

City of Marietta, Oklahoma
Annual Financial Report

For the Fiscal Year Ended
June 30, 2015

City of Marietta, Oklahoma
Annual Financial Report
For the Fiscal Year Ended June 30, 2015
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FINANCIAL SECTION



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, 2015, 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 58 percent, 59 percent, and 44 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 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, 2015, 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 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

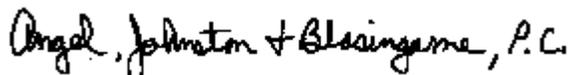
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marietta, Oklahoma basic financial statements. The combining and individual nonmajor fund financial statements-modified cash basis and schedule of grant activity-modified cash basis 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 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 Oklahoma Municipal Retirement Fund summary schedule of funding progress, 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 September 29, 2016, 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 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
September 29, 2016

City of Marietta, Oklahoma
Statement of Net Position – Modified Cash Basis
June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Marietta Public Works Authority
Assets				
Current Assets				
Cash and Cash Equivalent	\$ 229,905	\$ 150	\$ 230,055	\$ 616,477
Restricted Cash and Cash Equivalent	134,408	-	134,408	38,920
Accounts Receivable	-	2,780	2,780	-
Inventory	-	-	-	95,409
Total Current Assets	364,313	2,930	367,243	750,806
Noncurrent Assets				
Land	57,498	-	57,498	54,829
Buildings	544,988	-	544,988	304,965
Machinery and Equipment	892,682	493,297	1,385,979	255,429
Vehicles	433,226	-	433,226	128,943
Furniture and Fixtures	11,745	-	11,745	65,828
Land Improvements	30,000	-	30,000	-
Infrastructure	810,414	81,600	892,014	3,915,493
Accumulated Depreciation	(1,753,673)	(446,305)	(2,199,978)	(3,340,037)
Capital Assets, Net of Depreciation	1,026,880	128,592	1,155,472	1,385,450
Total Noncurrent Assets	1,026,880	128,592	1,155,472	1,385,450
Total Assets	1,391,193	131,522	1,522,715	2,136,256
Liabilities				
Current Liabilities				
Accrued Expenses	-	-	-	9,267
Refundable Meter Deposits	-	-	-	38,920
Capital Leases, Current Portion	17,897	-	17,897	-
Notes Payable, Current Portion	-	12,541	12,541	-
Total Liabilities	17,897	12,541	30,438	48,187
Noncurrent Liabilities				
Capital Leases / Notes Payable	14,293	14,140	28,433	-
Total Liabilities	32,190	26,681	58,871	48,187
Net Position				
Invested in Capital Assets	994,690	101,911	1,096,601	1,385,450
Restricted for Other Purposes	150,388	-	150,388	-
Unrestricted	213,925	2,930	216,855	702,619
Total Net Position	\$ 1,359,003	\$ 104,841	\$ 1,463,844	\$ 2,088,069

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, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			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	404,300	\$ 4,354	\$ -	\$ -	\$ (399,946)	\$ -	\$ (399,946)	\$ -
Highways and Streets	203,988	38,755	-	375	(164,858)	-	(164,858)	-
Public Safety	450,973	-	12,500	-	(438,473)	-	(438,473)	-
Cemetery and Parks	50,217	26,785	-	-	(23,432)	-	(23,432)	-
Culture and Recreation	14,589	-	-	-	(14,589)	-	(14,589)	-
Total Governmental Activities	1,124,067	69,894	12,500	375	(1,041,298)	-	(1,041,298)	-
Business-Type Activities								
Sanitation	166,571	319,797	-	-	-	153,226	153,226	-
Transfer Site	180,221	53,150	-	-	-	(127,071)	(127,071)	-
Total Business Type Activities	346,792	372,947	-	-	-	26,155	26,155	-
Total Primary Government	\$ 1,470,859	\$ 442,841	\$ 12,500	\$ 375	(1,041,298)	26,155	(1,015,143)	-
Component Unit								
Marietta Public Works Authority	\$ 1,001,566	\$ 1,035,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,512
General Revenues								
Taxes:								
Sales Tax					631,132	-	631,132	-
Use Tax					42,727	-	42,727	-
Franchise Tax					103,182	-	103,182	-
Alcohol Beverage Tax					54,028	-	54,028	-
Other Taxes					38,630	-	38,630	-
Interest					1,211	-	1,211	731
Miscellaneous					7,016	-	7,016	-
Transfers					59,592	(59,592)	-	-
Total General Revenues and Transfers					937,518	(59,592)	877,926	731
Change in Net Position					(103,780)	(33,437)	(137,217)	34,243
Net Position - Beginning, as restated					1,462,783	138,278	1,601,061	2,053,826
Net Position - Ending					\$ 1,359,003	\$ 104,841	\$ 1,463,844	\$ 2,088,069

