

**CITY OF GARBER
GARFIELD, OKLAHOMA
AUDITOR'S REPORT**

AND

**FINANCIAL STATEMENTS
FISCAL YEAR ENDED
JUNE 30, 2011**

WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT
WATONGA, OKLAHOMA

Current List

Officers and Members of the Governing Board

Mayor : Court Pierce

Council : Patricia Berry

Council : David Bradford

Council : Gerald Carson

Council : Deborah Powell

City Clerk : April Anson

City Treasurer : Sheri Dennis

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INDEPENDENT AUDITOR'S REPORT

To the City Garber
City of Garber, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Garber, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Garber, Oklahoma's management. My responsibility is to express opinions on these financial statements based on my audit.

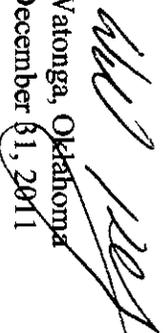
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for our opinions.

As discussed in Note 1, City of Garber, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Garber, Oklahoma, as of June 30, 2011, and the respective changes in financial position—modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (omitted) and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain

standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Watonga, Oklahoma
December 31, 2011

CITY OF GARBER, OKLAHOMA
Statement of Net Assets-Modified Cash Basis
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Unrestricted			
Cash and Cash Equivalents	\$ 325,795	\$ 221,218	\$ 547,013
Investments	141,139	47,054	188,193
Due from other fund	-	-	-
Restricted Cash	-	62,936	62,936
Restricted Investments	-	37,537	37,537
Land and construction-in-process	-	15,000	15,000
Other capital assets, net	-	432,699	432,699
Total Assets	<u>466,933</u>	<u>816,444</u>	<u>1,283,377</u>
LIABILITIES			
Due to Other Funds	-	-	-
Deposits	-	35,897	35,897
Long-term Liabilities			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total Liabilities	<u>-</u>	<u>35,897</u>	<u>35,897</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	447,699	447,699
Restricted	-	64,576	64,576
Unrestricted	466,933	268,272	735,205
Total Net Assets	<u>\$ 466,933</u>	<u>\$ 780,547</u>	<u>\$ 1,247,480</u>

See accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

Functional Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 99,821	\$ 1,283	\$ -	\$ -	\$ (98,538)	\$ -	\$ (98,538)
Culture, parks and recreation	25,309	3,249	-	-	(22,060)	-	(22,060)
Municipal Court	2,400	-	-	-	(2,400)	-	(2,400)
Public Safety	67,831	22,246	5,100	-	(40,484)	-	(40,484)
Highway and Streets	46,639	-	-	-	(46,639)	-	(46,639)
Trash	47,298	56,822	-	-	9,523	-	9,523
Total governmental activities	<u>289,299</u>	<u>83,600</u>	<u>5,100</u>	<u>-</u>	<u>(200,599)</u>	<u>-</u>	<u>(200,599)</u>
Business-Type Activities:							
Water	94,427	150,108	-	49,970	\$ -	105,651	105,651
Sewer	11,200	48,735	-	-	-	37,535	37,535
Cable	2,358	199	-	-	-	(2,159)	(2,159)
General Operating	47,131	-	-	-	-	(47,131)	(47,131)
Total business-type activities	<u>155,116</u>	<u>199,042</u>	<u>-</u>	<u>49,970</u>	<u>-</u>	<u>93,896</u>	<u>93,896</u>
Total Primary Government	<u>444,415</u>	<u>282,642</u>	<u>5,100</u>	<u>49,970</u>	<u>(200,599)</u>	<u>93,896</u>	<u>(106,703)</u>
Total Component Unit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
General Revenues:							
Taxes					187,539	-	187,539
Intergovernment revenue					13,906	-	13,906
Investment income					1,689	1,209	2,898
Miscellaneous					9,125	13,428	22,553
Transfers-Internal Activity							
Transfer from GMA to General Fund					45,000	(45,000)	-
Loss on Disposal of Cable System					-	(58,024)	(58,024)
Write-off of Interfund Balance					(13,233)	13,233	-
Total general revenues and transfers					<u>244,026</u>	<u>(75,154)</u>	<u>168,872</u>
Changes in Net Assets					43,427	18,742	62,169
Net Assets - Beginning					<u>423,506</u>	<u>761,804</u>	<u>1,185,311</u>
Net Assets - Ending					<u>\$ 466,933</u>	<u>\$ 780,547</u>	<u>\$ 1,247,480</u>

See accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA
STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>2-cent Sales Tax Fund</u>	<u>Cleet Fund</u>	<u>Grant Fund</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 263,027	\$ 55,190	\$ 496	\$ 7,082	\$ 325,795
Due from Other Funds	-	-	-	-	-
Investments	49,144	91,995	-	-	141,139
	-	-	-	-	-
Total Current Assets	<u>312,171</u>	<u>147,185</u>	<u>496</u>	<u>7,082</u>	<u>466,933</u>
Non-current Assets:					
Capital Assets					
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>312,171</u>	<u>147,185</u>	<u>496</u>	<u>7,082</u>	<u>466,933</u>
LIABILITIES					
Accounts payable & accrued liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS					
Invested in Capital Assets, net of debt	-	-	-	-	-
Restricted					
Unrestricted	<u>312,171</u>	<u>147,185</u>	<u>496</u>	<u>7,082</u>	<u>466,933</u>
Total Net Assets	<u>312,171</u>	<u>147,185</u>	<u>496</u>	<u>7,082</u>	<u>466,933</u>
Reconciliation to Statement of Net Assets:					
Amount reported for governmental activities in the statement of net assets					
Capital assets					-
					-
					-
					<u>\$ 466,933</u>

See accompanying notes to the basic financial statements,

CITY OF GARBER, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Garber Municipal Authority	Garber Economic Development Authority	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 197,486	\$ 23,732	\$ 221,218
Accounts Receivable, net	-	-	-
Investments	47,054	-	47,054
Inventory	-	-	-
Total Current Assets	<u>244,540</u>	<u>23,732</u>	<u>268,272</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	62,936	-	62,936
Restricted investments	37,537	-	37,537
Capital Assets, net of accumulated depreciation	447,699	-	447,699
Total noncurrent assets	<u>548,172</u>	<u>-</u>	<u>548,172</u>
Total Assets	<u><u>792,712</u></u>	<u><u>23,732</u></u>	<u><u>816,444</u></u>
LIABILITIES			
Current Liabilities:			
Deposits subject to refund	35,897	-	35,897
Notes payable-current portion	-	-	-
Due to other funds	-	-	-
Total current liabilities	<u>35,897</u>	<u>-</u>	<u>35,897</u>
Noncurrent Liabilities:			
Notes payable	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u><u>35,897</u></u>	<u><u>-</u></u>	<u><u>35,897</u></u>
NET ASSETS			
Invested in Capital Assets, net of debt	447,699	-	447,699
Restricted	64,576	-	64,576
Unrestricted	244,540	23,732	268,272
Total Net Assets	<u><u>\$ 756,814</u></u>	<u><u>\$ 23,732</u></u>	<u><u>\$ 780,547</u></u>

