

**CITY OF GARBER
GARFIELD COUNTY, OKLAHOMA**

AUDIT REPORT

**FISCAL YEAR ENDED
JUNE 30, 2010**

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

CONTENTS

	<u>Page</u>
Contents	
Management, Discussion and Analysis	Omitted
Independent auditors' report	
Government Wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis	2
Statement of Activities – Modified Cash Basis	3
Funds Statements:	
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
Supplemental:	
Budget Comparison Schedule, General Fund, Cash Basis	
Budget Comparison Schedule, Garber Municipal Authority, Modified 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	

**CITY OF GARBER
GARFIELD COUNTY, OKLAHOMA
CITY COUNCIL AND OFFICERS**

Greg Swaim
Gerald Carson
Patricia Berry
Don Todd
Debbie Powell

Mayor
Councilperson
Councilperson
Councilperson
Councilperson

Dana Dennis
Sheri Dennis
Jim Whitehead

Clerk
Treasurer
Public Works Director

Richard Crump

Attorney

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Honorable City Council
City of Garber
Garber, Oklahoma

Independent Auditors' Report

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garber, Garber, Oklahoma, (City) as of and for the year ended June 30, 2010, which collectively comprises the City's basis financial statements. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

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

However, 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, each major fund and the aggregate remaining fund information of the City of Garber as of June 30, 2010, and the respective changes in financial position, modified cash basis, and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis, which has been omitted, are not a required part of the basis financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 30, 2011, on my consideration of the City of Garber's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of

Honorable City Council
April 30, 2011
Page 2

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.


April 30, 2011

CITY OF GARBER, OKLAHOMA
Statement of Net Assets-Modified Cash Basis
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Unrestricted			
Cash and Cash Equivalents	\$ 305,613	\$ 229,345	\$ 534,958
Investments	107,997	46,794	154,791
Due from other fund	9,895	-	9,895
Restricted Cash	-	50,833	50,833
Restricted Investments	-	21,559	21,559
Land and construction-in-process	-	15,000	15,000
Other capital assets, net	-	503,516	503,516
Total Assets	423,506	867,047	1,290,553
LIABILITIES			
Due to Other Funds	-	9,895	9,895
Deposits	-	34,916	34,916
Long-term Liabilities			
Due within one year	-	18,134	18,134
Due in more than one year	-	42,297	42,297
Total Liabilities	-	105,243	105,243
NET ASSETS			
Invested in capital assets, net of related debt	-	458,084	458,084
Restricted	-	37,476	37,476
Unrestricted	423,506	266,244	689,750
Total Net Assets	\$ 423,506	\$ 761,804	\$ 1,185,310

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, 2010

Functional Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activities	Total
			Operating Grants and Contributions	Capital Grants and Contributions			
Primary Government:							
Governmental Activities:							
General Government	\$ 79,129	\$ 1,755	\$ -	\$ 3,500	\$ (73,873)	\$ -	\$ (73,873)
Culture, parks and recreation	11,500	-	-	-	(11,500)	-	(11,500)
Municipal Court	2,400	-	-	-	(2,400)	-	(2,400)
Public Safety	37,707	5,004	5,100	-	(27,603)	-	(27,603)
Highway and Streets	74,497	11,500	-	-	(62,997)	-	(62,997)
Trash	43,964	57,314	-	-	13,351	-	13,351
Total governmental activities	249,196	75,573	5,100	3,500	(165,023)	-	(165,023)
Business-Type Activities:							
Water	46,442	143,267	-	-	-	96,825	96,825
Sewer	7,338	49,793	-	-	-	42,455	42,455
Cable	77,552	74,255	-	-	-	(3,297)	(3,297)
General Operating	57,891	-	-	-	-	(57,891)	(57,891)
Total business-type activities	189,224	267,315	-	-	-	78,092	78,092
Total Primary Government	438,420	342,889	5,100	3,500	(165,023)	78,092	(86,931)
Total Component Unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Revenues:							
Taxes					166,586	-	166,586
Intergovernment revenue					9,746	-	9,746
Investment income					2,105	1,735	3,840
Miscellaneous					28,686	6,189	34,876
Transfers-Internal Activity					-	-	-
Transfer from GMA to General Fund					-	-	-
Total general revenues and transfers					207,123	7,924	215,047
Changes in Net Assets					42,100	86,014	128,115
Net Assets - Beginning					381,405	675,789	1,057,195
Net Assets - Ending					423,506	761,804	1,185,310

See accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA
STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	2-cent Sales Tax Fund	Cleef Fund	Grant Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	220,233.09	\$ 77,778	\$ 520	\$ 7,082	\$ 305,613
Due from Other Funds	9,895	-	-	-	9,895
Investments	48,872	59,125	-	-	107,997
Total Current Assets	<u>279,000</u>	<u>136,904</u>	<u>520</u>	<u>7,082</u>	<u>423,506</u>
Non-current Assets:					
Capital Assets					
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total Non-Current Assets	<u>279,000</u>	<u>136,904</u>	<u>520</u>	<u>7,082</u>	<u>423,506</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	279,000	136,904	520	7,082	423,506
Unrestricted	<u>279,000</u>	<u>136,904</u>	<u>520</u>	<u>7,082</u>	<u>423,506</u>
Reconciliation to Statement of Net Assets:					
Amount reported for governmentall activities in the statement of net assets					
Capital assets					-
					-
					-
					\$ 423,506

See accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Garber Municipal Authority	Garber Economic Development Authority	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 198,965	\$ 30,380	\$ 229,345
Accounts Receivable, net	-	-	-
Investments	46,794	-	46,794
Inventory	-	-	-
Total Current Assets	245,759	30,380	276,139
Noncurrent Assets:			
Restricted cash and cash equivalents	50,833	-	50,833
Restricted investments	21,559	-	21,559
Capital Assets, net of accumulated depreciation	457,599	60,917	518,516
Total noncurrent assets	529,991	60,917	590,908
Total Assets	775,750	91,297	867,047
LIABILITIES			
Current Liabilities:			
Deposits subject to refund	34,916	-	34,916
Notes payable-current portion	10,000	8,134	18,134
Due to other funds	-	9,895	9,895
Total current liabilities	44,916	18,030	62,946
Noncurrent Liabilities:			
Notes payable	20,000	22,297	42,297
Total noncurrent liabilities	20,000	22,297	42,297
Total Liabilities	64,916	40,327	105,243
NET ASSETS			
Invested in Capital Assets, net of debt	427,599	30,485	458,084
Restricted	37,476	-	37,476
Unrestricted	245,759	20,485	266,244
Total Net Assets	\$ 710,834	\$ 50,970	\$ 761,804

