

City of Marietta, Oklahoma Annual Financial Report

For the Fiscal Year Ended
June 30, 2023

City of Marietta, Oklahoma
Annual Financial Report
For the Fiscal Year Ended June 30, 2023
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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Marietta, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marietta, Oklahoma (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

We did not audit the financial statements of the Marietta Public Works Authority (the "Authority"), a discretely presented component unit of the City. 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 Authority, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

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

HSPG & ASSOCIATES, PC

Responsibilities of Management 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, and for 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 fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining schedules – modified cash basis, and schedule of grant activity – modified cash basis, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial

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

Other information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

February 19, 2025

City of Marietta, Oklahoma
Statement of Net Position – Modified Cash Basis
June 30, 2023

	Primary Government			Component Unit
	Governmental	Business-Type		Marietta Public
	Activities	Activities	Total	Works Authority
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 1,147,663	\$ 68,914	\$ 1,216,577	\$ 1,169,600
Restricted Cash and Cash Equivalents	52,099	-	52,099	31,958
Interfund Balances	(9,075)	9,075	-	-
Inventory	-	-	-	143,787
Total Current Assets	1,190,687	77,989	1,268,676	1,345,345
Noncurrent Assets				
Capital Assets, Non-Depreciable	874,637	-	874,637	21,395
Capital Assets, Net of Depreciation	2,379,823	442,674	2,822,497	1,019,768
Total Noncurrent Assets	3,254,460	442,674	3,697,134	1,041,163
Total Assets	4,445,147	520,663	4,965,810	2,386,508
Liabilities				
Current Liabilities				
Accrued Expenses	-	-	-	12,475
Refundable Meter Deposits - Current	-	-	-	5,354
Notes Payable, Current Portion	114,089	41,740	155,829	30,149
Total Current Liabilities	114,089	41,740	155,829	47,978
Noncurrent Liabilities				
Refundable Meter Deposits	-	-	-	26,604
Notes Payable	498,740	109,393	608,133	130,446
Total Noncurrent Liabilities	498,740	109,393	608,133	157,050
Total Liabilities	612,829	151,133	763,962	205,028
Net Position				
Invested in Capital Assets	2,641,631	291,541	2,933,172	880,568
Restricted for Other Purposes	174,816	-	174,816	-
Unrestricted	1,015,871	77,989	1,093,860	1,300,912
Total Net Position	\$ 3,832,318	\$ 369,530	\$ 4,201,848	\$ 2,181,480

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, 2023

					Net (Expense) Revenue and Changes in Net Position			
Program Revenues					Primary Government			Component Unit
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
Functions/Programs								
Primary Government								
Governmental Activities								
General Government	\$ 637,404	\$ 13,145	\$ -	\$ -	\$ (624,259)	\$ -	\$ (624,259)	\$ -
Highways and Streets	333,984	-	-	244,015	(89,969)	-	(89,969)	-
Public Safety	905,709	156,670	424,914	-	(324,125)	-	(324,125)	-
Cemetery and Parks	194,119	40,030	-	-	(154,089)	-	(154,089)	-
Culture and Recreation	14,805	-	-	-	(14,805)	-	(14,805)	-
Interest Expense	16,821	-	-	-	(16,821)	-	(16,821)	-
Total Governmental Activities	2,102,842	209,845	424,914	244,015	(1,224,068)	-	(1,224,068)	-
Business-Type Activities								
Sanitation	360,498	354,683	-	-	-	(5,815)	(5,815)	-
Transfer Site	114,269	107,030	-	-	-	(7,239)	(7,239)	-
Total Business Type Activities	474,767	461,713	-	-	-	(13,054)	(13,054)	-
Total Primary Government	\$ 2,577,609	\$ 671,558	\$ 424,914	\$ 244,015	(1,224,068)	(13,054)	(1,237,122)	-
Component Unit								
Marietta Public Works Authority	\$ 1,185,209	\$ 1,166,785	\$ -	\$ -	-	-	-	(18,424)
General Revenues								
Taxes:								
Sales Tax					1,242,607	-	1,242,607	-
Use Tax					192,584	-	192,584	-
Franchise Tax					119,313	-	119,313	-
Alcohol Beverage Tax					103,191	-	103,191	-
Other Taxes					35,128	-	35,128	-
Interest					13,200	809	14,009	6,196
Miscellaneous					237,236	-	237,236	-
Gain (Loss) on Sale of Assets					1,200	-	1,200	-
Transfers					(50,200)	50,200	-	-
Total General Revenues and Transfers					1,894,259	51,009	1,945,268	6,196
Change in Net Position					670,191	37,955	708,146	(12,228)
Net Position - Beginning					3,162,127	331,575	3,493,702	2,193,708
Net Position - Ending					\$ 3,832,318	\$ 369,530	\$ 4,201,848	\$ 2,181,480

