
Marietta Public Works Authority

Financial Statements

For the Fiscal Year Ended June 30, 2013

Marietta Public Works Authority
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For the Fiscal Year Ended June 30, 2013

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Marietta Public Works Authority
Management's Discussion and Analysis (unaudited)
June 30, 2013

For Marietta Public Works Authority, Marietta, Oklahoma, this is our presentation of Management's Discussion and Analysis (MD&A). This analysis serves as an introduction to the financial statements for users to facilitate whether overall financial health has improved or deteriorated as a result of the past year's operation. A required component of MD&A is to briefly describe the reasons for change in our revenue, liability, asset, and expenditure balances compared to the previous (2012) year.

Contents of Audited Financial Statements:

The Authority's audited financial statements include the following:

- *Statement of Net Assets – Modified Cash Basis* – this statement provides information about the Authority's investments in resources (assets) and its obligations to creditors (liabilities), with the difference between them reported as net assets.
- *Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis* – this statement demonstrates changes in net assets from one fiscal period to another by accounting for revenues and expenditures and measuring the financial results of operations. The information may be used to determine how the Authority has funded its costs.
- *Statement of Cash Flows – Modified Cash Basis* – this statement provides information concerning the Authority's cash receipts and payments, as well as changes in cash resulting from operations, capital and related financing, and investing activities.
- *Notes to Financial Statements* – notes to the audited financial statements contain information essential to understanding them, such as the Authority's accounting methods and policies.

Business Activities:

During the year the Marietta Public Works Authority continued emphasis on maintenance of plant and customer waterlines. The customers of the Authority are business and residential customers within the City of Marietta.

Marietta Public Works Authority
Management's Discussion and Analysis (unaudited)
June 30, 2013

Financial Highlights:

Summary:	For the Year Ended June 30,	
Revenues, expenses and changes in net assets	2013	2012
	<hr/>	<hr/>
Operating Revenues		
Water	\$ 536,140	\$ 575,067
Sewer	164,993	167,485
Garbage	284,209	285,525
Other	<u>25,435</u>	<u>26,019</u>
Total Operating Revenues	<u>1,010,777</u>	<u>1,054,096</u>
 Operating Expenses		
Salaries and Benefits	283,410	282,903
Contract Garbage Collection	273,089	274,545
Depreciation	118,952	116,022
Other	<u>258,513</u>	<u>255,317</u>
Total Operating Expenses	<u>933,964</u>	<u>928,787</u>
Operating Income	<u>76,813</u>	<u>125,309</u>
 Nonoperating Revenues (Expenses), net	 900	 (952)
 Transfer in, from City of Marietta	 <u>9,574</u>	 <u>40,426</u>
 Net Change in Net Assets	 <u>87,287</u>	 <u>164,783</u>
 Total Net Assets, Beginning	 <u>1,926,901</u>	 <u>1,762,118</u>
Total Net Assets, Ending	<u>\$ 2,014,188</u>	<u>\$ 1,926,901</u>

The Authority had an increase in net assets for the year. The Authority's total revenue decreased by \$43,319 compared to 2012. Operating expenses increased \$5,177 when compared to 2012. The Authority has a decrease in net income of \$77,496. (\$87,287 in 2013 compared to \$164,783 in 2012.) The majority of the decrease in net assets is due to a one time transfer from the City of Marietta in 2012 of \$40,426.

Marietta Public Works Authority
Management's Discussion and Analysis (unaudited)
June 30, 2013

Summary:	For the Year Ended June 30,	
Net Assets	2013	2012
	<u> </u>	<u> </u>
Current Assets	\$ 538,841	\$ 522,702
Noncurrent Assets, net	<u>1,528,836</u>	<u>1,526,012</u>
Total Assets	<u><u>2,067,677</u></u>	<u><u>2,048,714</u></u>
Current Liabilities	\$ 23,659	\$ 78,101
Noncurrent Liabilities	<u>29,830</u>	<u>43,712</u>
Total Liabilities	<u><u>53,489</u></u>	<u><u>121,813</u></u>
Net Assets		
Invested in Capital Assets, net of related debt	1,522,098	1,458,042
Restricted for Debt Service	6,738	48,557
Unrestricted	<u>485,352</u>	<u>420,302</u>
Total Net Assets	<u><u>2,014,188</u></u>	<u><u>1,926,901</u></u>
Total Liabilities and Net Assets	<u><u>\$ 2,067,677</u></u>	<u><u>\$ 2,048,714</u></u>

The Authority currently has plant and equipment with a net book value of \$1,528,836, an increase of \$2,824 from last year. During the 2012-2013 fiscal year, the Authority completed construction of a new shop building and improvements to the administrative office.