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, 2015

	General	Cemetery Donation	Other Governmental	Total
Assets				
Cash and Cash Equivalent	\$ 213,925	\$ 134,033	\$ 16,355	\$ 364,313
Total Assets	\$ 213,925	\$ 134,033	\$ 16,355	\$ 364,313
Fund Balances				
Restricted	-	134,033	16,355	150,388
Committed	-	-	-	-
Assigned	1,933	-	-	1,933
Unassigned	211,992	-	-	211,992
Total Fund Balances	213,925	134,033	16,355	364,313
Total Liabilities and Fund Balances	\$ 213,925	\$ 134,033	\$ 16,355	364,313

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.	1,026,880
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(32,190)</u>
Net position of governmental activities.	<u>\$ 1,359,003</u>

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, 2015

	<u>General</u>	<u>Cemetery Donation</u>	<u>Other Governmental</u>	<u>Total</u>
REVENUE				
Taxes	\$ 869,699	\$ -	\$ -	\$ 869,699
License & Permits	4,354	-	-	4,354
Miscellaneous	7,016	-	-	7,016
Fines & Forfeitures	38,755	-	-	38,755
Grant Revenue	12,500	-	375	12,875
Charges for Services	20,135	-	6,650	26,785
Interest	1,203	1	7	1,211
Total Revenue	<u>953,662</u>	<u>1</u>	<u>7,032</u>	<u>960,695</u>
EXPENDITURES				
Current				
General Government	393,075	-	-	393,075
Highways and Streets	161,422	-	-	161,422
Public Safety	402,474	-	-	402,474
Cemetery and Parks	39,542	-	954	40,496
Culture and Recreation	7,218	-	-	7,218
Capital Outlay				
Cemetery and Parks	9,399	-	-	9,399
Public Safety	74,809	-	-	74,809
Highways and Streets	35,508	-	-	35,508
Debt Service	27,508	-	-	27,508
Total Expenditures	<u>1,150,955</u>	<u>-</u>	<u>954</u>	<u>1,151,909</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(197,293)	1	6,078	(191,214)
Other Financing Sources				
Transfers In	59,592	-	-	59,592
Transfers Out	-	-	-	-
Total Other Financing Sources	<u>59,592</u>	<u>-</u>	<u>-</u>	<u>59,592</u>
Net Change in Fund Balances	(137,701)	1	6,078	(131,622)
Fund Balances - Beginning	<u>351,626</u>	<u>134,032</u>	<u>10,277</u>	<u>495,935</u>
Fund Balances - Ending	<u>\$ 213,925</u>	<u>\$ 134,033</u>	<u>\$ 16,355</u>	<u>\$ 364,313</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, 2015

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

Net change in assets - total governmental funds \$ (131,622)

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. 2,312

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. 25,530

Change in net position of governmental activities. \$ (103,780)

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, 2015

	Sanitation Transfer Site
ASSETS	
Current Assets	
Cash and Cash Equivalent	\$ 150
Accounts Receivable	2,780
Total Current Assets	2,930
Noncurrent Assets	
Machinery and Equipment	493,297
Infrastructure	81,600
Accumulated Depreciation	(446,305)
Total Noncurrent Assets	128,592
Total Assets	131,522
LIABILITIES	
Current Liabilities	
Notes Payable, Current	12,541
Total Current Liabilities	12,541
Noncurrent Liabilities	
Notes Payable	14,140
Total Noncurrent Liabilities	14,140
Total Liabilities	26,681
NET POSITION	
Invested in Capital Assets	101,911
Unrestricted	2,930
Total Net Position	\$ 104,841