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, 2023

	<u>General</u>	<u>Marietta Municipal Authority</u>	<u>Other Governmental</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 1,007,917	\$ 94,955	\$ 44,791	\$ 1,147,663
Restricted Cash and Cash Equivalents	-	-	52,099	52,099
Due from Other Funds	17,029	-	-	17,029
Total Assets	<u>\$ 1,024,946</u>	<u>\$ 94,955</u>	<u>\$ 96,890</u>	<u>\$ 1,216,791</u>
Liabilities				
Due to Other Funds	\$ 9,075	\$ -	\$ 17,029	\$ 26,104
Total Liabilities	<u>9,075</u>	<u>-</u>	<u>17,029</u>	<u>26,104</u>
Fund Balances				
Restricted	-	94,955	79,861	174,816
Assigned	119,355	-	-	119,355
Unassigned	896,516	-	-	896,516
Total Fund Balances	<u>1,015,871</u>	<u>94,955</u>	<u>79,861</u>	<u>1,190,687</u>
Total Liabilities and Fund Balances	<u>\$ 1,024,946</u>	<u>\$ 94,955</u>	<u>\$ 96,890</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.				3,254,460
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(612,829)</u>
Net position of governmental activities.				<u>\$ 3,832,318</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, 2023

	General	Marietta Municipal Authority	Other Governmental	Total
REVENUE				
Taxes	\$ 1,692,823	\$ -	\$ -	\$ 1,692,823
License and Permits	13,145	-	-	13,145
Miscellaneous	234,610	-	3,827	238,437
Fines and Forfeitures	156,670	-	-	156,670
Grant Revenue	303,479	355,073	10,376	668,928
Charges for Services	32,567	-	7,463	40,030
Interest	12,115	4	1,085	13,204
Total Revenue	2,445,409	355,077	22,751	2,823,237
EXPENDITURES				
Current				
General Government	581,678	-	-	581,678
Highways and Streets	249,352	-	-	249,352
Public Safety	765,129	-	7,186	772,315
Cemetery and Parks	149,625	-	-	149,625
Culture and Recreation	7,434	-	-	7,434
Capital Outlay				
General Government	716,372	-	-	716,372
Cemetery and Parks	29,802	-	15,000	44,802
Public Safety	78,220	-	-	78,220
Highways and Streets	183,764	474,740	-	658,504
Debt Service				
Principal	110,834	-	-	110,834
Interest	4,114	-	-	4,114
Total Expenditures	2,876,324	474,740	22,186	3,373,250
Excess (Deficiency) of Revenues Over (Under) Expenditures	(430,915)	(119,663)	565	(550,013)
Other Financing Sources				
Transfers In	-	214,618	-	214,618
Transfers Out	(264,818)	-	-	(264,818)
Total Other Financing Sources	(264,818)	214,618	-	(50,200)
Net Change in Fund Balances	(695,733)	94,955	565	(600,213)
Fund Balances - Beginning	1,711,604	-	79,296	1,790,900
Fund Balances - Ending	\$ 1,015,871	\$ 94,955	\$ 79,861	\$ 1,190,687

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, 2023

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

Net change in fund balances - total governmental funds	\$ (600,213)
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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.

Capital Asset Purchases	1,453,560
Depreciation Expense	(293,990)

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.

Debt Repayment	<u>110,834</u>
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Change in net position of governmental activities.	<u><u>\$ 670,191</u></u>
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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, 2023

	Sanitation Transfer Site
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 68,914
Due From Other Funds	9,075
Total Current Assets	<u>77,989</u>
Noncurrent Assets	
Machinery and Equipment	774,116
Infrastructure	81,600
Accumulated Depreciation	<u>(413,042)</u>
Total Noncurrent Assets	<u>442,674</u>
Total Assets	<u>520,663</u>
LIABILITIES	
Current Liabilities	
Notes Payable, Current	<u>41,740</u>
Total Current Liabilities	<u>41,740</u>
Noncurrent Liabilities	
Notes Payable	<u>109,393</u>
Total Noncurrent Liabilities	<u>109,393</u>
Total Liabilities	<u>151,133</u>
NET POSITION	
Invested in Capital Assets	291,541
Unrestricted	<u>77,989</u>
Total Net Position	<u><u>\$ 369,530</u></u>