See accompanying notes to the basic financial statements,

CITY OF GARBER, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

	General Fund	2-cent Sales Tax Fund	Cleef Fund	Grant Fund	Total
Revenues:					
Taxes	\$ 47,232	\$ 140,307	\$ -	\$ -	\$ 187,539
Intergovernmental	13,906	-	-	-	13,906
Charges for Services	3,149	100	-	-	3,249
Fines and forfeitures	20,173	-	2,073	-	22,246
Licenses and permits	1,283	-	-	-	1,283
Trash	56,822	-	-	-	56,822
Interest	1,539	150	-	-	1,689
Miscellaneous	14,225	-	-	-	14,225
Total Revenues	<u>158,329</u>	<u>140,557</u>	<u>2,073</u>	<u>-</u>	<u>300,959</u>
Expenditures:					
General Government	30,295	7,578	-	-	37,873
City Clerk	42,051	-	-	-	42,051
Managerial	5,763	-	-	-	5,763
City Treasurer	12,296	-	-	-	12,296
Municipal Court	2,400	-	-	-	2,400
Office Improvement	1,837	-	-	-	1,837
Parks	1,744	23,565	-	-	25,309
Animal Control	8,246	-	-	-	8,246
Emergency Management	26	-	-	-	26
Street	11,000	35,640	-	-	46,639
Trash	47,298	-	-	-	47,298
Fire Department	14,492	-	-	-	14,492
Police Department	42,971	-	2,097	-	45,068
Sanitary Department	-	-	-	-	-
Grant Expenditures	-	-	-	-	-
Total Expenditures	<u>220,420</u>	<u>66,782</u>	<u>2,097</u>	<u>-</u>	<u>289,299</u>
Excess (deficiency) of revenues over expenditures	(62,091)	73,775	(24)	-	11,660
Other Financing Sources					
Write-Off Interfund Balance	(13,232)	-	-	-	(13,232)
Transfers In	108,494	-	-	49,970	108,494
Transfers Out	-	(63,494)	-	(49,970)	(63,494)
Total Other Financing Sources	<u>95,262</u>	<u>(63,494)</u>	<u>-</u>	<u>-</u>	<u>31,768</u>
Net Changes in Fund Balance	33,171	10,281	(24)	-	43,428
Fund Balance - Beginning	279,000	136,904	520	7,082	423,506
Fund Balance - Ending	<u>\$ 312,171</u>	<u>\$ 147,185</u>	<u>496</u>	<u>7,082</u>	<u>\$ 466,934</u>

Reconciliation to the Statement of Activities:

Net change in fund balances

43,428

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:
Capital assets transferred to Enterprise Fund
Depreciation

-

Change in net assets of governmental activities

\$ 43,428

CITY OF GARBER, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

	Garber Municipal Authority	Garber Economic Development Authority	Total
Revenues:			
Charges for services:			
Water	\$ 150,108	\$ -	\$ 150,108
Sewer	48,735	-	48,735
Cable	-	199	199
Other	11,588	1,840	13,428
Total Revenues	<u>210,431</u>	<u>2,039</u>	<u>212,470</u>
Expenses:			
Director-Public Works	10,341	-	10,341
Water	20,308	-	20,308
Maintenance & Operations	24,150	-	24,150
Sewer	11,200	-	11,200
General	25,738	-	25,738
Cable Department	-	2,358	2,358
Depreciation	9,900	-	9,900
Total Expenses	<u>101,636</u>	<u>2,358</u>	<u>103,994</u>
Operating Income (Loss)	<u>108,795</u>	<u>(319)</u>	<u>108,476</u>
Non-operating revenues (expenses):			
Gain (Loss) on Sale of Asset	-	(44,790)	(44,790)
Investment Income	1,207	2	1,209
Interest expense	(962)	(190)	(1,152)
Other-Transfers In	-	18,059	18,059
Other-Transfers Out	(63,059)	-	(63,059)
Total Non-operating Revenues (Expenses)	<u>(62,814)</u>	<u>(26,919)</u>	<u>(89,733)</u>
Changes in Net Assets	45,980	(27,238)	18,743
Net Assets - Beginning	710,834	50,970	761,804
Net Assets - Ending	<u>\$ 756,814</u>	<u>\$ 23,732</u>	<u>\$ 780,547</u>

See Accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA
 STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS-CASH BASIS
 FISCAL YEAR ENDED JUNE 30, 2011