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
Revenues:					
Taxes	\$ 33,547	\$ 133,039	\$ -	\$ -	\$ 166,586
Intergovernmental	9,746	-	-	-	9,746
Charges for Services	-	-	-	-	-
Fines and forfeitures	4,757	-	247	-	5,004
Licenses and permits	1,755	-	-	-	1,755
Trash	57,314	-	-	-	57,314
Interest	1,753	352	-	-	2,105
Miscellaneous	11,819	25,467	-	3,500	37,286
Total Revenues	<u>120,692</u>	<u>158,858</u>	<u>247</u>	<u>3,500</u>	<u>279,797</u>
Expenditures:					
General Government	20,641	-	-	-	20,641
City Clerk	39,116	-	-	-	39,116
Managerial	6,877	-	-	-	6,877
City Treasurer	11,324	-	-	-	11,324
Municipal Court	2,400	-	-	-	2,400
Office Improvement	1,171	-	-	-	1,171
Parks	-	-	-	-	-
Animal Control	6,514	-	-	-	6,514
Emergency Management	1,141	-	-	-	1,141
Street	11,000	63,497	-	-	74,497
Trash	43,536	-	-	-	43,536
Fire Department	13,976	-	-	-	13,976
Police Department	15,826	-	251	-	16,077
Sanitary Department	428	-	-	-	428
Grant Expenditures	-	-	-	3,500	-
Total Expenditures	<u>173,948</u>	<u>63,497</u>	<u>251</u>	<u>3,500</u>	<u>237,696</u>
Excess (deficiency) of revenues over expenditures	(53,256)	95,360	(4)	-	42,100
Other Financing Sources					
Transfers In	67,477	-	-	-	67,477
Transfers Out	-	(67,477)	-	-	(67,477)
Total Other Financing Sources	<u>67,477</u>	<u>(67,477)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balance	14,221	27,883	(4)	-	42,100
Fund Balance - Beginning	264,780	109,020	523	7,082	381,405
Fund Balance - Ending	<u>\$ 279,000</u>	<u>\$ 136,904</u>	<u>520</u>	<u>7,082</u>	<u>\$ 423,506</u>
Reconciliation to the Statement of Activities:					
Net change in fund balances					42,100
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					<u>\$ 42,100</u>

See Accompanying notes to the basic financial statements.

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	\$ 143,267	\$ -	\$ 143,267
Sewer	49,793	-	49,793
Cable	-	74,255	74,255
Other	4,350	1,840	6,189
Total Revenues	<u>197,410</u>	<u>76,094</u>	<u>273,505</u>
Expenses:			
Director-Public Works	20,290	-	20,290
Water	21,521	-	21,521
Maintenance & Operations	24,922	-	24,922
Sewer	7,338	-	7,338
General	22,220	-	22,220
Cable Department	-	74,719	74,719
Depreciation	9,900	2,833	12,733
Total Expenses	<u>106,191</u>	<u>77,552</u>	<u>183,743</u>
Operating Income (Loss)	<u>91,219</u>	<u>(1,458)</u>	<u>89,761</u>
Non-operating revenues (expenses):			
Gain on Sale of Asset	-	-	-
Investment income	1,555	180	1,735
Interest expense	(2,243)	(3,237)	(5,480)
Other-Transfers In	-	-	-
Other-Transfers Out	-	-	-
Total Non-operating Revenues (Expenses)	<u>(689)</u>	<u>(3,057)</u>	<u>(3,746)</u>
Changes in Net Assets	90,530	(4,515)	86,015
Net Assets - Beginning	620,303	55,485	675,789
Net Assets - Ending	<u>\$ 710,834</u>	<u>\$ 50,970</u>	<u>\$ 761,804</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, 2010

	<u>Garber Municipal Authority</u>	<u>Garber Economic Development Authority</u>	<u>Total</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 197,410	\$ 76,094	\$ 273,505
Payments to suppliers and employees	(96,291)	(74,719)	(171,010)
Total Revenues	<u>101,119</u>	<u>1,376</u>	<u>102,495</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to General Fund	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOW FROM CAPITAL RELATED ACTIVITIES			
Interest Paid	(2,243)	(3,237)	(5,480)
Proceeds from Sale of Asset	-	-	-
Principal Paid	<u>(10,000)</u>	<u>(12,464)</u>	<u>(22,464)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest Receipts	<u>1,555</u>	<u>180</u>	<u>1,735</u>
Net Change in cash and cash equivalents	90,430	(14,146)	76,285
Beginning Balance	227,720	43,639	271,359
Ending Balance	<u>\$ 318,150</u>	<u>\$ 29,493</u>	<u>\$ 347,643</u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating Income (Loss)	91,219	(1,458)	89,761
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	9,900	2,833	12,733
Due to other funds	-	-	-
Net cash provided by operating activities	<u>\$ 101,119</u>	<u>\$ 1,376</u>	<u>\$ 102,495</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