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, 2023

	Sanitation Transfer Site
Operating Revenues:	
Sanitation Revenue	\$ 354,683
Transfer Site Revenue	<u>107,030</u>
Total Operating Revenue	461,713
Operating Expenses:	
Sanitation	
Personnel Services	172,226
Materials and Supplies	65,189
Other Services and Charges	12,728
Tipping Fees - SORD	45,329
Depreciation Expense	60,065
Transfer Site	
Personnel Services	57,254
Materials and Supplies	17,137
Tipping Fees - SORD	30,412
Depreciation Expense	<u>9,466</u>
Total Operating Expenses	<u>469,806</u>
Operating Income (Loss)	(8,093)
Nonoperating Revenues (Expenses):	
Interest Revenue	809
Interest Expense	<u>(4,961)</u>
Total Nonoperating Revenues (Expenses)	<u>(4,152)</u>
Income (Loss) before Transfers	(12,245)
Other Financing Sources (Uses):	
Transfers In	50,200
Transfers Out	<u>-</u>
Total Other Financing Sources	<u>50,200</u>
Net Change in Net Position	37,955
Total Net Position - Beginning	<u>331,575</u>
Total Net Position - Ending	<u><u>\$ 369,530</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, 2023

	<u>Sanitation Transfer Site</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Operating Revenues Received	\$ 461,713
Vendors and Others Paid	<u>(400,275)</u>
Net Cash Provided by Operating Activities	<u>61,438</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>	
Transfers, Net	<u>50,200</u>
Net Cash Used by Noncapital Financing Activities	<u>50,200</u>
<i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i>	
Payment of Debt	<u>(75,171)</u>
Net Cash Used by Capital Financing Activities	<u>(75,171)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Interest Expense	(4,961)
Interest Income	<u>809</u>
Net Cash Used by Investing Activities	<u>(4,152)</u>
Change in Cash and Cash Equivalents	32,315
Cash and Cash Equivalents, July 1, 2022	<u>36,599</u>
Cash and Cash Equivalents, June 30, 2023	<u><u>\$ 68,914</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ (8,093)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization	<u>69,531</u>
Net Cash Provided by Operating Activities	<u><u>\$ 61,438</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, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Marietta, Oklahoma (the “City”) is an aldermanic government created under Title 11 of the Oklahoma Statutes. The governing body of the City is the City Council comprised of eight elected members. The City Clerk, Treasurer and Mayor are also elected.

For financial reporting purposes the financial statements include all funds 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 the foregoing criteria, the accounts of the Marietta Municipal Authority (MMA) are included in the City’s reporting entity as a blended component unit. Blended component units are legally separate entities that meet the component unit criteria and whose governing body is substantially the same as the governing body of the City or provides services primarily to the City. MMA was established under Title 60 of the Oklahoma Statutes and serves primarily to manage funding to be used for storm water runoff. MMA is reported as a major governmental fund in the accompanying financial statements. Based on this criteria, the Marietta Public Works Authority is presented as a discrete component unit.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The Marietta Public Works Authority (the “Authority”) was established under Title 60 of Oklahoma state law. Title 60 trusts have no taxing power and are generally created to finance services through the issuance of revenue bonds or other non-general obligation debt and to enable the City to delegate certain functions to the governing body (the Trustees) of the Authority. By state law, all issuances of debt by the Authority require a two-third approval of the City Council. The Authority is presented as a discrete 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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Government-wide and Fund Financial Statements

Government-Wide Financial Statements - continued

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*.

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 statement of net position and activities and the proprietary 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 their depreciation, where applicable, inventory, long-term debt, Cash-based interfund receivables and payables, and other cash-based receivable and payables.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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.

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.

Marietta Municipal Authority - accounts for revenues received and expenditures paid from Oklahoma Water Resources Board grant funds.

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

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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.

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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

Inventory – Component Unit

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

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.

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

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Capital Assets - Component Unit

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water and sewer systems), are defined by the Authority as assets with an initial individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 Authority are depreciated using the straight-line method over the following estimated useful lives:

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

Long-Term Obligations

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

Long-Term Obligations – Component Unit

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

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

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.

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.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Fund Equity – continued

- Committed – consists of amounts that can be spent only for specific purposes because of constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to the Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned interest earnings to the funds where earned for the purposes defined by the fund.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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, 2023

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, 2023, the City’s bank balances of \$1,319,834 were fully insured or collateralized.

