cost using the first-in / first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

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:

<i>Assets</i>	<i>Years</i>
Buildings	50
Infrastructure	30
Vehicles	5
Computer Equipment	5
Machinery and Equipment	10

Capital Assets - Component Unit

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water and sewer systems), are defined by the Authority as assets with an initial individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Component Unit – Capital Assets - continued

Property, plant, and equipment of the Authority, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Water System	40
Sewer System	40
Equipment	10
Computers & Electronics	5
Automobiles	5

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.

Long-Term Obligations – Component Unit

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Fund Equity – continued

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.
- *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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Fund Equity – continued

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 \$1,352,811 difference between *fund balance - total governmental funds* and *Net Position - governmental activities* as reported in the government-wide statement of net position.

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

Land	\$ 58,038
Buildings	548,585
Machinery and Equipment	1,585,557
Vehicles	404,232
Furniture and Fixtures	10,178
Land Improvements	226,276
Infrastructure	990,176
	3,823,042
Accumulated Depreciation	(2,164,403)
Capital Assets, Net	\$ 1,658,639

The next element of that reconciliation is that long term liabilities are not due and payable in the current period and are not reported in the funds.

Capital Leases	\$ 305,828
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ (305,828)

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

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

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

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the \$6,021 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	310,879
Depreciation Expense	<u>(249,150)</u>
Net adjustment to increase net change in <i>fund balance - total governmental funds</i> to arrive at changes in <i>net position - governmental activities</i>	<u>\$ 61,729</u>

The next element of the reconciliation is that issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes current financial resources. Neither transaction has any effect on net assets. This is the amount of these differences in the treatment of long-term debt and related items.

Capital Lease Principal Payments	\$ (65,095)
Capital Lease Proceeds	<u>120,803</u>
Net adjustment to decrease net change in <i>fund balance - total governmental funds</i> to arrive at changes in <i>net position - governmental activities</i>	<u>\$ 55,708</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

III. 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, 2021, the City’s bank balances of \$1,457,757.

At June 30, 2021, the primary government reporting entity had the following deposits:

<u>Type of Deposits</u>	<u>Carrying Value Primary Government</u>	<u>Carrying Value Component Unit</u>
Deposits:		
Demand Deposits	\$ 1,276,663	\$ 769,547
Time Deposits	181,094	82,601
	\$ 1,457,757	\$ 852,148
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 1,406,850	\$ 820,150
Restricted Cash	50,907	31,998
	\$ 1,457,757	\$ 852,148

Component Unit: At June 30, 2021, MPWA had a bank balance is \$852,148. This amount was insured and collateralized.

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, 2021 consisted of certificates of deposit.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

III.DETAILED NOTES ON ALL FUNDS - continued

A. Deposits and Investments - continued

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, 2021 consists of the Cemetery Donation Fund in the amount of \$50,907.

Investments at June 30, 2021 for the City and Authority consisted of certificates of deposit.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

III. DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets

Capital asset activity of the Primary Government for the year ended June 30, 2021 was a follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<i>Governmental Activities:</i>				
Capital Assets, not being depreciated:				
Land	\$ 58,038	\$ -	\$ -	\$ 58,038
Total Capital Assets, not being depreciated	<u>58,038</u>	<u>-</u>	<u>-</u>	<u>58,038</u>
Capital Assets, being depreciated:				
Buildings	548,585	-	-	548,585
Machinery and Equipment	1,395,764	189,793	-	1,585,557
Vehicles	352,431	90,864	39,063	404,232
Furniture and Fixtures	10,178	-	-	10,178
Land Improvements	196,054	30,222	-	226,276
Infrastructure	<u>990,176</u>	<u>-</u>	<u>-</u>	<u>990,176</u>
Total Capital Assets, being depreciated	3,493,188	310,879	39,063	3,765,004
Less Accumulated Depreciation	<u>1,954,316</u>	<u>249,150</u>	<u>39,063</u>	<u>2,164,403</u>
Total Capital Assets, being depreciated, net	<u>1,538,872</u>	<u>61,729</u>	<u>-</u>	<u>1,600,601</u>
Governmental Activities Capital Assets, net	<u>\$ 1,596,910</u>	<u>\$ 61,729</u>	<u>\$ -</u>	<u>\$ 1,658,639</u>
<i>Business Type Activities:</i>				
Capital Assets, being depreciated:				
Machinery and Equipment	552,161	96,385	-	648,546
Infrastructure	<u>81,600</u>	<u>-</u>	<u>-</u>	<u>81,600</u>
Total Capital Assets, being depreciated	633,761	96,385	-	730,146
Less Accumulated Depreciation	<u>389,475</u>	<u>40,019</u>	<u>-</u>	<u>429,494</u>
Total Capital Assets, being depreciated, net	<u>244,286</u>	<u>56,366</u>	<u>-</u>	<u>300,652</u>
Business Type Activities Capital Assets, net	<u>\$ 244,286</u>	<u>\$ 56,366</u>	<u>\$ -</u>	<u>\$ 300,652</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

III. DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets – continued

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

	Beginning Balance	Additions	Disposals	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Component Unit:				
Capital Assets, not being depreciated:				
Land	\$ 12,854	\$ -	\$ -	\$ 12,854
Total Capital Assets, not being depreciated	<u>12,854</u>	<u>-</u>	<u>-</u>	<u>12,854</u>
Capital Assets, being depreciated:				
Buildings	329,328	-	-	329,328
Machinery and Equipment	320,185	-	-	320,185
Vehicles	102,217	-	-	102,217
Furniture and Fixtures	50,567	-	-	50,567
Infrastructure	4,503,677	26,823	-	4,530,500
Total Capital Assets, being depreciated	<u>5,305,974</u>	<u>26,823</u>	<u>-</u>	<u>5,332,797</u>
Less Accumulated Depreciation	<u>4,005,674</u>	<u>136,540</u>	<u>-</u>	<u>4,142,214</u>
Total Capital Assets, being depreciated, net	<u>1,300,300</u>	<u>(109,717)</u>	<u>-</u>	<u>1,190,583</u>
Component Unit Capital Assets, net	<u>\$ 1,313,154</u>	<u>\$ (109,717)</u>	<u>\$ -</u>	<u>\$ 1,203,437</u>

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

General Government	\$ 13,464
Highways and Streets	74,645
Public Safety	128,380
Cemetery and Parks	25,290
Culture and Recreation	7,371
Total Depreciation Expense - Governmental Activities	<u>\$ 249,150</u>

Business Type Activities:

Sanitation	\$ 36,102
Transfer Site	3,917
Total Depreciation Expense - Business Type Activities	<u>\$ 40,019</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

III. DETAILED NOTES ON ALL FUNDS - continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2021 is as follows:

Interfund Transfers

	<u>Transfers Out:</u>	
	<i>Enterprise</i>	<i>Total</i>
<u>Transfers In:</u>		
General Fund	\$ 8,552	\$ 8,552
	<u>\$ 8,552</u>	<u>\$ 8,552</u>

Reason / Purpose – Budgeted operating transfers.

Due To – Due From

<u>Due From</u>	<u>Due To</u>	
Grant Fund	General Fund	\$ 11,468

D. Long Term Debt

Capital Leases – Primary Government

The City entered into three lease purchases with BancFirst - a \$188,560, 5 year, 5% interest rate capital lease dated July, 2018; a \$279,950, 5 year, 3.30% interest rate capital lease dated October, 2019; and a \$120,803, 5 year, 5.00% interest rate capital lease dated August, 2020. All of these leases were refinanced with American National Bank July 2021.

The City entered into a \$202,516, 3.5 year, 3.00% interest rate capital lease with American National Bank dated July, 2021. Principal and interest are payable monthly.