For the year ended June 30, 2013, total assets exceeded liabilities by \$2,014,188. The Authority has a note payable to Oklahoma Water Resources Board in the amount of \$6,738.

Overall Outlook:

We continue working to improve the distribution system. The Authority remains financially strong as we make improvements system-wide, meeting the EPA and DEQ standards, and paying our bills.

The economy still affects our efforts; the cost of chemicals, pipe, fuel, etc. continues to fluctuate. This is all out of our control; however, it has not stopped our progress.

SMITH, CARNEY & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Marietta Public Works Authority
Marietta, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Marietta Public Works Authority (a component unit of the city of Marietta, Oklahoma), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority'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 I(B); this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audit 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 from 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

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appropriateness of accounting policies 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis, as of June 30, 2013, and the respective changes in financial position—modified cash basis of Marietta Public Works Authority (a Component Unit of the City of Marietta, Oklahoma) and cash flows—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note I(B).

Basis of Accounting

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

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marietta Public Works Authority's basic financial statements. The Management's Discussion and Analysis and Oklahoma Municipal Retirement Fund Schedule of Funding Progress on pages 1-3 and 18, which 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 Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2013, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Smith, Carney - Co., p.c.

Oklahoma City, Oklahoma
September 11, 2013

BASIC FINANCIAL STATEMENTS

Marietta Public Works Authority
Statement of Net Assets – Modified Cash Basis
June 30, 2013

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 348,563
Certificate of Deposit	51,816
Restricted Cash	27,720
Certificate of Deposit - Restricted	13,456
Inventory	<u>97,286</u>
Total Current Assets	<u>538,841</u>
Noncurrent Assets	
Capital Assets, not being depreciated	12,854
Capital Assets, being depreciated	<u>1,515,982</u>
Total Noncurrent Assets	<u>1,528,836</u>
Total Assets	<u>\$2,067,677</u>
 LIABILITIES AND EQUITY	
Current Liabilities	
Payroll Withholdings Payable	\$ 7,421
Refundable Meter Deposits - Current	9,500
Notes Payable - Current	<u>6,738</u>
Total Current Liabilities	23,659
Noncurrent Term Liabilities	
Refundable Meter Deposits	<u>29,830</u>
Total Liabilities	<u>53,489</u>
Net Assets	
Invested in Capital Assets, net of related debt	1,522,098
Restricted for Debt Service	6,738
Unrestricted	<u>485,352</u>
Total Net Assets	<u>\$2,014,188</u>

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

Marietta Public Works Authority
Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis
For the Year Ended June 30, 2013

Operating Revenues:	
Charges For Services	
Water	\$ 536,140
Sewer	164,993
Garbage	284,209
Penalties	12,540
Rental	10,890
Miscellaneous	<u>2,005</u>
Total Operating Revenues	<u>1,010,777</u>
Operating Expenses:	
Salaries and Benefits	283,410
Contract Garbage Collection	273,089
Contract Labor	6,900
Utilities	61,582
Repairs and Maintenance	26,601
Miscellaneous	13,250
Office Expense	3,091
Postage	6,159
Vehicle Operations	9,564
Supplies and Parts	62,550
License	4,703
Professional Fees	19,181
Lab Fees	8,830
Insurance	36,102
Depreciation and Amortization	<u>118,952</u>
Total Operating Expenses	<u>933,964</u>
Operating Income	<u>76,813</u>
Nonoperating Revenues (Expenses):	
Interest Revenue	1,101
Interest Expense	<u>(201)</u>
Net Nonoperating Revenues	<u>900</u>
Transfer from City of Marietta	<u>9,574</u>
Net Change in Net Assets	87,287
Total Net Assets - Beginning	<u>1,926,901</u>
Total Net Assets - Ending	<u>\$ 2,014,188</u>