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, 2015

	<u>Sanitation Transfer Site</u>
Operating Revenues:	
Sanitation Revenue	\$ 319,797
Transfer Site Revenue	<u>53,150</u>
Total Operating Revenue	372,947
Operating Expenses:	
Sanitation	
Personnel Services	88,217
Materials and Supplies	28,395
Other Services and Charges	11,994
Depreciation Expense	36,365
Transfer Site	
Personnel Services	87,692
Materials and Supplies	23,419
Tipping Fees - SORD	59,260
Depreciation Expense	<u>9,850</u>
Total Operating Expenses	<u>345,192</u>
Operating Income (Loss)	27,755
Nonoperating Revenues (Expenses):	
Interest Expense	<u>(1,600)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,600)</u>
Income (Loss) before Transfers	26,155
Other Financing Sources (Uses):	
Transfers In	-
Transfers Out	<u>(59,592)</u>
Total Other Financing Sources	<u>(59,592)</u>
Net Change in Net Position	(33,437)
Total Net Position - Beginning	<u>138,278</u>
Total Net Position - Ending	<u><u>\$ 104,841</u></u>

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Revenues Received	\$ 372,947
Vendors and Others Paid	<u>(299,764)</u>
Net Cash Provided by Operating Activities	<u>73,183</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers, Net	<u>(59,592)</u>
Net Cash Used by Noncapital Financing Activities	<u>(59,592)</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Payment of Debt	<u>(11,991)</u>
Net Cash Used by Capital Financing Activities	<u>(11,991)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Expense	<u>(1,600)</u>
Net Cash Used by Investing Activities	<u>(1,600)</u>

Change in Cash and Cash Equivalents -

Cash and Cash Equivalents, July 1, 2014 150

Cash and Cash Equivalents, June 30, 2015 \$ 150

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

Operating Income	<u>\$ 27,755</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization	46,215
Increase in Due From Other Funds	<u>(787)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 73,183</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, 2015

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*.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

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

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

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 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, 2015

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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

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

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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

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 \$994,690 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	\$ <u>32,190</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	
	\$ <u><u>(32,190)</u></u>

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

Land	\$ 57,498
Buildings	544,988
Machinery and Equipment	892,682
Vehicles	433,226
Furniture and Fixtures	11,745
Land Improvements	30,000
Infrastructure	<u>810,414</u>
	2,780,553
Accumulated Depreciation	<u>(1,753,673)</u>
Capital Assets, Net	<u><u>\$ 1,026,880</u></u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

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 \$27,842 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	119,716
Depreciation Expense	<u>(117,404)</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>\$ 2,312</u>

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	\$ 25,530
Capital Lease Proceeds	<u>-</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>\$ 25,530</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

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, 2015, the City's bank balances of \$364,463. As of June 30, 2015, the City had uncollateralized deposits of \$7,270.

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, 2015 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, 2015 consists of the Cemetery Donation Fund in the amount of \$134,033.

Investments at June 30, 2015 for the City and Authority consisted of certificates of deposit.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

III. DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets

Capital asset activity of the Primary Government for the year ended June 30, 2015 was a follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<i>Governmental Activities:</i>				
Capital Assets, not being depreciated:				
Land	\$ 57,498	\$ -	\$ -	\$ 57,498
Total Capital Assets, not being depreciated	<u>57,498</u>	<u>-</u>	<u>-</u>	<u>57,498</u>
Capital Assets, being depreciated:				
Buildings	515,947	29,041	-	544,988
Machinery and Equipment	880,808	11,874	-	892,682
Vehicles	370,467	62,759	-	433,226
Furniture and Fixtures	11,745	-	-	11,745
Land Improvements	30,000	-	-	30,000
Infrastructure	<u>794,372</u>	<u>16,042</u>	<u>-</u>	<u>810,414</u>
Total Capital Assets, being depreciated	2,603,339	119,716	-	2,723,055
Less Accumulated Depreciation	<u>1,636,269</u>	<u>117,404</u>	<u>-</u>	<u>1,753,673</u>
Total Capital Assets, being depreciated, net	<u>967,070</u>	<u>2,312</u>	<u>-</u>	<u>969,382</u>
Governmental Activities Capital Assets, net	<u>\$ 1,024,568</u>	<u>\$ 2,312</u>	<u>\$ -</u>	<u>\$ 1,026,880</u>
<i>Business Type Activities:</i>				
Capital Assets, being depreciated:				
Machinery and Equipment	493,297	-	-	493,297
Infrastructure	<u>81,600</u>	<u>-</u>	<u>-</u>	<u>81,600</u>
Total Capital Assets, being depreciated	574,897	-	-	574,897
Less Accumulated Depreciation	<u>400,090</u>	<u>46,215</u>	<u>-</u>	<u>446,305</u>
Total Capital Assets, being depreciated, net	<u>174,807</u>	<u>(46,215)</u>	<u>-</u>	<u>128,592</u>
Business Type Activities Capital Assets, net	<u>\$ 174,807</u>	<u>\$ (46,215)</u>	<u>\$ -</u>	<u>\$ 128,592</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

III. DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets – continued

Capital asset activity of the Component Unit for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit:				
Capital Assets, not being depreciated:				
Land	\$ 12,854	\$ 41,975	\$ -	\$ 54,829
Total Capital Assets, not being depreciated	<u>12,854</u>	<u>41,975</u>	<u>-</u>	<u>54,829</u>
Capital Assets, being depreciated:				
Buildings	302,865	2,100	-	304,965
Machinery and Equipment	255,429	-	-	255,429
Vehicles	101,435	27,508	-	128,943
Furniture and Fixtures	65,828	-	-	65,828
Infrastructure	3,915,493	-	-	3,915,493
Total Capital Assets, being depreciated	4,641,050	29,608	-	4,670,658
Less Accumulated Depreciation	<u>3,216,925</u>	<u>123,112</u>	<u>-</u>	<u>3,340,037</u>
Total Capital Assets, being depreciated, net	<u>1,424,125</u>	<u>(93,504)</u>	<u>-</u>	<u>1,330,621</u>
Component Unit Capital Assets, net	<u>\$ 1,436,979</u>	<u>\$ (51,529)</u>	<u>\$ -</u>	<u>\$ 1,385,450</u>

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

Governmental Activities:

General Government	\$ 11,347
Highways and Streets	42,565
Public Safety	46,400
Cemetery and Parks	9,721
Culture and Recreation	<u>7,371</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 117,404</u>

Business Type Activities:

Sanitation	\$ 36,365
Transfer Site	<u>9,850</u>
Total Depreciation Expense - Business Type Activities	<u>\$ 46,215</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

III. DETAILED NOTES ON ALL FUNDS - continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2015 is as follows:

Interfund Transfers

	<i>Transfers Out:</i>			
<i>Transfers In:</i>	<i>General</i>	<i>Enterprise</i>	<i>Component Unit</i>	<i>Total</i>
General Fund	\$ -	\$ 59,592	\$ -	\$ 59,592
	<u>\$ -</u>	<u>\$ 59,592</u>	<u>\$ -</u>	<u>\$ 59,592</u>
		(1)		

Reason / Purpose

(1) – Budgeted operating transfers.

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 5.147% 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.