The City entered into a \$88,359, 26 month, 3.00% interest rate capital lease with American National Bank dated July, 2021. Principal and interest are payable monthly.

The City entered into a \$103,312, 4 year, 3.00% interest rate capital lease with American National Bank dated July, 2021. Principal and interest are payable monthly.

Capital Leases – Component Unit

The Authority entered into a \$346,800, 12 year, 3.315% interest rate capital lease with the Government Capital Corporation dated October 20, 2015. Principal and interest are payable annually on October 28.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

III. DETAILED NOTES ON ALL FUNDS - continued

D. Long Term Debt – continued

Assets acquired through the capital lease and included in capital assets, being depreciated are as follows:

<i>Assets:</i>	<i>Governmental Type Activities</i>	<i>Business Type Activities</i>	<i>Component Unit</i>
Sanitation Truck	\$ -	\$ 188,560	\$ -
Fire Truck	279,950	-	-
Dump Truck	120,803	-	-
Digital Water Meters	-	-	346,800
	<u>400,753</u>	<u>188,560</u>	<u>346,800</u>
Less Accumulated Depreciation	<u>(38,924)</u>	<u>(56,568)</u>	<u>(193,630)</u>
	<u>\$ 361,829</u>	<u>\$ 131,992</u>	<u>\$ 153,170</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

<i>Year Ending June 30,</i>	<i>Primary Government</i>	<i>Component Unit</i>
2021	\$ 103,763	\$ 35,489
2022	103,763	35,489
2023	103,763	35,489
2024	64,851	35,489
2025	25,976	35,489
2026-2028	<u>-</u>	<u>106,184</u>
Total minimum lease payments	402,116	283,629
Less amount representing interest	<u>(30,308)</u>	<u>(38,067)</u>
Present value of minimum lease payments	<u>\$ 371,808</u>	<u>\$ 245,562</u>

Changes in Long-Term Liabilities

Long term liability activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	\$ 250,120	\$ 120,803	\$ 65,095	\$ 305,828	\$ 80,366
Total Long Term Liabilities	<u>\$ 250,120</u>	<u>\$ 120,803</u>	<u>\$ 65,095</u>	<u>\$ 305,828</u>	<u>\$ 80,366</u>
Business Type Activities:					
Notes Payable	\$ 121,688	\$ -	\$ 33,329	\$ 88,359	\$ 40,063
Total Long Term Liabilities	<u>\$ 121,688</u>	<u>\$ -</u>	<u>\$ 33,329</u>	<u>\$ 88,359</u>	<u>\$ 40,063</u>
Component Unit:					
Notes Payable	\$ 245,562	\$ -	\$ 27,539	\$ 218,023	\$ 28,246
Total Long Term Liabilities	<u>\$ 245,562</u>	<u>\$ -</u>	<u>\$ 27,539</u>	<u>\$ 218,023</u>	<u>\$ 28,246</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

III. DETAILED NOTES ON ALL FUNDS – continued

E. Fund Equity

Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports \$78,753 of restricted Net Position, of which \$12,414 is restricted by enabling legislation.

Enabling Legislation:

Cemetery Care Fund	\$ <u>12,414</u>
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Governmental Fund Balance Classifications

As of June 30, 2021, fund balances of the Governmental Funds were classified as follows:

	General	Other Governmental	Total
Restricted			
Cemetery Capital Purchases	\$ 50,907	\$ 12,414	\$ 63,321
Public Safety	-	15,432	15,432
Assigned			
Public Safety	36,256	-	36,256
Unassigned	1,227,392	-	1,227,392
	\$ 1,314,555	\$ 27,846	\$ 1,342,401

In prior years, amounts designated as Cemetery Perpetual Care funds were classified as Restricted – Nonspendable. Based on research of records maintained at City Hall, as well as records maintained by the District Court and County Clerk, there is no evidence of the creation of a Perpetual Care Fund for the Cemetery, as defined in State law. Those funds have been reclassified to Restricted Fund Balance in the current year.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

III.DETAILED NOTES ON ALL FUNDS – continued

F. Pension Plans

Primary Government - Municipal Retirement Plan

Plan Description: The City and its employees participate in a cost sharing, multiple employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund. 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. OMRF provides retirement, disability and death benefits to plan members and their beneficiaries. OMRF is authorized to establish and amend all plan provisions.