	Garber Municipal Authority	Garber Economic Development Authority	Total
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 210,431	\$ 2,039	\$ 212,470
Payments to suppliers and employees	(91,736)	(2,358)	(94,094)
Total Revenues	<u>118,695</u>	<u>(319)</u>	<u>118,376</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to General Fund	(45,000)	-	(45,000)
CASH FLOW FROM CAPITAL RELATED ACTIVITIES			
Interest Paid	(962)	(190)	(1,152)
Proceeds from Sale of Asset	-	2,000	2,000
Principal Paid	<u>(30,000)</u>	<u>(8,134)</u>	<u>(38,134)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Use of Reserves to liquidate debt	(13,719)	880	(12,839)
Interest Receipts	<u>(2,151)</u>	<u>2</u>	<u>(2,149)</u>
Net Change in cash and cash equivalents	26,863	(5,761)	21,102
Beginning Balance	318,150	29,493	347,643
Ending Balance	<u>\$ 345,013</u>	<u>\$ 23,732</u>	<u>\$ 368,745</u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating Income (Loss)	108,795	(319)	108,476
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	9,900	-	9,900
Due to other funds	-	-	-
Net cash provided by operating activities	<u>\$ 118,695</u>	<u>\$ (319)</u>	<u>\$ 118,376</u>

Note 1. Summary of Significant Accounting Policies

The accounting policy of the City of Garber is to prepare its financial statements on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial Reporting Entity

The Town's financial reporting entity is composed of the following:

Primary Government	City of Garber
Blended Component Units	Garber Municipal Authority Garber Economic Development Authority
Discretely Presented Component Units	None

Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified cash basis of accounting. Revenues are recognized as when they are received. Expenditures generally are recognized when a liability is paid.

The City reports the following major governmental funds.

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are wither legally restricted for a specific purposes or designated to finance particular functions or activities. These funds include the Public Ways Fund (2-cent sales tax), Fire Protection Fund, and the Police Bail Fund. The Garber Municipal Authority, a proprietary fund, is used to account for the business-like activities provided to the general public. Included in this fund is the Meter Deposit Fund.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during

Cash and cash equivalents

The Town's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices. All investments of the Town are currently held as certificate of deposits.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental columns in the government-wide financial statements. Capital assets are omitted from the Town's financial statements. The Town has presented the capital assets in the Public Works or proprietary fund. The Town capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 for equipment, \$10,000 for improvements, and \$50,000 for infrastructure and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The cost 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 are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings	30 - 50
Building improvements	20 – 50
Machinery and equipment	5 – 15
Infrastructure	20 – 65
Vehicles	5 – 10

Compensated absences

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is not reported in governmental funds only for amounts expected to be paid (matured), for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund. No liability for compensated absences has been presented on the basic financial statements.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

No long-term liabilities exist as of the balance sheet date, nor did the Town incur any debt during the fiscal year under being reported.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute either expenditures or liabilities. No encumbrances exist as of the end of the fiscal year.

Fund equity and net assets

In the government-wide financial statements, net assets are classified in the following categories: Invested in Capital Assets, Net of Related Debt—This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets—This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets—This category represents the net assets of the Town that are not restricted for any project or other purpose by third parties.

In the fund financial statements, fund balances of governmental funds are classified in three separate categories. The three categories, and their general meanings, are as follows:

Reserved fund balance—indicates that portion of fund equity that is not available for appropriation or that has been legally segregated for specific purposes.

Unreserved/Designated fund balance—indicates that portion of fund equity for which the Town has made tentative plans that are subject to change.

Unreserved/Undesignated fund balance—indicates that portion of fund equity that is available for appropriation and expenditure in future periods, or if a deficit, for which future funding will be required.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund balance—total governmental funds, and net assets—governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” There are no reconciling items to be reported under the current accounting method utilized by the Town.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances—total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” There are no reconciling items to be reported under the Town’s accounting basis.

Note 3. Budgets and Budgetary Accounting

The City’s general budget policies are as follows:

General Fund

The City, in accordance with Oklahoma Statutes, Title 69 the City formally adopt budgets which include the General Fund. This annual budget is adopted and published by the City Council based upon prior year’s results and expected expenses of the City. The Budget is published after a public hearing and approval of the Council.