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

	Category			Bank Balance	Carrying Amount	Market Value
	A	B	C			
Cash	\$ 530,178	\$ 55,613	\$	\$ 585,791	\$ 585,791	\$ 585,791
Investments		176,350		176,350	176,350	176,350
Total	<u>\$ 530,380</u>	<u>\$ 231,963</u>	<u>\$ 0</u>	<u>\$ 762,343</u>	<u>\$ 762,343</u>	<u>\$ 762,343</u>

Investments

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, 2010. 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, 2010, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows:

Inter-fund transfers during the year ended June 30, 2010 were as follows:

Transfers To General Fund	Transfers From 2-Cent Fund (Street)	\$ 67,477
Total Transfers		<u>\$ 67,477</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>85,000</u>
	734,570
Less: Accumulated Depreciation	<u>(203,321)</u>
Capital Assets	<u>\$ 531,249</u>

Note 7. Unearned Revenue/Deferred Revenue

The City has no Unearned or Deferred revenues as of June 30, 2010.

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%	\$ 30,000
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CITY OF GARBER
 NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Notes Payable (GEDA)

First American Bank Note for equipment and bucket truck Purchase of Cable TX Equipment with 9.25% interest and Payments of \$947.64	30,432
 \$34,000 note with City of Garber 10 year note at 3.75% with monthly payment of \$342.21 Presented as a due form other fund on the General Fund	 9,895

Total Long-Term Debt \$ 70,327

Maturities of Long-Term debt are as follows:

June 30, 2011	18,920
June 30, 2012	19,781
June 30, 2013	20,725
June 30, 2014 and thereafter	<u>916</u>
Total Debt	60,342
Add: Due to Other Fund	<u>9,985</u>
Total	<u>\$70,327</u>

Subsequent event

During the month of July 2010, The Garber Economic Development Authority (GEDA) paid of the remaining balance of the \$145,000 OWRB note in full. The payoff amount was for \$30,961.75. Additional funds were needed in the amount of \$9,472.95. These funds were provided by the Garber Municipal Authority (GMA) by transfer.

Note 9. Lease Commitments

There are no current lease commitments as of June 30, 2010 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, 2010, 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 retirement 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, 2009, 2010, and 2011, the City and its Public Works made total payments, including employee contributions of \$1,072, \$1,404.60, 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.

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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 Honorable City Council
City of Garber

I have audited the financial statements of the City of Garber (City), Garfield County, Oklahoma, as of and for the year fiscal ended June 30, 2010, and have issued my report thereon dated April 30, 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'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 the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

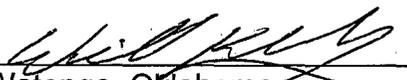
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material

weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City'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 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.

This report is intended solely for the information and use of management, 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
April 30, 2011

CITY OF GARBER, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND
 FISCAL YEAR ENDED JUNE 30, 2010