	\$ 26,681
Total Notes Payable	\$ 26,681

Principal maturities are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>
2016	\$ 12,541	\$ 1,049
2017	13,183	408
2018	957	4
Total	\$ 26,681	\$ 1,461

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

III. DETAILED NOTES ON ALL FUNDS - continued

D. Long Term Debt - continued

Notes Payable - continued

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:

<i>Assets:</i>	<i>Governmental Activities</i>
Vehicles	\$ 33,767
Machinery and Equipment	<u>70,649</u>
	104,416
Less Accumulated Depreciation	<u>(31,299)</u>
	<u><u>\$ 73,117</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

<i>Year Ending June 30,</i>	<i>Governmental Activities</i>
2016	\$ 19,018
2017	<u>14,679</u>
Total minimum lease payments	33,697
Less amount representing interest	<u>(1,507)</u>
Present value of minimum lease payments	<u><u>\$ 32,190</u></u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

III. DETAILED NOTES ON ALL FUNDS - continued

D. Long Term Debt – continued

Capital Leases - continued

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

<i>Business Type Activities</i>		<i>Governmental Activities</i>	
Sanitation	\$ 1,600	Public Safety	\$ 1,978
	<u>\$ 1,600</u>		<u>\$ 1,978</u>

Changes in Long-Term Liabilities

Long term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	\$ 57,720	\$ -	\$ 25,530	\$ 32,190	\$ 17,897
Total Long Term Liabilities	<u>\$ 57,720</u>	<u>\$ -</u>	<u>\$ 25,530</u>	<u>\$ 32,190</u>	<u>\$ 17,897</u>
Business Type Activities:					
Notes Payable	\$ 38,672	\$ -	\$ 11,991	\$ 26,681	\$ 12,541
Total Long Term Liabilities	<u>\$ 38,672</u>	<u>\$ -</u>	<u>\$ 11,991</u>	<u>\$ 26,681</u>	<u>\$ 12,541</u>
Component Unit:					
Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Long Term Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

E. Restricted Assets

Balances of restricted assets at June 30, 2015, are as follows:

Cemetery Donation Fund	\$ 134,033
Grant Fund	375
	<u>\$ 134,408</u>
Component Unit:	
Meter Deposits	<u>\$ 38,920</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

F. Fund Equity

Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports \$150,388 of restricted Net Position, of which \$15,980 is restricted by enabling legislation.

Cemetery Care Fund	<u><u>\$ 15,980</u></u>
--------------------	-------------------------

Governmental Fund Balance Classifications

As of June 30, 2015, fund balances of the Governmental Funds were classified as follows:

	General	Cemetery Donation	Other Governmental	Total
Restricted				
Cemetery Capital Purchases	\$ -	\$ 134,033	\$ 15,980	\$ 150,013
Grant Fund Expenditures	-	-	375	375
Assigned			-	
Public Safety	1,933	-	-	1,933
Unassigned	211,992	-	-	211,992
	\$ 213,925	\$ 134,033	\$ 16,355	\$ 364,313

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 5.15 percent.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

III. DETAILED NOTES ON ALL FUNDS – continued

G. Pension Plans – continued

Annual Pension Cost: For 2014-15, City of Marietta’s annual pension cost was \$28,688, the required contribution amount was \$28,688. The required contribution was determined as part of the February, 2015 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
<i>Primary Government</i>				
2015	5.15%	\$ 28,688	100%	\$ -
2014	4.37%	23,079	100%	-
2013	5.50%	28,350	100%	-

Primary Government - Municipal Retirement Plan - continued

The funded status of the plan as of February, 2015, 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 c (b-a)/c
7/1/2015	\$ 982,122	\$ 1,019,539	\$ 37,417	96.3%	\$ 563,401	6.6%

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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

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 21.05% percent.

Annual Pension Cost: For 2014-15, Marietta Public Works Authority’s annual pension cost was \$35,725, the required contribution amount was \$35,725. The required contribution was determined as part of the January 1, 2015 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 January 1, 2015, the most recent valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Liability (AAL) - Entry Age b	Unfunded AAL (UAAL) b-a	Funded Ratio a/b	Covered Payroll c	UAAL as
						Percentage of Covered Payroll (b-a)/c
1/1/2015	\$ 380,850	\$ 694,055	\$ 313,205	54.9%	\$ 177,325	176.6%

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2015

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
<i>Component Unit</i>				
2015	21.05%	\$ 35,725	100%	\$ -
2014	20.02%	35,500	100%	-
2013	19.72%	33,787	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 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, 2015

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.

