

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

**AND**

**FINANCIAL STATEMENTS  
FISCAL YEAR ENDED  
JUNE 30, 2012**

***WILLIAM K. GAUER***  
***CERTIFIED PUBLIC ACCOUNTANT***  
***WATONGA, OKLAHOMA***

## CONTENTS

	<u>Page</u>
Contents	
Management, Discussion and Analysis	Omitted
Independent auditors' report	
<b>Government Wide Financial Statements:</b>	
Statement of Net Assets – Modified Cash Basis	2
Statement of Activities – Modified Cash Basis	3
<b>Funds Statements:</b>	
Statement of Net Assets, Governmental Funds, by Fund – Cash Basis	4
Statement of Net Assets, Proprietary Funds, by Fund – Cash Basis	5
Statement of Revenue, Expenditures and Changes in Fund Balance, Governmental Funds, by Fund – Cash Basis	
Statement of Revenue, Expenditures and Changes in Fund Balance, Proprietary Funds, by Fund – Modified Cash Basis	
Notes to financial statements	8-17
<b>Supplemental:</b>	
Budget Comparison Schedule, General Fund, Cash Basis	

Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based Upon an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
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, 2012, 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 I 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 my opinions.

As discussed in Note I, 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, 2012, 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 I.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (omitted) and budgetary comparison (page 22) 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. We have applied certain limited procedures to the required supplementary information in accordance with

auditing 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 our 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 us with sufficient evidence to express an opinion or provide any assurance.



Watonga, Oklahoma  
January 31, 2013

**CITY OF GARBER, OKLAHOMA**  
Statement of Net Assets  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Unrestricted			
Cash and Cash Equivalents	\$ 343,263	\$ 362,863	\$ 706,126
Investments	109,433	47,131	156,564
Due from other fund	-	-	-
Total current unrestricted assets	452,695	409,994	862,689
Restricted Assets			
Restricted Cash	-	54,410	54,410
Restricted Investments	-	21,559	21,559
Land and construction-in-process	-	15,000	15,000
Other capital assets, net	-	442,599	442,599
Total Restricted Assets	-	533,569	533,569
Total Assets	452,695	943,563	1,396,258
<b>LIABILITIES</b>			
Due to Other Funds	-	-	-
Deposits	-	35,166	35,166
Long-term Liabilities	-	-	-
Due within one year	-	-	-
Due in more than one year	-	-	-
Total Liabilities	-	35,166	35,166
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	457,599	457,599
Restricted	-	40,804	40,804
Unrestricted	452,695	409,994	862,689
Total Net Assets	\$ 452,695	\$ 908,397	\$ 1,361,092

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, 2012

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
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 127,772	\$ 676	\$ -	\$ -	\$ (127,096)	\$ -	\$ (127,096)
Culture, parks and recreation	21,354	3,661	-	-	(17,693)	-	(17,693)
Municipal Court	2,400	-	-	-	(2,400)	-	(2,400)
Public Safety	36,408	697	-	4,397	(31,314)	-	(31,314)
Highway and Streets	60,274	-	-	-	(60,274)	-	(60,274)
Trash	44,658	55,737	-	-	11,079	-	11,079
Total governmental activities	<u>292,866</u>	<u>60,770</u>	<u>-</u>	<u>4,397</u>	<u>(227,698)</u>	<u>-</u>	<u>(227,698)</u>
Business-Type Activities:							
Water	43,878	176,573	-	-	\$ -	132,695	132,695
Sewer	9,964	48,499	-	-	-	38,535	38,535
Cable	611	-	-	-	-	(611)	(611)
General Operating	114,246	-	-	-	-	(114,246)	(114,246)
Total business-type activities	<u>168,699</u>	<u>225,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,372</u>	<u>56,372</u>
<b>Total Primary Government</b>	<u>461,565</u>	<u>285,842</u>	<u>-</u>	<u>4,397</u>	<u>(227,698)</u>	<u>56,372</u>	<u>(171,326)</u>
<b>General Revenues:</b>							
Taxes							
Sales, use & tobacco taxes					168,467	-	168,467
Franchise and public service taxes					21,283	-	21,283
Intergovernment revenue					15,759	908	16,667
Investment income					856	-	856
Miscellaneous					7,096	70,569	77,665
Transfer from GMA to General Fund					-	-	-
Transfer from GMA to General Fund					-	-	-
Total general revenues and transfers					<u>213,461</u>	<u>71,477</u>	<u>284,937</u>
Changes in Net Assets					(14,237)	127,849	113,611
Net Assets - Beginning					<u>466,933</u>	<u>780,547</u>	<u>1,247,480</u>
Net Assets - Ending					<u>\$ 452,695</u>	<u>\$ 908,397</u>	<u>\$ 1,361,092</u>

See accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA  
STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	2-cent Sales Tax Fund	Cleet Fund	Grant Fund	Total
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 260,697	\$ 75,069	\$ 415	\$ 7,082	\$ 343,263
Investments	49,243	60,190	-	-	109,433
	-	-	-	-	-
Total Current Assets	<u>309,940</u>	<u>135,259</u>	<u>415</u>	<u>7,082</u>	<u>452,695</u>
Non-current Assets:					
Restricted cash and cash equivalents	-	36,650	-	-	36,650
Capital Assets					
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total Non-Current Assets	-	-	-	-	-
Total Assets	<u>309,940</u>	<u>135,259</u>	<u>415</u>	<u>7,082</u>	<u>452,695</u>
<b>LIABILITIES</b>					
Deferred revenue	-	-	-	-	-
	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>					
Nonspendable					
Invested in Capital Assets, net of debt	-	-	-	-	-
Restricted	-	-	415	7,082	7,497
Committed	-	-	-	-	-
Assigned	-	135,259	-	-	135,259
Unrestricted					
General	309,940	-	-	-	309,940
Total Net Assets	<u>309,940</u>	<u>135,259</u>	<u>415</u>	<u>7,082</u>	<u>452,695</u>

**Reconciliation to Statement of Net Assets:**

Amount reported for governmental activities in the statement of net assets

Capital assets

\$ 452,695

See accompanying notes to the basic financial statements,

CITY OF GARBER, OKLAHOMA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Garber Municipal Authority	Garber Economic Development Authority	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 335,905	\$ 26,958	\$ 362,863
Accounts Receivable, net	-	-	-
Investments	47,131	-	47,131
Inventory	-	-	-
Total Current Assets	<u>383,035</u>	<u>26,958</u>	<u>409,994</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	54,410	-	54,410
Restricted investments	21,559	-	21,559
Capital Assets, net of accumulated depreciation	457,599	-	457,599
Total noncurrent assets	<u>533,569</u>	<u>-</u>	<u>533,569</u>
<b>Total Assets</b>	<u><b>916,604</b></u>	<u><b>26,958</b></u>	<u><b>943,563</b></u>
<b>LIABILITIES</b>			
Current Liabilities:			
Deposits subject to refund	35,166	-	35,166
Notes payable-current portion	-	-	-
Due to other funds	-	-	-
Total current liabilities	<u>35,166</u>	<u>-</u>	<u>35,166</u>
Noncurrent Liabilities:			
Notes payable	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u><b>35,166</b></u>	<u><b>-</b></u>	<u><b>35,166</b></u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of debt	457,599	-	457,599
Restricted	40,804	-	40,804
Unrestricted	383,035	26,958	409,994
Total Net Assets	<u><b>\$ 881,438</b></u>	<u><b>\$ 26,958</b></u>	<u><b>\$ 908,397</b></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	Cleet Fund	Grant Fund	Total
<b>Revenues:</b>					
Taxes	\$ 111,635	\$ 80,340	\$ -	\$ -	\$ 191,974
Intergovernmental	15,759	-	-	-	15,759
Charges for Services	3,486	175	-	-	3,661
Fines and forfeitures	678	-	19	-	697
Licenses and permits	676	-	-	-	676
Trash	55,737	-	-	-	55,737
Interest	744	112	-	-	856
Miscellaneous	8,938	330	-	-	9,268
Total Revenues	197,652	80,956	19	-	278,627
<b>Expenditures:</b>					
General Government	35,397	15,326	-	-	50,723
City Clerk	35,999	-	-	-	35,999
Managerial	5,562	5,674	-	-	11,235
City Treasurer	23,884	-	-	-	23,884
Municipal Court	2,400	-	-	-	2,400
Office Improvement	1,551	-	-	-	1,551
Parks	199	21,155	-	-	21,354
Animal Control	4,379	-	-	-	4,379
Emergency Management	-	-	-	-	-
Street	9,546	50,728	-	-	60,274
Trash	44,658	-	-	-	44,658
Fire Department	17,021	-	-	-	17,021
Police Department	18,287	-	100	-	18,387
Sanitary Department	1,000	-	-	-	1,000
Grant Expenditures	-	-	-	-	-
Total Expenditures	199,883	92,883	100	-	292,866
Excess (deficiency) of revenues over expenditures	(2,231)	(11,926)	(81)	-	(14,239)
Other Financing Sources					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
Net Changes in Fund Balance	(2,231)	(11,926)	(81)	-	(14,239)
Fund Balance - Beginning	312,171	147,185	496	7,082	466,934
Fund Balance - Ending	\$ 309,940	\$ 135,259	\$ 415	\$ 7,082	\$ 452,695

