

TOWN OF GANS, OKLAHOMA

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NORTHEASTERN OKLAHOMA ACCOUNTING  
109 E. DELAWARE ★ TAHLEQUAH OKLAHOMA 74464

#### INDEPENDENT AUDITOR'S REPORT

To the City Council  
Town of Gans, Oklahoma

We 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 Town of Gans, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 Town of Gans, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 20 and 21 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 about

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 we obtained during our audit of the basic financial statements. We 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Gans, Oklahoma's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Northeastern Oklahoma Accounting, PLLC*

Tahlequah, Oklahoma

March 17, 2015

**Town of Gans, Oklahoma**  
**Statement of Net Assets**  
**June 30, 2014**

	Governmental		Business-Type		Total
	Activities	Activities	Activities	Activities	
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	10,556	22,299	32,855		
Certificates of Deposit	-	-	-		
Receivables:	-	-	-		
Taxes	-	-	-		
Other Funds/Trade Accounts	4,479	24,028	28,507		
Restricted Cash	6,986	30,416	37,402		
Total Current Assets	22,021	76,743	98,764		
Non-Current Assets:					
Capital Assets					
Automobiles	7,879	40,745	48,624		
Buildings	63,529	-	63,529		
Streets and Infrastructure	-	-	-		
Sewer and Water Systems	-	1,005,859	1,005,859		
Total Capital Assets	71,408	1,046,604	1,118,012		
Less: Accumulated Depreciation	(16,802)	(644,096)	(660,898)		
Total Non-Current Assets	54,606	402,508	457,114		
Total Assets	<u>76,627</u>	<u>479,251</u>	<u>555,878</u>		
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	2,580	30	2,610		
Accrued Interest	-	77	77		
Note Payable, Current Portion	-	7,631	7,631		
Other Funds	-	4,436	4,436		
Payable from Restricted Assets	-	24,330	24,330		
Customer Meter Deposits	2,580	36,504	39,007		
Total Current Liabilities	2,580	69,178	71,758		
Non-Current Liabilities:					
Notes Payable, Non-current Portion	-	93,439	93,439		
Total Non-Current Liabilities	-	93,439	93,439		
Total Liabilities	2,580	129,943	132,446		
<b>Net Assets</b>					
Invested in Capital, Net of Related Debt	54,606	301,438	356,044		
Restricted	-	6,086	6,086		
Unrestricted	19,441	41,784	61,225		
Total Net Assets	74,047	349,308	423,355		
Total Liabilities and Net Assets	<u>76,627</u>	<u>479,251</u>	<u>555,801</u>		

**Town of Gans, Oklahoma**  
**Statement of Activities**  
**June 30, 2014**

Function/Program	Expenses	Program Revenues		Net (Expense)/Revenue & Changes in Net Assets		
		Charges for Services	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	21,227	149	17,370	(3,708)	-	(3,708)
Public Safety	22,863	22,000	-	(863)	-	(863)
Street and Sanitation Clerk	17,391	-	-	(17,391)	-	(17,391)
Total Governmental Activities	61,481	22,149	17,370	(21,962)	-	(21,962)
Business-Type Activities						
Water & Sewer	232,469	208,962	-	-	(23,507)	(23,507)
Total Business-Type Activities	232,469	208,962	-	-	(23,507)	(23,507)
	293,950	231,111	17,370			
		General Revenues:				
		Sales and Use Tax		9,627	-	9,627
		Motor Vehicle Tax		1,965	-	1,965
		Franchise Tax		6,320	-	6,320
		Other Taxes		5,007	-	5,007
		Investment Earnings		-	77	77
		Miscellaneous		722	-	722
		Transfers		-	-	-
		Total Revenues & Transfers		23,641	77	23,718
		Change in Net Assets		1,679	(23,430)	(21,751)
		Net Assets, Beginning of Year		72,368	372,738	445,106
		Net Assets, End of Year		74,047	349,308	423,355

**Town of Gans, Oklahoma**  
**Balance Sheet - Governmental Funds**  
**June 30, 2014**

	<i>General</i>	<i>Special Revenue</i>	<i>Governmental Funds</i>	<i>Total</i>
<b>Assets</b>				
Cash and Cash Equivalents	5,840	4,716	10,556	
Receivables:				
Taxes	-	-	-	
Other Funds/Trade Accounts	4,479	-	4,479	
Restricted Cash	6,986	-	6,986	
Total Assets	<u>17,305</u>	<u>4,716</u>	<u>22,021</u>	
<b>Liabilities</b>				
Accounts Payable	2,580	-	2,580	
Total Liabilities	2,580	-	2,580	
<b>Fund Balances</b>				
Reserved	-	-	-	
Unreserved	14,725	4,716	19,441	
Total Fund Balances	<u>14,725</u>	<u>4,716</u>	<u>19,441</u>	
Liabilities and Fund Balances	<u>17,305</u>	<u>4,716</u>	<u>22,021</u>	