Special revenue funds

The City does have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies.

Note 4. Cash, Cash Equivalents and Investments

The City utilizes the services of a Treasurer for cash and investment control and accountability. The treasurer is authorized to deposit funds in accounts that are either fully insured or collateralized by acceptable collateral valued at no more than market value. Permissible investments include direct obligations of the United States Government and its Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and

CITY OF GARBER
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011

loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of the current fiscal year end all cash and investments of the Town were entirely insured or collateralized as required by Oklahoma Statutes.

Deposits

The City's cash deposits at year-end are categorized to give an indication of the level of risk assumed by the Town at year-end as follows:

Insured or collateralized with securities held by the City or by its agent in the City's name. The collateralized securities are pledged by the financial institution's trust department or agent in the City's name.

Uncollateralized:

All deposits of the City are categorized as (A) type deposits identified above. The carrying amount and market value is equal to the cash balance reported in the financial statement and in the following chart as of June 30, 2010.

	Deposit Categories of Credit Risk			Bank Balance	Carrying Amount	Market Value
	A	B	C			
Cash	\$ 523,732	\$ 82,217	\$	\$ 582,217	\$ 582,217	\$ 582,217
Investments		225,730		225,730	225,730	225,730
Total	\$ 523,732	\$ 307,946	\$ 0	\$ 831,676	\$ 831,676	\$ 831,676

The City's investments consisted of bank certificates of deposit during the year and are categorized as (A) type deposits identified above. The carrying amount and market value are reported in the chart above as of June 30, 2011. Additionally, certain funds were held as restricted for Debt Service and for Customer Meter Deposits.

Note 5. Inter-fund Receivables, Payables and Transfers

As of June 30, 2011, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows:

CITY OF GARBER
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Inter-fund transfers during the year ended June 30, 2011 were as follows:

Transfers To	Transfers From	
General Fund	Garber Municipal Authority	45,000
Total Transfers		<u>\$ 45,000</u>

Additionally, the Municipal Court Fund transfers traffic and other police fines to the General Fund in the amount of \$0.

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

Special revenue funds transfer excess revenues to fund various projects within the City.

Note 6. Capital Assets

The following chart details the activity related to capital assets for the Fiscal Year June 30, 2009:

Proprietary Activities:

Water System	\$ 649,570
Cable System	<u>0</u>
	734,570
Less: Accumulated Depreciation	<u>(201,871)</u>
Capital Assets	<u>\$ 447,699</u>

Note 7. Unearned Revenue/Deferred Revenue

The City has no Unearned or Deferred revenues as of June 30, 2011.

Note 8. Long-Term Debt and Bond Anticipation Notes

Long-term debt consists of general obligation bonds payable and short-term note payable in the proprietary funds and revenue bonds and promissory notes issued by the municipal authority. A summary of long-term debt is as follows:

General Obligation Bonds	
\$145,000, 1993 water system improvement bonds, due in annual installments through June 1, 2013, interest at 6.194%	\$ 0

Notes Payable (GEDA)

CITY OF GARBER
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

First American Bank Note for equipment and bucket truck	0
Purchase of Cable TX Equipment with 9.25% interest and Payments of \$947.64	
\$34,000 note with City of Garber	0
10 year note at 3.75% with monthly payment of \$342.21 Presented as a due form other fund on the General Fund	

Total Long-Term Debt \$ 0

Note 9. Lease Commitments

There are no current lease commitments as of June 30, 2011 or as of the report date.

Note 10. Contingent Liabilities and Commitments

Amounts received or receivable from Federal and State grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The City is not currently involved in any litigation matters. In the estimation of the Town's management and legal counsel, the final settlement of these matters will not have a material adverse effect on the financial condition of the City.

Note 11. Fund Deficits

There are no fund deficits as of June 30, 2011, or as of the report date.