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, P.O. Box 25848, Oklahoma City, OK 73125.

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 City is required to contribute at an actuarially determined rate of 7.49 percent. The required contribution was determined as part of the March, 2021 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. Funding requirements may increase in the future as benefits accrue.

Annual Pension Cost: For City of Marietta's annual pension cost for 2021, 2020 and 2019 were \$50,651, \$36,425, and \$29,579, respectively.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

III.DETAILED NOTES ON ALL FUNDS – continued

F. Pension Plans – *continued*

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. 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. OMRF provides retirement, disability and death benefits to plan members and their beneficiaries.

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 24.07% percent. The required contribution was determined as part of the July 1, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.25 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. Funding requirements may increase in the future as benefits accrue.

Annual Pension Cost: Marietta Public Works Authority's annual pension cost for 2021, 2020, and 2019 were \$55,859, \$49,353, and \$47,915, respectively.

Firefighters' Retirement Plan

Pursuant to the requirements of Title 11, section 22-102, the City of Marietta participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighter's Pension and Retirement System (OFPRS) on behalf of volunteer firefighters. The City has no responsibility or authority for the operation and administration of the pension program not has it any related liability, except for the current contribution requirements.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

III.DETAILED NOTES ON ALL FUNDS – continued

F. Pension Plans – *continued*

Firefighters' Retirement Plan - continued

The contribution rates for the City and its volunteers are established by Statute. The City is required to contribute \$60 per volunteer for the year ended June 30, 2021. This contribution covers a portion of the cost of benefits that will be paid to vested firemen. Additional funding comes from a percentage of all taxes on premiums collected by insurance companies and appropriated by the State of Oklahoma.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 454 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

The City contributed \$840 in 2020-21; \$2,040 in 2019-20; and \$952 in 2018-19.

G. 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 by 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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2021

III. DETAILED NOTES ON ALL FUNDS – continued

H. 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.

Compensated Absences

City employees are allowed to accrue a maximum of 160 hours of vacation time. Any accrued vacation remaining at the time the employee leaves employment of the city is payable to the employee. Vacation leave accrual liability as of June 30, 2021 is \$33,397.

G. Related Party Transactions

The City's garbage billing and collection services are performed by Marietta Public Works Authority, a component unit of the City. The Authority includes the amount for trash service on monthly utility bills. The Authority collects payments and remits the amounts received, less a 3% administrative fee to the City each month.

Total Amounts Collected and paid to City of Marietta are as follows:

Garbage Collections	\$ 347,492
Less: Administrative Fee	<u>(12,825)</u>
	<u>\$ 334,668</u>

I. Subsequent Events

The City received an ARPA Grant in 2021-2022 for \$241,722.96. This grant is available to fund various projects.