**Reconciliation to the Statement of Activities:**

Net change in fund balances

(14,239)

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

\$ (14,239)

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

	Garber Municipal Authority	Garber Economic Development Authority	Total
<b>Revenues:</b>			
Charges for services:			
Water	\$ 176,573	\$ -	\$ 176,573
Sewer	48,499	-	48,499
Cable	-	-	-
Other	66,751	3,819	70,570
Total Revenues	<u>291,823</u>	<u>3,819</u>	<u>295,641</u>
<b>Expenses:</b>			
Director-Public Works	13,039	-	13,039
Water	17,606	-	17,606
Maintenance & Operations	26,272	-	26,272
Sewer	9,964	-	9,964
Water Tower	6,623	-	6,623
General	84,684	-	84,684
Cable Department	-	611	611
Depreciation	9,900	-	9,900
Total Expenses	<u>168,088</u>	<u>611</u>	<u>168,699</u>
Operating Income (Loss)	<u>123,735</u>	<u>3,207</u>	<u>126,942</u>
Non-operating revenues (expenses):			
Grant Receipts	-	-	-
Investment income	889	19	908
Interest expense	-	-	-
Other-Transfers In	-	-	-
Other-Transfers Out	-	-	-
Total Non-operating Revenues (Expenses)	<u>889</u>	<u>19</u>	<u>908</u>
Changes in Net Assets	<u>124,624</u>	<u>3,226</u>	<u>127,850</u>
Net Assets - Beginning	756,814	23,732	780,547
Net Assets - Ending	<u>\$ 881,438</u>	<u>\$ 26,958</u>	<u>\$ 908,397</u>

See Accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA  
 STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS-MODIFIED CASH BASIS  
 FISCAL YEAR ENDED JUNE 30, 2012

	Garber Municipal Authority	Garber Economic Development Authority	Total
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 291,823	\$ 3,819	\$ 295,641
Payments to suppliers and employees	(158,188)	(611)	(158,799)
Total Revenues	<u>133,635</u>	<u>3,207</u>	<u>136,842</u>
<b>CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers to General Fund	-	-	-
<b>CASH FLOW FROM CAPITAL RELATED ACTIVITIES</b>			
Interest Paid	-	-	-
Principal Paid	-	-	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest Receipts	889	19	908
Net Change in cash and cash equivalents	134,524	3,226	137,750
Beginning Balance	345,013	23,732	368,745
Ending Balance	<u>\$ 479,537</u>	<u>\$ 26,958</u>	<u>\$ 506,495</u>
<b>Reconciliation of operating income (loss)</b>			
to net cash from operating activities:			
Operating Income (Loss)	123,735	3,207	126,942
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	9,900	-	9,900
Due from other funds	-	-	-
Net cash provided by operating activities	<u>\$ 133,635</u>	<u>\$ 3,207</u>	<u>\$ 136,842</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 City'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 either 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 not 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 the fiscal year. The City prepares its financial statements on the cash basis for governmental funds and on the modified cash basis for the proprietary funds.

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 City 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 fund financial statements, governmental fund balance is presented in five possible categories:

**Nonspendable**—resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

**Restricted**—resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

**Committed**—resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

**Assigned**—resources neither restricted nor committed for which a government has a stated intended use as established by the Town Council or a body or official to which the Town Council has delegated the authority to assign amounts for specific purposes.

**Unassigned**—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

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.

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 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 and Investments

Primary government:

As of June 30, 2012, the primary government had the following investments:

Interest rate risk. The City does not currently have a policy regarding interest rate risk.

Credit risk. The City does not have a formal policy regarding credit risk. Oklahoma statutes authorize the City to invest only in certificates of deposits that are either guaranteed or fully collateralized by the financial institution that holds the deposits.

Custodial credit risk—deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it.

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, 2012.

Investments

The City's investments consisted of bank certificates of deposit during the year and are fully insured or

collateralized as of June 30, 2012. 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, 2012, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows:

Inter-fund transfers during the year ended June 30, 2012 were as follows:

Transfers To	Transfers From
NONE	

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, 2012:

***Proprietary Activities:***

Water System	\$ 649,570
Cable System	<u>0</u>
	649,570
Less: Accumulated Depreciation	<u>(191,971)</u>
Capital Assets	<u>\$ 457,599</u>

**Note 7. Unearned Revenue/Deferred Revenue**

The City has no Unearned or Deferred revenues as of June 30, 2012.