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

Marietta Public Works Authority
Statement of Cash Flows – Modified Cash Basis
For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 1,006,095
Payments to Employees for Services	(285,820)
Payments to Vendors for Goods and Services	<u>(539,172)</u>
Net Cash Provided by Operating Activities	<u>181,103</u>
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of Fixed Assets	(121,776)
Increase in Restricted Cash	50,711
Principal Paid on Capital Debt	(61,232)
Interest Paid on Capital Debt	(201)
Transfer from City of Marietta for Capital Expenditures	<u>9,574</u>
Net Cash Used in Capital Financing Activities	<u>(122,924)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	1,101
Investment in Certificates of Deposits	<u>(16,617)</u>
Net Cash Provided by Investing Activities	<u>(15,516)</u>
Net Increase in Cash and Cash Equivalents	42,663
Cash and Cash Equivalents, July 1, 2012	<u>305,900</u>
Cash and Cash Equivalents, June 30, 2013	<u><u>\$ 348,563</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	\$ 76,813
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	118,952
Increase in Inventory	(7,570)
Decrease in Accrued Expenses	(2,410)
Increase in Customer Deposits	<u>(4,682)</u>
Total Adjustments	<u>104,290</u>
Net Cash Provided by Operating Activities	<u><u>\$ 181,103</u></u>

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *The Reporting Entity*

The Marietta Public Works Authority is a public trust created July 15, 1959, under and pursuant to the laws of the State of Oklahoma now in force and effect (generally, but not exclusively, Sections 176 and 180, inclusive, of Title 60, Oklahoma Statutes 1951, as amended, and the Oklahoma Trust Act.) The Authority is a component unit of its Beneficiary, the City of Marietta.

B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

Marietta Public Works Authority (MPWA), is a proprietary fund that accounts for activities related to the provision of water and sewer services to businesses and residents. It operates the water and sewer treatment plants, water distribution system, sewer collections systems and pump stations.

Proprietary funds are accounted for using the cash basis of accounting modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee withholding taxes that have not been deposited with the IRS but relate to compensation paid and retirement contributions not remitted are recorded as liabilities.

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 enterprise funds 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

The Authority is not legally required to adopt a budget for the general fund. Therefore, budget comparison information is not included in the Authority's financial statements.

C. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

For purposes of the statement of cash flows, the Authority considers short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents

Public trusts created under Oklahoma Statutes Title 60 are not subject to investment limitations and are primarily governed by any restrictions in their trust or note indenture.

Inventories

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.

Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Amounts held for customer utility deposits are also reported as restricted assets.

Capital Assets

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.

Marietta Public Works Authority
Notes to the Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

C. Assets, Liabilities and Net Assets or Equity – (continued)

Capital Assets – (continued)

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

<i>Assets</i>	<i>Years</i>
Water System	40
Sewer System	40
Equipment	10
Computers and Electronics	5
Automobiles	5

Long-term Obligations

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

Net Assets

Net assets are divided into three components:

- *Invested in Capital Assets, net of related debt* – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- *Restricted Net Asset* – consist of net assets that are restricted by creditors through debt covenants.
- *Unrestricted Net Assets* – all other net assets are reported in this category.

Subsequent Events

Management has evaluated subsequent events through September 11, 2013, the date which the financial statements were available and issued.

Marietta Public Works Authority
Notes to the Financial Statements
June 30, 2013

II. DETAILED NOTES ON ALL FUNDS

A. Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority policy regarding custodial credit risk requires collateral for all deposits in excess of Federal Deposit Insurance. At June 30, 2013, the bank balance was \$449,520. This entire amount was insured and collateralized.

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Capital Assets, not being depreciated:</i>				
Land and Construction in Progress	\$ 107,906	\$ -	\$ 95,052	\$ 12,854
<i>Total Capital Assets, not being depreciated</i>	<u>107,906</u>	<u>-</u>	<u>95,052</u>	<u>12,854</u>
<i>Capital Assets, being depreciated:</i>				
Buildings	85,629	214,086	-	299,715
Equipment	253,929	1,500	-	255,429
Furniture and Fixtures	48,683	-	-	48,683
Computers and Electronics	17,145	-	-	17,145
Automobiles	101,435	-	-	101,435
Water System	1,748,045	1,242	-	1,749,287
Plant	<u>2,138,836</u>	<u>-</u>	<u>-</u>	<u>2,138,836</u>
<i>Total Capital Assets, being depreciated</i>	4,393,702	216,828	-	4,610,530
Less: Accumulated Depreciation	<u>2,975,596</u>	<u>118,952</u>	<u>-</u>	<u>3,094,548</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>1,418,106</u>	<u>97,876</u>	<u>-</u>	<u>1,515,982</u>
<i>Total Capital Assets, net</i>	<u>\$ 1,526,012</u>	<u>\$ 97,876</u>	<u>\$ 95,052</u>	<u>\$ 1,528,836</u>