***SUPPLEMENTARY
INFORMATION***

City of Marietta, Oklahoma
Budgetary Information
June 30, 2021

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, 2021

	General Fund			Variance with Final Budget
	Original	Final Budget	Actual	
REVENUE				
Taxes	\$ 1,310,300	1,310,300	\$ 1,551,397	\$ 241,097
License & Permits	22,000	22,000	37,275	15,275
Miscellaneous	295,000	295,000	218,433	(76,567)
Fines & Forfeitures	99,000	99,000	148,049	49,049
Grant Revenue	41,000	254,000	223,185	(30,815)
Charges for Services	17,000	17,000	23,566	6,566
Interest	5,000	5,000	1,795	(3,205)
Total Revenue	1,789,300	2,002,300	2,203,700	201,400
EXPENDITURES				
Current				
General Government	494,300	529,300	509,869	19,431
Highways and Streets	210,000	216,000	213,998	2,002
Public Safety	678,500	701,500	681,262	20,238
Cemetery and Parks	139,500	139,500	113,553	25,947
Culture and Recreation	10,000	10,000	6,668	3,332
Capital Outlay				
General Government	-	4,000	-	4,000
Cemetery and Parks	50,000	50,000	35,521	14,479
Public Safety	80,000	179,000	103,777	75,223
Highways and Streets	550,000	351,000	22,306	328,694
Debt Service	45,000	119,000	81,601	37,399
Total Expenditures	2,257,300	2,299,300	1,768,555	530,745
Excess (Deficiency) of Revenues Over (Under) Expenditures	(468,000)	(297,000)	435,145	732,145
Other Financing Sources				
Transfers In	100,000	-	8,552	(91,448)
Transfers Out	(17,000)	(17,000)	-	(17,000)
Total Other Financing Sources	83,000	(17,000)	8,552	(108,448)
Net Change in Fund Balances	(385,000)	(314,000)	443,697	840,593
Fund Balances - Beginning	389,000	389,000	870,858	481,858
Fund Balances - Ending	<u>\$ 4,000</u>	<u>\$ 75,000</u>	<u>\$ 1,314,555</u>	<u>\$ 1,322,451</u>

City of Marietta, Oklahoma
Combining Balance Sheet
General Fund – Modified Cash Basis
June 30, 2021

	General	Police Improvement	Total
Assets			
Cash and Cash Equivalent	\$ 1,251,600	\$ 580	\$ 1,252,180
Restricted Cash	50,907	-	50,907
Due From Other Funds	11,468	-	11,468
Total Assets	\$ 1,313,975	\$ 580	\$ 1,314,555
Fund Balances			
Restricted	50,907	-	50,907
Assigned	35,676	580	36,256
Unassigned	1,227,392	-	1,227,392
Total Fund Balances	1,313,975	580	1,314,555
Total Liabilities and Fund Balances			
	\$ 1,313,975	\$ 580	\$ 1,314,555

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, 2021

	General	Police Improvement	Total
	_____	_____	_____
REVENUE			
Taxes	\$ 1,551,397	\$ -	\$ 1,551,397
License & Permits	37,275	-	37,275
Miscellaneous	218,433	-	218,433
Fines & Forfeitures	148,049	-	148,049
Grant Revenue	223,185	-	223,185
Charges for Services	23,566	-	23,566
Interest	1,795	-	1,795
	_____	_____	_____
Total Revenue	2,203,700	-	2,203,700
EXPENDITURES			
Current			
General Government	509,869	-	509,869
Highways and Streets	213,998	-	213,998
Public Safety	681,262	-	681,262
Cemetery and Parks	113,553	-	113,553
Culture and Recreation	6,668	-	6,668
Capital Outlay			
Cemetery and Parks	35,521	-	35,521
Public Safety	103,777	-	103,777
Highways and Streets	143,109	-	143,109
Debt Service	81,601	-	81,601
	_____	_____	_____
Total Expenditures	1,889,358	-	1,889,358
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	314,342	-	314,342
Other Financing Sources			
Capital Lease Financing	120,803	-	120,803
Transfers In	8,552	-	8,552
Transfers Out	-	-	-
	_____	_____	_____
Total Other Financing Sources	129,355	-	129,355
Net Change in Fund Balances			
	443,697	-	443,697
Fund Balances - Beginning			
	870,278	580	870,858
	_____	_____	_____
Fund Balances - Ending	\$ 1,313,975	\$ 580	\$ 1,314,555
	_____	_____	_____

City of Marietta, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds – Modified Cash Basis
June 30, 2021