***SUPPLEMENTARY
INFORMATION***

City of Marietta, Oklahoma
Unaudited – Oklahoma Municipal Retirement Fund
Schedule of Funding Progress
For the Year Ended June 30, 2015

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
						Percentage of Covered Payroll (b-a)/c
Primary Government						
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%	487,791	2.2%
1/1/2013	778,476	785,630	7,154	99.1%	515,354	1.4%
1/1/2014	858,374	883,902	25,528	97.1%	526,938	4.8%
7/1/2014	902,515	911,679	9,164	99.0%	477,215	1.9%
7/1/2015	982,122	1,019,539	37,417	96.3%	563,401	6.6%

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
						Percentage of Covered Payroll (b-a)/c
Component Unit						
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%
1/1/2013	359,340	655,069	295,729	54.9%	165,937	178.2%
1/1/2014	369,588	683,022	313,434	54.1%	176,499	177.6%
1/1/2015	380,850	694,055	313,205	54.9%	177,325	176.6%

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.

City of Marietta, Oklahoma
Budgetary Information
June 30, 2015

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, 2015

	General Fund			
	Original	Final Budget	Actual	Variance with Final Budget
REVENUE				
Taxes	\$ 841,000	\$ 841,000	\$ 869,699	\$ 28,699
License & Permits	3,000	3,000	4,354	1,354
Miscellaneous	20,000	20,000	7,016	(12,984)
Fines & Forfeitures	78,000	78,000	38,755	(39,245)
Grant Revenue	9,000	9,000	12,500	3,500
Charges for Services	27,000	27,000	20,135	(6,865)
Interest	1,000	1,000	1,203	203
Total Revenue	<u>979,000</u>	<u>979,000</u>	<u>953,662</u>	<u>(25,338)</u>
EXPENDITURES				
Current				
General Government	411,845	404,845	393,075	11,770
Highways and Streets	177,000	177,000	161,422	15,578
Public Safety	434,512	434,512	402,474	32,038
Cemetery and Parks	44,000	44,000	39,542	4,458
Culture and Recreation	8,000	9,000	7,218	1,782
Capital Outlay				
Cemetery and Parks	12,500	12,500	9,399	3,101
Public Safety	84,500	90,500	74,809	15,691
Highways and Streets	55,000	55,000	35,508	19,492
Debt Service	38,544	38,544	27,508	11,036
Total Expenditures	<u>1,265,901</u>	<u>1,265,901</u>	<u>1,150,955</u>	<u>114,946</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(286,901)	(286,901)	(197,293)	89,608
Other Financing Sources				
Transfers In	35,000	35,000	93,658	58,658
Transfers Out	(69,000)	(69,000)	(34,066)	34,934
Total Other Financing Sources	<u>(34,000)</u>	<u>(34,000)</u>	<u>59,592</u>	<u>93,592</u>
Net Change in Fund Balances	(320,901)	(320,901)	(137,701)	183,200
Fund Balances - Beginning	<u>320,901</u>	<u>320,901</u>	<u>351,626</u>	<u>30,725</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,925</u>	<u>\$ 213,925</u>

City of Marietta, Oklahoma
Combining Balance Sheet
General Fund – Modified Cash Basis
June 30, 2015

	General	Municipal Court	Police Improvement	Police Reserves	Total
Assets					
Cash and Cash Equivalent	\$ 211,028	\$ 964	\$ 1,064	\$ 869	\$ 213,925
Total Assets	<u>\$ 211,028</u>	<u>\$ 964</u>	<u>\$ 1,064</u>	<u>\$ 869</u>	<u>\$ 213,925</u>
Liabilities					
Due To Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted	-	-	-	-	-
Assigned	-	-	1,064	869	1,933
Unassigned	211,028	964	-	-	211,992
Total Fund Balances	<u>211,028</u>	<u>964</u>	<u>1,064</u>	<u>869</u>	<u>213,925</u>
Total Liabilities and Fund Balances	<u>\$ 211,028</u>	<u>\$ 964</u>	<u>\$ 1,064</u>	<u>\$ 869</u>	<u>\$ 213,925</u>