At June 30, 2023, the primary government reporting entity had the following deposits:

<u>Type of Deposits</u>	<u>Carrying Value Primary Government</u>	<u>Carrying Value Component Unit</u>
Deposits:		
Demand Deposits	\$ 1,086,130	\$ 1,118,614
Time Deposits	<u>182,546</u>	<u>82,944</u>
	<u><u>\$ 1,268,676</u></u>	<u><u>\$ 1,201,558</u></u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 1,216,577	\$ 1,169,600
Restricted Cash	<u>52,099</u>	<u>31,958</u>
	<u><u>\$ 1,268,676</u></u>	<u><u>\$ 1,201,558</u></u>

Component Unit: At June 30, 2023, MPWA had a bank balance of \$1,207,755. This amount was fully insured or collateralized.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

II. DETAILED NOTES ON ALL FUNDS - continued

A. Deposits and Investments – continued

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, 2023 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, 2023 consists of the Cemetery Donation Fund in the amount of \$52,099.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

II. DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets

Capital asset activity of the Primary Government for the year ended June 30, 2023 was a follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, not being depreciated:					
Land	\$ 58,038	\$ -	\$ -	\$ -	\$ 58,038
Construction in Progress	438,573	771,875	-	(393,849)	816,599
Total Capital Assets, not being depreciated	496,611	771,875	-	(393,849)	874,637
Capital Assets, being depreciated:					
Buildings	551,891	337,572	-	393,849	1,283,312
Machinery and Equipment	1,574,374	39,162	6,000	-	1,607,536
Vehicles	426,230	49,733	-	-	475,963
Furniture and Fixtures	10,178	56,454	-	-	66,632
Land Improvements	439,117	-	-	-	439,117
Infrastructure	990,176	198,764	-	-	1,188,940
Total Capital Assets, being depreciated	3,991,966	681,685	6,000	393,849	5,061,500
Less Accumulated Depreciation	2,393,687	293,990	6,000	-	2,681,677
Total Capital Assets, being depreciated, net	1,598,279	387,695	-	393,849	2,379,823
Governmental Activities Capital Assets, net	<u>\$ 2,094,890</u>	<u>\$ 1,159,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,254,460</u>
Business Type Activities:					
Capital Assets, being depreciated:					
Machinery and Equipment	\$ 774,116	\$ -	\$ -	\$ -	\$ 774,116
Infrastructure	81,600	-	-	-	81,600
Total Capital Assets, being depreciated	855,716	-	-	-	855,716
Less Accumulated Depreciation	343,511	69,531	-	-	413,042
Total Capital Assets, being depreciated, net	512,205	(69,531)	-	-	442,674
Business Type Activities Capital Assets, net	<u>\$ 512,205</u>	<u>\$ (69,531)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,674</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

II. DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets – continued

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

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit:				
Capital Assets, not being depreciated:				
Land	\$ 21,395	\$ -	\$ -	\$ 21,395
Total Capital Assets, not being depreciated	<u>21,395</u>	<u>-</u>	<u>-</u>	<u>21,395</u>
Capital Assets, being depreciated:				
Buildings	329,328	10,490	-	339,818
Machinery and Equipment	320,185	12,147	-	332,332
Vehicles	102,217	51,175	-	153,392
Furniture and Fixtures	50,567	729	-	51,296
Infrastructure	4,569,860	-	-	4,569,860
Total Capital Assets, being depreciated	<u>5,372,157</u>	<u>74,541</u>	<u>-</u>	<u>5,446,698</u>
Less Accumulated Depreciation	<u>4,281,573</u>	<u>145,357</u>	<u>-</u>	<u>4,426,930</u>
Total Capital Assets, being depreciated, net	<u>1,090,584</u>	<u>(70,816)</u>	<u>-</u>	<u>1,019,768</u>
Component Unit Capital Assets, net	<u>\$ 1,111,979</u>	<u>\$ (70,816)</u>	<u>\$ -</u>	<u>\$ 1,041,163</u>

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

Governmental Activities:

General Government	\$ 26,356
Highways and Streets	84,632
Public Safety	132,157
Cemetery and Parks	43,474
Culture and Recreation	<u>7,371</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 293,990</u>

Business Type Activities:

Sanitation	\$ 60,065
Transfer Site	<u>9,466</u>
Total Depreciation Expense - Business Type Activities	<u>\$ 69,531</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

II. DETAILED NOTES ON ALL FUNDS - continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2023 is as follows:

Interfund Transfers

		Transfers Out:		
		Enterprise	General	Total
Transfers In:				
MMA	\$ -	\$ 214,618	\$ 214,618	
Enterprise	-	50,200	50,200	
	\$ -	\$ 264,818	\$ 264,818	

Reason / Purpose – Budgeted operating transfers.