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

Water	\$ 44,962
Sewer	55,830
Administration	<u>18,160</u>
Total Depreciation Expense	<u>\$ 118,952</u>

Marietta Public Works Authority
Notes to the Financial Statements
June 30, 2013

II. DETAILED NOTES ON ALL FUNDS – (continued)

C. Long-Term Liabilities

Oklahoma Water Resources Board Series 1994A Promissory Note

The Authority entered into a \$257,667, 20 year, 0.5% interest rate promissory note with the Oklahoma Water Resources Board dated July 7, 1994. Principal and interest are payable semi-annually on February 15 and August 15. As of June 30, 2013, outstanding principal is \$6,738. Annual debt service requirements to maturity are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 6,738	\$ 34
	<u>\$ 6,738</u>	<u>\$ 34</u>

Oklahoma Water Resources Board Series 1994B Promissory Note

The Authority entered into a \$455,000, 20 year, variable interest rate promissory note with the Oklahoma Water Resources Board dated July 7, 1994. Principal and interest are payable semi-annually on February 15 and August 15. As of June 30, 2013 the debt was paid in full.

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

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

The Marietta Public Works Authority at all times will maintain schedules of rates and charges for services sufficient to provide funds which together with other revenues pledged will provide Net Revenues Available for Debt Service equal to at least 125% of the maximum annual amount required for debt service. The revenues are pledged as collateral for the note.

Marietta Public Works Authority
Notes to the Financial Statements
June 30, 2013

II. DETAILED NOTES ON ALL FUNDS – (continued)

C. Long-Term Liabilities – (continued)

Debt Service Coverage Requirement

Oklahoma Water Resource Board loans are secured by utility system revenues. The Authority must maintain net revenues available for debt service equal to at least 125% of the maximum annual amount required for debt service.

Net Revenues Available for Debt Service:

Operating Revenues	\$ 1,010,777
Less: Garbage Revenue	<u>(284,209)</u>
Total Operating Revenues	726,568
Operating Expenses	933,964
Less: Garbage Expenses	(273,089)
Less: Depreciation Expense	<u>(118,952)</u>
Total Operating Expenses	541,923
Interest Income	<u>1,101</u>
Net Revenues Available for Debt Service	<u>\$ 185,746</u>

Maximum Debt Service Requirements:

OWRB ORF 94-0001-CW	<u>6,765</u>
Total Debt Service Requirement	<u>\$ 6,765</u>

125% Total Debt Service Requirement	<u><u>\$ 8,456</u></u>
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Actual Coverage	<u>2197%</u>
Coverage Requirement	<u><u>125%</u></u>

Marietta Public Works Authority
Notes to the Financial Statements
June 30, 2013

II. DETAILED NOTES ON ALL FUNDS – (continued)

C. Long-Term Liabilities – (continued)

Changes in Long-Term Liabilities

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

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reduction</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
OWRB Note Payable 1994A	\$ 13,470	\$ -	\$ 6,732	\$ 6,738	\$ 6,738
OWRB Note Payable 1994B	54,500	-	54,500	-	-
	<u>\$ 67,970</u>	<u>\$ -</u>	<u>\$ 61,232</u>	<u>\$ 6,738</u>	<u>\$ 6,738</u>

D. Restricted Assets

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

Customer Deposits	\$ 41,176
Total Restricted Assets	<u>\$ 41,176</u>

E. Pension Plan

Municipal Retirement Plan - Defined Benefit Plan

Plan Description: The Authority participates in a cost sharing, multiple employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund (OMRF). 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 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 Marietta Public Works Authority and its employees are established and may be amended by the OMRF board. Employees are required to contribute 5.0 percent of their annual covered salary after tax. The Authority is required to contribute at an actuarially determined rate of 19.72 percent; the rate at June 30, 2013 determined by resolution was 19.72 percent of covered payroll.

Marietta Public Works Authority
Notes to the Financial Statements
June 30, 2013

II. DETAILED NOTES ON ALL FUNDS – (continued)

E. Pension Plan – (continued)

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

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

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

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.