	<u>Cemetery Care</u>	<u>Grant</u>	<u>Volunteer Fire</u>	<u>Total</u>
Assets				
Cash and Cash Equivalent	<u>12,414</u>	<u>11,696</u>	<u>15,204</u>	<u>\$ 39,314</u>
Total Assets	<u>\$ 12,414</u>	<u>\$ 11,696</u>	<u>\$ 15,204</u>	<u>\$ 39,314</u>
Liabilities				
Due To Other Funds	<u>\$ -</u>	<u>\$ 11,468</u>	<u>\$ -</u>	<u>\$ 11,468</u>
Total Liabilities	<u>-</u>	<u>11,468</u>	<u>-</u>	<u>11,468</u>
Fund Balances				
Restricted	12,414	228	15,204	27,846
Committed	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>12,414</u>	<u>228</u>	<u>15,204</u>	<u>27,846</u>
Total Liabilities and Fund Balances	<u>\$ 12,414</u>	<u>\$ 11,696</u>	<u>\$ 15,204</u>	<u>\$ 39,314</u>

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, 2021

	Cemetery Care	Grant	Volunteer Fire	Total
REVENUE				
Miscellaneous	\$ (1)	\$ -	\$ 1,313	\$ 1,312
Charges for Services	7,563	-	-	7,563
Interest	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>
Total Revenue	7,565	-	1,313	8,878
EXPENDITURES				
Current				
Public Safety	-	538	2,844	3,382
Cemetery and Parks	1,400	-	-	1,400
Capital Outlay				
Cemetery and Parks	<u>20,472</u>	<u>-</u>	<u>-</u>	<u>20,472</u>
Total Expenditures	<u>21,872</u>	<u>538</u>	<u>2,844</u>	<u>25,254</u>
Net Change in Fund Balances	(14,307)	(538)	(1,531)	(16,376)
Fund Balances - Beginning	<u>26,721</u>	<u>766</u>	<u>16,735</u>	<u>44,222</u>
Fund Balances - Ending	<u>\$ 12,414</u>	<u>\$ 228</u>	<u>\$ 15,204</u>	<u>\$ 27,846</u>

City of Marietta, Oklahoma
Schedule of Grant Activity – Modified Cash Basis
For the Year Ended June 30, 2021

Federal/State Grantor/ Pass-Though Grantor/ Program Title	Revenue Received Current Year	Contract Disbursed/ Expended
<u>FEDERAL AWARD PROGRAMS</u>		
Department of Justice JAG Grant	\$ 5,000	\$ 5,000
TOTAL FEDERAL AWARD PROGRAMS	<u>\$ 5,000</u>	<u>\$ 5,000</u>
<u>STATE & OTHER AWARD PROGRAMS</u>		
Okla. Dept. of Agriculture, Food & Forestry Volunteer Fire Operational Grant	\$ 4,826	\$ 4,826
TOTAL STATE & OTHER AWARD PROGRAMS	<u>\$ 4,826</u>	<u>\$ 4,826</u>
<u>OTHER FUNDING</u>		
CARES Act Pandemic Assistance	<u>\$ 213,358</u>	<u>\$ 211,857</u>



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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 9, 2021. The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 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.

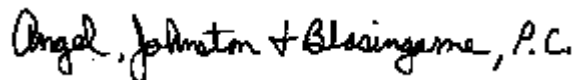
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Angel, Johnston + Blessingame, P.C." The signature is written in a cursive, flowing style.

Chickasha, Oklahoma
December 9, 2021

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

Deficiencies of Internal Control, Compliance and Other Matters:

There were no significant or material findings to report.

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

Deficiencies of Internal Control, Compliance and Other Matters

20-001. Criteria – Grant management requires the appropriate identification of all grants.

Condition – The Fire operation money was originally transferred from Volunteer Firefighter Fund to Grant Fund. The expenses for the fire operations are paid by the General Fund, therefore the grant revenue is separated from the expenses. We discovered the separation of grant revenues from expenses during our audit procedures.

Disposition – This was not a finding in the 2020-2021 year.