Note 12. Pension Fund

The City of Garber participated in two pension and retirement plans. The plans in which the city participated are as follows:

- Oklahoma Municipal Retirement Fund – Public Works Authority*
- The Oklahoma Firefighters Pension*

Oklahoma Municipal Retirement Fund

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Normal retiree

is age 65 with ten (10) or more years of vesting service, or age 62, with thirty (30) years of service. The normal retirement benefit is equal to 2.625% of final average compensation multiplied by the number of years of credit service.

Early retirement is age 55 with ten (10) or more years of vesting service. The accrued benefit payable starting at age 60 or an actuarially reduced benefit starting at early retirement age. During the following fiscal years ended June 30, 2009, 2009, and 2010, the City and its Public Works made total payments, including employee contributions of \$1,072,751,404.60, and \$2,659.32, respectively.

Firefighters pension plan

Eligible members of the City's volunteer fire department participate in a retirement and pension plan under the direction of the Oklahoma Firefighters Pension and Retirement System administered by a 13-member Oklahoma Firefighters Pension and Retirement System Board, which is a cost-sharing multiple-employer public employee retirement system (PERS). The Board acts as the fiduciary for investment and administration of the Plan.

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Normal retirement is the first day following the day the member completes twenty (20) years of service, regardless of age. A member who terminates after ten years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50 or when the member would have completed twenty years of service, whichever is later, provided the member's contribution accumulation is not withdrawn.

Paid firefighters' normal retirement benefit is equal to 50% of final average compensation.

No employee contributions are required of volunteer firefighters. Participating municipalities and fire protection districts contribute 13% of gross salary for each paid firefighter and \$60.00 per year for each volunteer firefighter. Municipalities with revenues under \$25,000 make no contribution for volunteers. The state contributes 34% of the Insurance Premium Tax.

Note 13. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering a portion of those risks of loss. Management believes such coverage is sufficient to preclude significant uninsured losses to the City.

In the event settled claims exceed the commercial coverage provided by the Town, Oklahoma statutes provide for payment by tax levy through the Sinking Fund at the rate of one-third each year. As an alternative to paying money judgments out of the Sinking Fund at the rate of one-third each year, the court, based on consideration of evidence and proof, may provide for the judgment to be paid over a period of not less than one nor more than ten years. The interest rate on any judgment when payment is extended more than three years shall be the rate prescribed by law for the first three years and at the rate of six percent for each remaining year.

CITY OF GARBER, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND
 FISCAL YEAR ENDED JUNE 30, 2011

	Original	Final	Actual	Variance Over (Under)
Beginning Budgetary Fund Balance	\$ 10,145	\$ 10,145	\$ 279,000	\$ 268,855
Revenues:				
Taxes:				
Franchise Tax	22,000	22,000	22,151	151
Sales Tax (See 2 Cent Fund)	-	-	-	-
Use Tax	22,500	22,500	24,095	1,595
Dog Tax	-	-	10	10
Occupation Tax	-	-	977	977
Tobacco Tax	-	-	-	-
Total Taxes	<u>44,500</u>	<u>44,500</u>	<u>47,232</u>	<u>2,732</u>
Intergovernmental:				
Motor Vehicle Tax	6,000	6,000	6,045	45
Alcoholic Beverage Tax	2,500	2,500	2,761	261
Gas Excise Tax	-	-	-	-
Grants	5,100	5,100	5,100	-
Investment Income	1,500	1,500	1,539	39
Miscellaneous Income:				
Police Fires	4,500	4,500	20,173	15,673
Pool Admissions	-	-	3,149	3,149
Trash Collections	57,305	57,305	56,822	(483)
Licenses and Permits	1,050	1,050	1,283	233
Other Miscellaneous	1,000	1,000	14,225	13,225
Other Financing Sources				
Transfer from Other Funds	45,000	45,000	45,000	-
Garber Municipal Authority	55,000	55,000	63,494	8,494
2 Cent Income Fund	-	-	-	-
Amounts Available for Appropriations	<u>233,600</u>	<u>233,600</u>	<u>545,823</u>	<u>312,223</u>
Budgeted Expenditures				
General Government	33,000	33,000	30,295	(2,705)
City Clerk	45,000	45,000	42,051	(2,949)
Managerial (Governing Board)	6,900	6,900	5,763	(1,137)
City Treasurer	13,000	13,000	12,296	(704)
Municipal Court	2,400	2,400	2,400	-
Office Improvement	2,000	2,000	1,837	(163)
Parks	2,600	2,600	1,744	(856)
Animal Control	8,500	8,500	8,246	(254)
Emergency Management	1,600	1,600	26	(1,574)
Street	11,000	11,000	11,000	(0)
Trash	48,000	48,000	47,298	(702)
Fire Department	15,600	15,600	14,492	(1,108)
Police Department	44,000	44,000	42,971	(1,029)
Sanitary Department	-	-	-	-
Other Financing Uses:				
Write-Off Interfund Balance	-	-	13,232	13,232
Total Charges to Appropriations	<u>233,600</u>	<u>233,600</u>	<u>233,652</u>	<u>52</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>\$ -</u>	<u>\$ 312,171</u>	<u>\$ 312,171</u>