	Original	Final	Actual	Variance Over (Under)
Beginning Budgetary Fund Balance	\$ 264,780	\$ 264,780	\$ 264,780	\$ -
Revenues:				
Taxes:				
Franchise Tax	25,000	25,000	22,149	(2,851)
Sales Tax (See 2 Cent Fund)	-	-	-	-
Use Tax	6,500	6,500	11,398	4,898
Dog Tax	-	-	-	-
Occupation Tax	-	-	-	-
Tobacco Tax	-	-	-	-
Total Taxes	<u>31,500</u>	<u>31,500</u>	<u>33,547</u>	<u>2,047</u>
Intergovernmental:				
Motor Vehicle Tax	6,000	6,000	6,030	30
Alcoholic Beverage Tax	2,500	2,500	2,186	(314)
Gas Excise Tax	1,500	1,500	1,530	30
Grants	-	-	-	-
Investment Income	1,500	1,500	1,753	253
Miscellaneous Income:				
Police Fines	4,500	4,500	4,757	257
Pool Admissions	-	-	-	-
Trash Collections	57,305	57,305	57,314	9
Licenses and Permits	1,050	1,050	1,755	705
Other Miscellaneous	6,100	6,100	11,819	5,719
Other Financing Sources				
Transfer from Other Funds				
Garber Municipal Authority	45,000	45,000	-	(45,000)
2 Cent Income Fund	30,807	30,807	66,519	35,712
Amounts Available for Appropriations	<u>452,542</u>	<u>452,542</u>	<u>451,991</u>	<u>(551)</u>
Budgeted Expenditures				
General Government	33,000	33,000	20,641	(12,359)
City Clerk	45,000	45,000	39,116	(5,884)
Managerial (Governing Board)	6,900	6,900	6,877	(23)
City Treasurer	13,000	13,000	11,324	(1,676)
Municipal Court	2,400	2,400	2,400	-
Office Improvement	2,000	4,000	1,171	(2,829)
Parks	2,600	2,600	-	(2,600)
Animal Control	8,500	8,500	6,514	(1,986)
Emergency Management	1,600	1,600	1,141	(459)
Street	11,000	11,000	11,000	-
Trash	46,500	46,500	43,536	(2,964)
Fire Department	15,600	15,600	13,976	(1,624)
Police Department	44,000	44,000	15,826	(28,174)
Sanitary Department	1,500	1,500	428	(1,072)
Other Financing Uses:				
Transfers to Other Funds	-	-	-	-
Total Charges to Appropriations	<u>233,600</u>	<u>235,600</u>	<u>173,948</u>	<u>(61,652)</u>
Ending Budgetary Fund Balance	<u>\$ 218,942</u>	<u>\$ 216,942</u>	<u>\$ 278,043</u>	<u>\$ 61,101</u>

See Accompanying notes to the basic financial statements.

CITY OF GARBER, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GARBER MUNICIPAL AUTHORITY
 FISCAL YEAR ENDED JUNE 30, 2010

	Original	Final	Actual	Variance Over (Under)
REVENUES:				
Water	\$ 142,400	\$ 142,400	\$ 139,703	\$ 2,697
Sewer	49,708	49,708	49,793	(85)
Other	4,500	4,500	6,318	(1,818)
Bulk Water	-	-	3,564	(3,564)
Late Fees	-	-	4,568	(4,568)
	<u>196,608</u>	<u>196,608</u>	<u>203,947</u>	<u>(7,339)</u>
EXPENSES:				
Public Works Director	18,000	28,000	20,290	7,710
Water Department	21,000	21,000	21,521	(521)
Sewer Department	11,200	12,200	7,338	4,862
Water Tower	13,500	6,500	6,937	563
General	30,000	24,000	22,220	1,780
Dump Truck	-	7,332	600	6,732
Maintenance Worker	28,000	25,000	24,922	78
Depreciation	-	-	9,900	(9,900)
	<u>121,700</u>	<u>124,032</u>	<u>112,728</u>	<u>11,304</u>
OPERATING INCOME	<u>74,908</u>	<u>72,576</u>	<u>91,219</u>	<u>(18,643)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	1,200	1,200	1,555	(355)
Interest Expense (Debt Service)	(15,000)	(17,600)	(2,243)	(15,357)
Transfer In	-	-	-	-
Transfer Out	(75,000)	(75,000)	-	(75,000)
	<u>(88,800)</u>	<u>(91,400)</u>	<u>(689)</u>	<u>(90,711)</u>
NET REVENUES (EXPENSES)	<u>(13,892)</u>	<u>(18,824)</u>	<u>90,530</u>	<u>(109,354)</u>
BEGINNING RETAINED EARNINGS	620,303	620,303	620,303	(0)
ENDING RETAINED EARNINGS	<u>\$ 606,411</u>	<u>\$ 601,479</u>	<u>\$ 710,834</u>	<u>\$ (109,355)</u>

See Accompanying notes to the basic financial statements.