**Town of Gans, Oklahoma**  
**Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets**  
**June 30, 2014**

**Total Fund Balances - Governmental Funds** **19,441**

*Amounts reported for Governmental Activities in the Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of assets is \$71,408 and the accumulated depreciation is \$16,802 54,606

Capital lease obligations used in governmental activities are reported in the general long term account group and not as liabilities on the Statement of Net Assets -

**Total Net Assets - Governmental Activities** 74,047

**Town of Gans, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Net Assets - Governmental Funds**  
**For the Year Ended June 30, 2014**

	<i>General</i>	<i>Special Revenue</i>	<i>Governmental Funds</i>
<b>Revenues</b>			<b>Total</b>
Motor Vehicle Tax	-	1,965	1,965
Sales and Use Tax	9,627	-	9,627
Franchise Tax	6,320	-	6,320
Other Taxes	5,007	-	5,007
Permit and Fees	149	-	149
Grants	17,370	-	17,370
Police Fines	22,000	-	22,000
Miscellaneous	722	-	722
Interest	-	-	-
<b>Total Revenues</b>	<b>61,195</b>	<b>1,965</b>	<b>63,160</b>
<b>Expenditures</b>			
General Government	19,976	-	19,976
Public Safety	22,743	-	22,743
Streets	-	3,500	3,500
Capital Outlay	13,025	-	13,025
<b>Total Expenditures</b>	<b>55,744</b>	<b>3,500</b>	<b>59,244</b>
Excess of Revenues Over/(Under) Expenditures	5,451	(1,535)	3,916
<b>Other Financing Sources</b>			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>5,451</b>	<b>(1,535)</b>	<b>3,916</b>
Fund Balance at Beginning of Year	9,274	6,251	15,525
Fund Balance at End of Year	<u>14,725</u>	<u>4,716</u>	<u>19,441</u>

**Town of Gans, Oklahoma**  
**Reconciliation of the Governmental Fund Statement of Revenues, Expenditures Changes in Fund Balances to**  
**the Statement of Activities**  
**For the Year Ended June 30, 2014**

**Net Change in Fund Balances - Governmental Funds** **3,916**

*Amounts reported for Governmental Activities in the Statement of Net Assets are different because:*

In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the useful life of the assets (2,237)

Capital Outlays  
 Depreciation Expense

**Change in Net Assets - Governmental Activities** 1,679

Town of Gans, Oklahoma  
Statement of Net Assets - Proprietary Fund  
June 30, 2014

<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	22,299
Receivables:	24,028
Restricted Cash	<u>30,416</u>
Total Current Assets	76,743
Non-Current Assets:	
Capital Assets	
Water & Sewer System	1,005,859
Automobiles & Equipment	<u>40,745</u>
Total Capital Assets	1,046,604
Less: Accumulated Depreciation	<u>(644,096)</u>
Total Non-Current Assets	402,508
Total Assets	<u><u>479,251</u></u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	30
Accrued Interest	77
Note Payable, Current Portion	7,631
Other Funds	4,436
Payable from Restricted Assets	
Customer Meter Deposits	<u>24,330</u>
Total Current Liabilities	36,504
Non-Current Liabilities:	
Notes Payable, Non-current Portion	<u>93,439</u>
Total Non-Current Liabilities	
Total Liabilities	129,943
<b>Net Assets</b>	
Invested in Capital, Net of Related Debt	301,438
Restricted	6,086
Unrestricted	<u>41,784</u>
Total Net Assets	349,308
Total Liabilities and Net Assets	<u><u>479,251</u></u>