Due To – Due From

Due From	Due To	
General Fund	Sanitation Fund	\$ 9,075
Grant Fund	General	17,029

D. Long Term Debt

Governmental Activities, Direct Placement

The City has entered into a \$202,516 debt agreement with a bank through December 2024, with interest at 3% for the purchase of a 2020 Fire Truck. Principal and interest are payable monthly. \$ 89,424

The City has entered into a \$103,312 debt agreement with a bank through June 2025, with interest at 3% for the purchase of a 2020 Dump Truck. Principal and interest are payable monthly. 53,220

The City has entered into a \$500,747 debt agreement with a bank through May 2037, with interest at 2.5% for the purchase of the new municipal building. Principal and interest are payable monthly. 470,185

\$ 612,829

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

II. DETAILED NOTES ON ALL FUNDS – continued

D. Long Term Debt – continued

Business-Type Activities, Direct Placement

The City has entered into a \$88,359 debt agreement with a bank through August 2023, with interest at 3% for the purchase of a 2018 Trash Truck. Principal and interest are payable monthly.

\$ 7,005

The City has entered into a \$178,008 debt agreement with a bank through June 2027, with interest at 2.5% for the purchase of a 2023 Trash Truck. Principal and interest are payable monthly.

144,128
\$ 151,133

Note Payable - Component Unit

The Authority has entered into a \$346,800 debt agreement through 2032, with interest at 3.315% for the purchase of auto read meters. Principal and interest are payable annually.

\$ 160,595

Annual principal and interest payments to maturity as of June 30, 2023 are as follows:

Year Ending June 30,	Governmental Activities					
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 59,161	\$ 1,905	\$ 26,204	\$ 1,259	\$ 28,724	\$ 11,427
2025	30,263	270	27,016	447	29,450	10,701
2026	-	-	-	-	30,195	9,956
2027	-	-	-	-	30,958	9,192
2028	-	-	-	-	31,741	8,409
2029-2033	-	-	-	-	171,160	29,593
2034-2037	-	-	-	-	147,957	7,428
Total	<u>\$ 89,424</u>	<u>\$ 2,175</u>	<u>\$ 53,220</u>	<u>\$ 1,706</u>	<u>\$ 470,185</u>	<u>\$ 86,706</u>

Year Ending June 30,	Business-Type Activities				Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 7,005	\$ 27	\$ 34,736	\$ 3,207	\$ 30,149	\$ 5,340
2025	-	-	35,614	2,329	31,149	4,340
2026	-	-	36,515	1,428	32,181	3,308
2027	-	-	37,263	504	33,248	2,241
2028	-	-	-	-	33,868	1,137
2029	-	-	-	-	-	-
Total	<u>\$ 7,005</u>	<u>\$ 27</u>	<u>\$ 144,128</u>	<u>\$ 7,468</u>	<u>\$ 160,595</u>	<u>\$ 16,366</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

II. DETAILED NOTES ON ALL FUNDS – continued

D. Long Term Debt – continued

Changes in Long-Term Liabilities

Long term liability activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Notes Payable	\$ 723,663	\$ -	\$ 110,834	\$ 612,829	\$ 114,089
Total Long Term Liabilities	<u>\$ 723,663</u>	<u>\$ -</u>	<u>\$ 110,834</u>	<u>\$ 612,829</u>	<u>\$ 114,089</u>
<i>Business Type Activities:</i>					
Notes Payable	\$ 226,304	\$ -	\$ 75,171	\$ 151,133	\$ 41,740
Total Long Term Liabilities	<u>\$ 226,304</u>	<u>\$ -</u>	<u>\$ 75,171</u>	<u>\$ 151,133</u>	<u>\$ 41,740</u>
<i>Component Unit:</i>					
Notes Payable	\$ 189,777	\$ -	\$ 29,182	\$ 160,595	\$ 30,149
Total Long Term Liabilities	<u>\$ 189,777</u>	<u>\$ -</u>	<u>\$ 29,182</u>	<u>\$ 160,595</u>	<u>\$ 30,149</u>

E. Fund Equity

Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports \$174,816 of restricted Net Position, of which \$56,666 is restricted by enabling legislation.

Enabling Legislation:

Cemetery Care Fund	<u>\$ 56,666</u>
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Governmental Fund Balance Classifications

As of June 30, 2023, fund balances of the Governmental Funds were classified as follows:

	General	Marietta Municipal Authority	Other Governmental
Restricted			
Cemetery Capital Purchases	\$ -	\$ -	\$ 56,666
Public Safety	-	-	23,195
Infrastructure	-	94,955	-
Assigned			
Public Safety	119,355	-	-
Unassigned			
	896,516	-	-
	<u>\$ 1,015,871</u>	<u>\$ 94,955</u>	<u>\$ 79,861</u>

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

II. DETAILED NOTES ON ALL FUNDS – continued

F. Pension Plans

Primary Government - Municipal Retirement Plan

Plan Description: The City and its employees participate in a cost sharing, multiple employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund. Participation in the plan is mandatory for all full time employees, and each employee is required to contribute a percentage of his or her salary. Employees are vested at 7 years. OMRF provides retirement, disability and death benefits to plan members and their beneficiaries. OMRF is authorized to establish and amend all plan provisions.