**Note 8. Long-Term Debt and Bond Anticipation Notes**

The Town of Garber and its related authorities have not long-term debt as of June 30, 2012.

**Note 9. Lease Commitments**

There are no current lease commitments as of June 30, 2012 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, 2012, 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 area 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 credited service.

Early retirement is age 55 with ten (10) or more years of vesting service. The accrued benefit payable starting at age 55 or an actuarially reduced benefit starting at early retirement age. During the following fiscal years ended June 30, 2011, and 2012, the City and its Public Works made total payments, including employee contributions of \$1,404,404 and \$1,771,550, respectively. This represents both the City's match and the Employees contribution.

*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's retirement 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. During the fiscal year ended June 30, 2012, the City paid \$1,008 into the pension plan.

**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.

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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  
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, 2012, which collectively comprise the City of Garber, Oklahoma's basic financial statements and have issued our report thereon dated January 31, 2013. 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**

Management of City of Garber, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting.

- Auditor drafted the financial statements and the accompanying notes
- Management, Discussion and Analysis has been omitted

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Boise City, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items.

I noted certain matters that we reported to management of City of Garber, Oklahoma, in a separate letter dated January 31, 2013.

City of Garber, Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit City of Garber, Oklahoma's response and, accordingly, I express no opinion on it.

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

January 31, 2013

CITY OF GARBER, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE GENERAL FUND -MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 FISCAL YEAR ENDED JUNE 30, 2012

	Original	Final	General Fund	Variance Over (Under)
	\$ 279,000	\$ 279,000	\$ 312,171	\$ 33,171
<b>Beginning Budgetary Fund Balance</b>				
<b>Revenues:</b>				
<b>Taxes:</b>				
Franchise Tax	-	-	21,250	21,250
Sales Tax (See 2 Cent Fund)	-	-	79,090	79,090
Use Tax	-	-	10,132	10,132
Dog Tax	-	-	3	3
Occupation Tax	-	-	30	30
Tobacco Tax	-	-	1,130	1,130
Total Taxes	<u>108,000</u>	<u>108,000</u>	<u>111,635</u>	<u>(3,635)</u>
<b>Intergovernmental:</b>				
Motor Vehicle Tax	-	-	2,697	2,697
Alcoholic Beverage Tax	-	-	5,622	5,622
Gas Excise Tax	-	-	3,042	3,042
Grants	-	-	4,397	4,397
<b>Investment Income</b>	1,500	1,500	744	(756)
<b>Miscellaneous Income:</b>				
Police Fines	19,326	19,326	678	(18,648)
Pool Admissions	-	-	3,486	3,486
Trash Collections	56,150	56,150	55,737	(413)
Licenses and Permits	1,260	1,260	676	(584)
Other Miscellaneous	2,890	2,890	8,938	6,048
<b>Other Financing Sources</b>				
Transfer from Other Funds	-	-	-	-
Garber Municipal Authority	-	-	-	-
2 Cent Income Fund	-	-	-	-
<b>Amounts Available for Appropriations</b>	<u>468,126</u>	<u>468,126</u>	<u>509,823</u>	<u>34,427</u>
<b>Budgeted Expenditures</b>				
General Government	39,400	39,400	35,397	(4,003)
City Clerk	45,000	45,000	35,999	(9,001)
Managerial (Governing Board)	6,900	6,900	5,562	(1,338)
City Treasurer	26,658	26,658	23,884	(2,774)
Municipal Court	2,400	2,400	2,400	-
Office Improvement	2,000	2,000	1,551	(449)
Parks	2,600	2,600	199	(2,401)
Animal Control	8,000	8,000	4,379	(3,621)
Emergency Management	1,800	1,800	-	(1,800)
Street	11,000	11,000	9,546	(1,454)
Trash	48,000	48,000	44,658	(3,342)
Fire Department	17,900	17,900	17,021	(879)
Police Department	44,000	44,000	18,287	(25,713)
Code Enforcement	-	-	-	-
Sanitary Department	1,500	1,500	1,000	(500)
Other Financing Uses:				
Transfers to Other Funds	-	-	-	-
<b>Total Charges to Appropriations</b>	<u>257,158</u>	<u>257,158</u>	<u>199,883</u>	<u>(57,275)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 210,968</u>	<u>\$ 210,968</u>	<u>\$ 309,940</u>	<u>\$ 91,703</u>

See Accompanying notes to the basic financial statements.