<i>Year Ended June 30,</i>	<i>Contribution Rate</i>	<i>Cost (ARC)</i>	<i>Contributed</i>	<i>Net Pension Obligation</i>
2013	19.72%	\$ 33,787	100%	\$ -
2012	19.24%	33,207	100%	-
2011	18.90%	26,799	100%	-

II. DETAILED NOTES ON ALL FUNDS – (continued)

F. Risk Management

The Authority 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 Rural Water 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 ORWA.

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.

G. Related Party Transactions

The Authority received \$9,574 from the City of Marietta for sewer plant improvements.

The Authority performs billing and collection for the City of Marietta's garbage collection services. Amounts for trash service are included on monthly utility bills. The Authority collects payments, and remits the amounts received, less a 3% administration fee, to the City of Marietta each month.

Total amounts collected and paid to City of Marietta are as follows:

Garbage Collections	\$ 284,209
Amounts Sent to City of Marietta	<u>(273,089)</u>
Administration Fee, retained by MPWA	<u>\$ 11,120</u>

***SUPPLEMENTARY
INFORMATION***

Marietta Public Works Authority
Oklahoma Municipal Retirement Fund
Schedule of Funding Progress
June 30, 2013

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Liability (AAL) Entry Age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll (b-a)/c</i>
1/1/2004	\$ 406,589	\$ 601,124	\$ 194,535	67.6%	\$ 125,281	155.3%
1/1/2005	433,298	602,416	169,118	71.9%	54,436	310.7%
1/1/2006	444,007	645,661	201,654	68.8%	177,086	113.9%
1/1/2007	464,268	666,791	202,523	69.6%	160,352	126.3%
1/1/2008	483,305	697,062	213,757	69.3%	160,129	133.5%
1/1/2009	420,033	650,761	230,728	64.5%	147,461	156.5%
1/1/2010	390,850	616,152	225,302	63.4%	129,508	174.0%
1/1/2011	368,631	624,769	256,138	59.0%	158,603	161.5%
1/1/2012	364,359	640,794	276,435	56.9%	166,963	165.6%
1/1/2013	359,340	655,069	295,729	54.9%	165,937	178.2%

***REPORT
ON INTERNAL CONTROL
AND COMPLIANCE***

SMITH, CARNEY & Co., P.C.

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

To the Board of Trustees
Marietta Public Works Authority
Marietta, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Marietta Public Works Authority (the Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2013. Our report was modified because the Authority prepared its financial statements on the modified cash basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies

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and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and management responses that we consider to be significant deficiencies. We consider deficiencies 2013-1 and 2013-2 described in the accompanying schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Marietta Public Works Authority' Response to Findings

Marietta Public Works Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the 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.

Smith, Carney - Co., p.c.

Oklahoma City, Oklahoma
September 11, 2013

*Marietta Public Works Authority
Schedule of Findings and Responses
June 30, 2013*

2013-1 Segregation of Duties

Criteria - The Authority is responsible for the effective design and implementation of internal controls. Segregation of duties is necessary to ensure internal controls over the accounting process.

Condition - We noted a lack of segregation of duties among Authority personnel.

Cause - The Authority does not have enough employees to provide adequate segregation of accounting duties.

Effect - The lack of segregation provides opportunity for fraudulent activities and increases the risk of misappropriation of assets.

Recommendation - The Authority should consider ways to segregate accounting functions in order to establish adequate internal controls. The Board of Trustees should provide some of these controls due to lack of personnel.

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

2013-2 Inventory Valuation

Criteria - Inventory should be valued at cost using the First-In-First-Out (FIFO) method in accordance with the Authority's accounting policies.

Condition - We noted a lack of supporting documentation for the cost value of inventory items selected for testing. There is a lack of segregation of duties and implemented controls among Authority employees over inventory assets.

Cause - The Authority does not have enough employees to provide adequate segregation of accounting duties, and several inventory items are old and for which supporting purchase documentation has not been maintained.

Effect - Inventory assets may be misplaced, stolen, or valued incorrectly.

Recommendation - The Authority should consider performing a valuation of the items included in inventory, and review the listing and physical inventory for items that are obsolete. Inventory schedules should be maintained in a timely and organized manner in order to ensure accurate records.

Management's Response - Current items in inventory will be reviewed to determine if they are obsolete, and inventory items held offsite will be returned to the MPWA facility.