The OMRF issues a publicly available financial report that includes financial statements and the required supplementary information that can be obtained by requesting a copy at OMRF, P.O. Box 25848, Oklahoma City, OK 73125.

Funding Policy: The contribution requirements of the City and its employees are established and may be amended by the OMRF board. Employees are required to contribute 5.25 percent of their annual covered salary. The City is required to contribute at an actuarially determined rate of 7.49 percent. The required contribution was determined as part of the March, 2023 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.5 percent investment rate of return, (II) projected salary increases due to inflation of 3 percent, compounded annually, and (III) projected salary increases due to age/seniority, compounded annually. Funding requirements may increase in the future as benefits accrue.

Annual Pension Cost: For City of Marietta's annual pension cost for 2023, 2022 and 2021 were \$62,581, \$59,008, and \$50,651, respectively.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

II. DETAILED NOTES ON ALL FUNDS – continued

F. Pension Plans – continued

Component Unit – Municipal Retirement Plan

Plan Description: The Authority participates in a cost sharing, multiple employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund. Participation in the plan is mandatory for all full time employees, and each employee is required to contribute a percentage of his or her salary. Employees are vested at 10 years. OMRF provides retirement, disability and death benefits to plan members and their beneficiaries.

Funding Policy: The contribution requirements of the Marietta Public Works Authority and its employees are established and may be amended by the OMRF board. Employees are required to contribute 5.00 percent of their annual covered salary after tax. The Authority is required to contribute at an actuarially determined rate of 23.53% percent. The required contribution was determined as part of the July 1, 2023 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.25 percent investment rate of return, (II) projected salary increases due to inflation of 3 percent, compounded annually, and (III) projected salary increases due to age/seniority, compounded annually. Funding requirements may increase in the future as benefits accrue.

Annual Pension Cost: Marietta Public Works Authority's annual pension cost for 2023, 2022, and 2021 were \$64,495, \$57,439, and \$55,859, respectively.

Firefighters' Retirement Plan

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

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

II. DETAILED NOTES ON ALL FUNDS – continued

F. Pension Plans – continued

Firefighters' Retirement Plan - continued

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

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

The City contributed \$1,080 in 2022-23; \$1,020 in 2021-22; and \$840 in 2020-21.

G. Sales Tax

The City levies a 3% sales tax on gross receipts derived from all sales taxable under the state sales tax code, 68 O.S. § 1350. The levy of sales tax of 3%, is an increase of 1% from the previous amount of 2%, and if not renewed, will expire 5 years from the effective date of passage. Upon such expiration, the excise tax will revert to the previous amounts of 2%. The current levy will expire in October 2025.

H. Commitments and Contingencies

Grant Programs

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

Compensated Absences

City employees are allowed to accrue a maximum of 160 hours of vacation time. Any accrued vacation remaining at the time the employee leaves employment of the City is payable to the employee. As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences earned but unpaid at June 30, 2023, are not reflected. The City's commitment as of June 30, 2023 related to compensated absences totals \$32,010.

City of Marietta, Oklahoma
Notes to the Financial Statements
June 30, 2023

II. DETAILED NOTES ON ALL FUNDS – continued

I. Related Party Transactions

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

Total Amounts Collected and paid to the City are as follows:

Garbage Collections	\$ 344,072
Less: Administrative Fee	<u>(12,543)</u>
	<u><u>\$ 331,529</u></u>

J. Subsequent Events

On April 28, 2024 an F4 tornado hit the City of Marietta. Several businesses and homes were damaged or destroyed as a result of the tornado. The three largest sales tax producing entities were destroyed, and have not begun the rebuilding process. This has had a significant impact on sales tax collections beginning July 2024. A decrease of approximately 35% has occurred. The City has adjusted their current year (24-25) budget to reflect this decreased revenue and will continue to monitor collections. It is not known at this time how long the rebuilding process will take and when sales tax collection will return to normal levels.