108000

CITY OF GARBER, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GARBER MUNICIPAL AUTHORITY
FISCAL YEAR ENDED JUNE 30, 2011

	Original	Final	Actual	Variance Over (Under)
REVENUES:				
Water	\$ 142,400	\$ 142,400	\$ 142,514	\$ (114)
Sewer	49,708	49,708	48,735	973
Other	-	-	7,229	(7,229)
Bulk Water	-	-	7,594	(7,594)
Late Fees	4,500	4,500	4,359	141
	<u>196,608</u>	<u>196,608</u>	<u>210,431</u>	<u>(13,823)</u>
EXPENSES:				
Public Works Director	18,000	18,000	10,341	7,659
Water Department	21,000	21,000	20,308	692
Sewer Department	11,200	11,200	11,200	-
Water Tower	13,500	13,500	13,500	-
General	28,000	28,000	25,738	2,262
Dump Truck	-	-	-	-
Maintenance Worker	28,000	28,000	24,150	3,850
Depreciation	-	-	9,900	(9,900)
	<u>119,700</u>	<u>119,700</u>	<u>115,136</u>	<u>4,564</u>
OPERATING INCOME	<u>76,908</u>	<u>76,908</u>	<u>95,295</u>	<u>(18,387)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	1,200	1,200	1,207	(7)
Interest Expense (Debt Service)	(15,000)	(15,000)	-	(15,000)
Grant Receipts	-	-	49,970	49,970
Transfer In	-	-	-	-
Transfer Out	(75,000)	(75,000)	(94,970)	19,970
	<u>(88,800)</u>	<u>(88,800)</u>	<u>(43,793)</u>	<u>54,933</u>
NET REVENUES (EXPENSES)	<u>(11,892)</u>	<u>(11,892)</u>	<u>51,502</u>	<u>36,547</u>
BEGINNING RETAINED EARNINGS	<u>11,892</u>	<u>11,892</u>	<u>710,834</u>	<u>(688,942)</u>
ENDING RETAINED EARNINGS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 762,336</u>	<u>\$ (662,396)</u>

See Accompanying notes to the basic financial statements.

WILLIAM K. GAUER

CERTIFIED PUBLIC ACCOUNTANT

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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 City Council
City of Garber, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Garber, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Garber, Oklahoma's basic financial statements and have issued our report thereon dated December 31, 2011. I conducted my 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered City of Garber, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Garber, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Garber, Oklahoma's internal control over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

I noted certain matters that we reported to management of City of Garber, Oklahoma, in a separate letter dated December 31, 2011.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Watonga, Oklahoma
December 31, 2011