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, 2015

	General	Municipal Court	Police Improvement	Police Reserves	Total
REVENUE					
Taxes	\$ 869,699	\$ -	\$ -	\$ -	\$ 869,699
License & Permits	4,354	-	-	-	4,354
Miscellaneous	7,016	-	-	-	7,016
Fines & Forfeitures	-	38,755	-	-	38,755
Grant Revenue	12,500	-	-	-	12,500
Charges for Services	20,135	-	-	-	20,135
Interest	1,201	1	1	-	1,203
Total Revenue	914,905	38,756	1	-	953,662
EXPENDITURES					
Current					
General Government	393,075	-	-	-	393,075
Highways and Streets	161,422	-	-	-	161,422
Public Safety	396,769	4,655	1,050	-	402,474
Cemetery and Parks	39,542	-	-	-	39,542
Culture and Recreation	7,218	-	-	-	7,218
Capital Outlay					
Cemetery and Parks	9,399	-	-	-	9,399
Public Safety	74,809	-	-	-	74,809
Highways and Streets	35,508	-	-	-	35,508
Debt Service	27,508	-	-	-	27,508
Total Expenditures	1,145,250	4,655	1,050	-	1,150,955
Excess (Deficiency) of Revenues Over (Under) Expenditures	(230,345)	34,101	(1,049)	-	(197,293)
Other Financing Sources					
Transfers In	93,658	-	-	-	93,658
Transfers Out	-	(34,066)	-	-	(34,066)
Total Other Financing Sources	93,658	(34,066)	-	-	59,592
Net Change in Fund Balances	(136,687)	35	(1,049)	-	(137,701)
Fund Balances - Beginning	347,715	929	2,113	869	351,626
Fund Balances - Ending	\$ 211,028	\$ 964	\$ 1,064	\$ 869	\$ 213,925

City of Marietta, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds – Modified Cash Basis
June 30, 2015

	Cemetery Care	Grant	Total
Assets			
Cash and Cash Equivalent	15,980	375	\$ 16,355
Total Assets	\$ 15,980	\$ 375	\$ 16,355
Fund Balances			
Restricted	15,980	375	16,355
Committed	-	-	-
Unassigned	-	-	-
Total Fund Balances	15,980	375	16,355
Total Liabilities and Fund Balances	\$ 15,980	\$ 375	\$ 16,355

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, 2015

	Cemetery		
	Care	Grant	Total
REVENUE			
Grant Revenue	-	375	375
Charges for Services	\$ 6,650	\$ -	\$ 6,650
Interest	<u>7</u>	<u>-</u>	<u>7</u>
Total Revenue	6,657	375	7,032
 EXPENDITURES			
Current			
Cemetery and Parks	<u>954</u>	<u>-</u>	<u>954</u>
Total Expenditures	<u>954</u>	<u>-</u>	<u>954</u>
Net Change in Fund Balances	5,703	375	6,078
Fund Balances - Beginning	<u>10,277</u>	<u>-</u>	<u>10,277</u>
Fund Balances - Ending	<u><u>\$ 15,980</u></u>	<u><u>\$ 375</u></u>	<u><u>\$ 16,355</u></u>

City of Marietta, Oklahoma
Schedule of Grant Activity – Modified Cash Basis
For the Year Ended June 30, 2015