***SUPPLEMENTARY
INFORMATION***

City of Marietta, Oklahoma
Budgetary Information
June 30, 2023

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, 2023

	General Fund			Variance with Final Budget
	Original	Final Budget	Actual	
REVENUE				
Taxes	\$ 1,734,500	\$ 1,739,500	\$ 1,692,823	\$ (46,677)
License & Permits	29,000	29,000	13,145	(15,855)
Miscellaneous	237,100	237,100	234,610	(2,490)
Fines & Forfeitures	144,000	144,000	156,670	12,670
Grant Revenue	312,000	312,000	303,479	(8,521)
Charges for Services	22,000	22,000	32,567	10,567
Interest	3,000	3,000	12,115	9,115
Total Revenue	2,481,600	2,486,600	2,445,409	(41,191)
EXPENDITURES				
Current				
General Government	1,031,300	1,437,900	1,338,201	99,699
Highways and Streets	1,100,300	1,180,832	446,847	733,985
Public Safety	997,300	944,300	904,415	39,885
Cemetery and Parks	262,600	187,600	179,427	8,173
Culture and Recreation	28,000	13,000	7,434	5,566
Total Expenditures	3,419,500	3,763,632	2,876,324	887,308
Excess (Deficiency) of Revenues Over (Under) Expenditures	(937,900)	(1,277,032)	(430,915)	846,117
Other Financing Sources				
Transfers In	-	491,132	-	(491,132)
Transfers Out	(174,500)	(326,500)	(264,818)	61,682
Total Other Financing Sources	(174,500)	164,632	(264,818)	(429,450)
Net Change in Fund Balances	(1,112,400)	(1,112,400)	(695,733)	416,667
Fund Balances - Beginning	1,112,400	1,112,400	1,711,604	599,204
Fund Balances - Ending	\$ -	\$ -	\$ 1,015,871	\$ 1,015,871

City of Marietta, Oklahoma
Combining Balance Sheet
General Fund – Modified Cash Basis
June 30, 2023

	General	Police Improvement	Total
Assets			
Cash and Cash Equivalent	\$ 1,007,347	\$ 570	\$ 1,007,917
Due From Other Funds	<u>17,029</u>	<u>-</u>	<u>17,029</u>
Total Assets	<u><u>\$ 1,024,376</u></u>	<u><u>\$ 570</u></u>	<u><u>\$ 1,024,946</u></u>
Liabilities			
Due to Other Funds	<u>\$ 9,075</u>	<u>\$ -</u>	<u>\$ 9,075</u>
Total Liabilities	<u><u>9,075</u></u>	<u><u>-</u></u>	<u><u>9,075</u></u>
Fund Balances			
Assigned	118,785	570	119,355
Unassigned	<u>896,516</u>	<u>-</u>	<u>896,516</u>
Total Fund Balances	<u><u>1,015,301</u></u>	<u><u>570</u></u>	<u><u>1,015,871</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 1,024,376</u></u>	<u><u>\$ 570</u></u>	<u><u>\$ 1,024,946</u></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, 2023

	General	Police Improvement	Total
REVENUE			
Taxes	\$ 1,692,823	\$ -	\$ 1,692,823
License & Permits	13,145	-	13,145
Miscellaneous	234,610	-	234,610
Fines & Forfeitures	156,670	-	156,670
Grant Revenue	303,479	-	303,479
Charges for Services	32,567	-	32,567
Interest	12,115	-	12,115
Total Revenue	2,445,409	-	2,445,409
EXPENDITURES			
Current			
General Government	581,678	-	581,678
Highways and Streets	249,352	-	249,352
Public Safety	765,119	10	765,129
Cemetery and Parks	149,625	-	149,625
Culture and Recreation	7,434	-	7,434
Capital Outlay			
General Government	716,372	-	716,372
Cemetery and Parks	29,802	-	29,802
Public Safety	78,220	-	78,220
Highways and Streets	183,764	-	183,764
Debt Service			
Principal	110,834	-	110,834
Interest	4,114	-	4,114
Total Expenditures	2,876,314	10	2,876,324
Excess (Deficiency) of Revenues Over (Under) Expenditures	(430,905)	(10)	(430,915)
Other Financing Sources			
Transfers In	-	-	-
Transfers Out	(264,818)	-	(264,818)
Total Other Financing Sources	(264,818)	-	(264,818)
Net Change in Fund Balances	(695,723)	(10)	(695,733)
Fund Balances - Beginning	1,711,024	580	1,711,604
Fund Balances - Ending	\$ 1,015,301	\$ 570	\$ 1,015,871

City of Marietta, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds – Modified Cash Basis
June 30, 2023