Federal/State Grantor/ Pass-Through 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 6/30/2015
<u>STATE & OTHER AWARD PROGRAMS</u>							
<u>Okla. Dept. of Agriculture, Food & Forestry</u>							
Volunteer Fire Operational Grant			\$ -	\$ -	\$ -	\$ -	\$ -
<u>Okla. Dept. of Commerce</u>							
Emergency Preparedness Grant		EMPG-14	10,000	5,000	5,000	5,000	-
Emergency Preparedness Grant		EMPG-15	15,000	-	7,500	7,500	7,500
Total				<u>5,000</u>	<u>12,500</u>	<u>12,500</u>	<u>7,500</u>
Department of Justice			\$ 375	-	375	375	-
TOTAL STATE & OTHER AWARD PROGRAMS				<u>\$ 5,000</u>	<u>\$ 12,875</u>	<u>\$ 12,875</u>	<u>\$ 7,500</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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 29, 2016. The report was a special report on the City's use of a comprehensive basis of accounting, other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine 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 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, therefore material weaknesses or significant deficiencies may exist that were not 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: 15-1, 15-2, 15-3, 15-4, 15-5 and 15-6.

Compliance and Other Matters

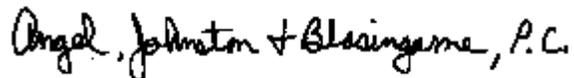
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 item 15-4.

City's Response to Findings

The City's response to findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Chickasha, Oklahoma
September 29, 2016

CITY OF MARIETTA, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Deficiencies of Internal Control, Compliance and Other Matters

- 15-1. 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 and effect – Financial resources have not be available or been made available to hire the additional employees necessary to have proper segregation of duties. The lack of the additional employees creates a potential that 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.

- 15-2. Criteria – Oklahoma State statutes establish purchasing procedures. Purchase orders and purchase requisitions are to be used to initiate the purchasing process. If properly followed this insures the City stays within budget. Also the purchase orders and purchase requisitions 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 of the twenty two purchase orders selected for testing; ten were dated after the invoice date; seven of the purchase orders and twelve of the purchase requisitions did not have signatures; five did not have purchase requisitions and three did not have the original invoice. The purchase orders are not being signed by an encumbrance clerk, but the ones that were signed are being signed by the mayor. Also the City is not consistently having the invoices signed indicating receipt of good or service.

Cause and effect – There is not proper implementation of the state purchasing law therefore, 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 agrees.

- 15-3. Criteria – Proper controls over the purchasing process should include new vendor authorization procedures.

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

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

CITY OF MARIETTA, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

15-4. Criteria – State statutes require all City funds be either insured or collateralized. In case of a banking failure this insures that the City’s funds are fully protected.

Condition – At year end the City had \$7,270 that was not collateralized or insured at one financial institution.

Cause and Effect– The City’s procedures for monitoring coverage did not include one financial institution causing the City’s funds to be exposed due to lack of coverage.

Recommendation – Establish on-going monitoring procedures for proper cash and investment coverage that includes all bank accounts at all financial institutions.

Management response – Management agrees.

15-5. Criteria – Federal and state grants should retain all pertinent information.

Condition – The City was unable to provide grant applications, grant approvals, claims for reimbursement and documentation for allowed expenses for the “Emergency Preparedness Grants.

Cause and Effect– The City emergency management director died and the files were taken to the county for administration. The City was unable to locate the information and provide to us during the audit.

Recommendation – Copies of all City grants need to be retained by the City.

Management response – Management agrees.

15-6. Criteria – In order to maintain good internal control over employees time worked and paid time off, all time cards should be signed by employees, reviewed and approved with signatures by their supervisor.

Condition – In our testing of time cards several were not signed by the employee and/or their supervisor.

Cause and Effect– Not requiring signatures and approval of time cards creates the potential for overpayments or underpayments to employees and the possibility of discrepancies between management and employees over amounts available or used for paid time off.

Recommendation – Establish procedures requiring all time cards be signed by the employee, reviewed and approved by the supervisors before payment to employees.

Management response – Management agrees.

CITY OF MARIETTA, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Deficiencies of Internal Control, Compliance and Other Matters

- 14-1. 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.

- 14-2. 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.

Disposition – This continues to be an issue.

- 14-3. Criteria – Proper controls over the purchasing process should include new vendor authorization procedures.

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

Disposition – This continues to be an issue.

- 14-4. 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.

Disposition – This was not an issue in the current year.