	<u>Cemetery Care</u>	<u>Grant</u>	<u>Volunteer Fire</u>	<u>Total</u>
Assets				
Cash and Cash Equivalent	\$ 4,567	\$ 23,222	\$ 17,002	\$ 44,791
Restricted Cash	<u>52,099</u>	<u>-</u>	<u>-</u>	<u>52,099</u>
Total Assets	<u>\$ 56,666</u>	<u>\$ 23,222</u>	<u>\$ 17,002</u>	<u>\$ 96,890</u>
Liabilities				
Due To Other Funds	\$ <u>-</u>	\$ 17,029	\$ <u>-</u>	\$ 17,029
Total Liabilities	<u>-</u>	<u>17,029</u>	<u>-</u>	<u>17,029</u>
Fund Balances				
Restricted	<u>56,666</u>	<u>6,193</u>	<u>17,002</u>	<u>79,861</u>
Total Fund Balances	<u>56,666</u>	<u>6,193</u>	<u>17,002</u>	<u>79,861</u>
Total Liabilities and Fund Balances	<u>\$ 56,666</u>	<u>\$ 23,222</u>	<u>\$ 17,002</u>	<u>\$ 96,890</u>

City of Marietta, Oklahoma
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds – Modified Cash Basis
For the Year Ended June 30, 2023

	Cemetery Care	Grant	Volunteer Fire	Total
REVENUE				
Miscellaneous	\$ (1)	\$ -	\$ 3,828	\$ 3,827
Grant Revenue	-	10,376	-	10,376
Charges for Services	7,463	-	-	7,463
Interest	<u>1,085</u>	<u>-</u>	<u>-</u>	<u>1,085</u>
Total Revenue	8,547	10,376	3,828	22,751
EXPENDITURES				
Current				
Public Safety	-	3,857	3,329	7,186
Capital Outlay				
Cemetery and Parks	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Total Expenditures	<u>15,000</u>	<u>3,857</u>	<u>3,329</u>	<u>22,186</u>
Net Change in Fund Balances	(6,453)	6,519	499	565
Fund Balances - Beginning	<u>63,119</u>	<u>(326)</u>	<u>16,503</u>	<u>79,296</u>
Fund Balances - Ending	<u>\$ 56,666</u>	<u>\$ 6,193</u>	<u>\$ 17,002</u>	<u>\$ 79,861</u>

City of Marietta, Oklahoma
Schedule of Grant Activity – Modified Cash Basis
For the Year Ended June 30, 2023

	<u>Current Year Revenues</u>	<u>Current Year Expenditures</u>
State Grants		
Okla. Dept. of Agriculture - Fire Grant	\$ 10,053	\$ 10,053
Southern Oklahoma Development Authority	<u>52,000</u>	<u>52,000</u>
Total State Grants	<u>62,053</u>	<u>62,053</u>
Federal Grants		
Department of Justice - District Attorney's Council	\$ 7,464	\$ 7,464
Department of Justice - JAG Grant	323	323
ARPA Funds	<u>244,015</u>	<u>485,738</u>
Total Federal Grants	<u>251,802</u>	<u>493,525</u>
 Total Grant Funds	 <u><u>\$ 313,855</u></u>	 <u><u>\$ 555,578</u></u>



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

To the Honorable Mayor and Members of the City Council
City of 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 the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Marietta, Oklahoma (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 19, 2025. Our report included an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our report also included a reference to other auditors who audited the financial statements of the Marietta Public Works Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-001 to be a significant deficiency.

HSPG & ASSOCIATES, PC

Report on Compliance and Other Matters

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

City's Response to Finding

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

Purpose of This Report

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

HSPG & Associates, P.C.

February 19, 2025

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

Finding 2023-001 Segregation of Duties

Criteria: Controls should properly segregate duties so that a single employee does not have access to both the physical asset and the related accounting records or to all phases of a transaction.

Condition: Controls were not always adequately segregated to prevent employees from having incompatible duties.

Cause: Due to the City's small staff size, certain duties are performed by personnel that would often be segregated to other personnel were a larger staff size available.

Effect: Unauthorized transactions may occur and not be detected due to employees performing incompatible duties.

Recommendation: Management should remain aware of the risk of any incompatible duties and attempt to compensate for that risk with increased oversight to the extent feasible.

Views of Responsive Officials of Auditee: Management will remain aware of the issues with segregation of duties. Management will increase oversight as well as stepping in and helping in situations where segregation of duties might be an issue when it is feasible to do so.

2023-002 Debit Cards

Criteria: Controls should be in place to properly monitor the City's purchasing activity, including its City issued debit cards.

Conditions: Controls were not in place to independently review or approve purchases charged to the City's debit cards.

Cause: Procedures were not put in place specifically to monitor or approve these charges.

Effect: Unauthorized transactions may occur and not be detected.

Recommendation: We recommend the City establish controls to adequately monitor and approve transactions over its debit card activity.

Views of Responsive Officials of Auditee:

Due to the small amount of staff, management is aware of the risk of lack of segregated duties. Management will remain aware of that risk and will increase oversight to the extent feasible. Management will also work on a better system to monitor and approve debit card transactions.