**Town of Gans, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund**  
**For the Year Ended June 30, 2014**

<b>Operating Revenues</b>		
Charges for Services	208,742	
Sales Tax Revenue	-	
Miscellaneous	220	
<b>Total Operating Revenues</b>	<b>208,962</b>	
<b>Operating Expenses</b>		
Water Purchased	86,736	
Sanitation	36,744	
Salaries and Related Expenses	46,811	
Office Supplies & Postage	4,025	
Water Testing	450	
Utilities & Telephone	5,003	
Repairs & Maintenance	3,829	
Contracted Services	3,385	
Memberships & Dues	1,915	
Insurance	6,968	
Other Expenses	4,397	
Depreciation	26,340	
<b>Total Operating Expenses</b>	<b>226,603</b>	
<b>Operating Income</b>	<b>(17,641)</b>	
<b>Non-Operating Revenue/(Expenses)</b>		
Grant Income	-	
Interest Income	77	
Interest Expense	(5,865)	
<b>Total Non-Operating Revenues/(Expenses)</b>	<b>(5,788)</b>	
<b>Net Income Before Operating Transfers</b>	<b>(23,429)</b>	
<b>Transfers</b>		
Transfers In	-	
Transfers Out	-	
<b>Change in Net Assets</b>	<b>(23,429)</b>	
<b>Net Assets, Beginning of Year</b>	<b>372,737</b>	
<b>Net Assets, End of Year</b>	<b>349,308</b>	

Town of Gans, Oklahoma  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended June 30, 2014

<b>Cash Flows from Operations</b>	
Cash received from Customers	208,962
Cash paid to Suppliers	(145,466)
Cash paid to Employees	(46,811)
<b>Net Cash Provided by Operating Activities</b>	<u>16,685</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Transfers Out	-
<b>Net Cash Used for Non-Capital Financing Activities</b>	<u>-</u>
<b>Cash Flows from Capital &amp; Related Financing Activities</b>	
Reduction in Long Term Debt	(5,301)
Purchase of Fixed Assets	-
Interest Paid	(5,865)
<b>Net Cash Used for Capital &amp; Related Financing Activities</b>	<u>(11,166)</u>
<b>Cash Flows from Investing Activities</b>	
Net Activity of Restricted Accounts	-
Interest Income	77
<b>Net Cash Provided by Investing Activities</b>	<u>77</u>
<b>Decrease in Cash &amp; Cash Equivalents</b>	5,596
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	<u>16,703</u>
<b>Cash &amp; Cash Equivalents, End of Year</b>	<u><u>22,299</u></u>

Town of Gans, Oklahoma  
Notes to Financial Statements  
June 30, 2014

**Note 1: Summary of Significant Accounting Policies**

**Reporting Entity**

The Town of Gans, Oklahoma is incorporated and operates under a statutory form of government as directed by Title 11 of Oklahoma statutes set forth in Title 11 and the Town is governed by three board members, each representing a ward within the Town. Major operations include police, public works, sanitation and streets, and general administrative services.

The financial statements of the Town have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. GAAP statements include all relevant Governmental Standards Board (GASB) pronouncements.

The accompanying financial statements present the Town and its component unit (Gans Public Works Authority), an entity for which the government is considered financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the government's operations and so data from this unit is included as part of the reporting entity. The Town's council members are the board of directors for the Gans Public Works Authority, they set the budget, and approve all significant management issues. Separate financial statements of the Authority are not issued.

**Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the Town as an entity and the change in aggregate financial position resulting from activities of the year. These aggregated statements consist of the Statement of Net Assets and Statement of Activities.

The statement of activities demonstrate the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Major

Town of Gans, Oklahoma  
Notes to Financial Statements  
June 30, 2014

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individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic 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 fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred.

Franchise taxes, sales taxes, other taxes, charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The Special Revenue Fund accounts for revenues and expenditures that are restricted. The Town's Special Revenue Fund consists of the Street Fund.

The Town reports the following major proprietary fund:

The Public Works Authority is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; (b) where the Council has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Public Works Authority of the Town of Gans, Oklahoma, consists of one fund – water and sewer.

Town of Gans, Oklahoma  
Notes to Financial Statements  
June 30, 2014

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**Assets, Liabilities and Net Assets or Equity**

**Cash and Cash Equivalents**

Cash balances from all funds are pooled and invested to the extent available in certificates of deposit. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid debt investments with a maturity of six months or less when purchased to be cash equivalents.

**Accounts Receivable**

Management establishes an allowance for uncollectible accounts based on historical collection experience and managements' evaluation of collectability. The allowance for doubtful accounts at June 30, 2014 was \$1,355.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add value or capacity to the assets or materially extend asset lives are not capitalized.

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

Water Plant and Sewer System	40 years
Automobiles	5 years
Equipment	10 years

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short term interfund loans are classified as due to/from other funds. All short-term interfund receivables and payables at year end are planned to be eliminated in the

Town of Gans, Oklahoma  
Notes to Financial Statements  
June 30, 2014

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subsequent year. Long term interfund loans are classified as advances to/from other funds. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

**Compensated Absences**

Employee's vacation and holiday leave does not vest or accumulate and sick leave is not normally paid without an illness related absence; therefore, no accruals for compensated absences have been reflected in the accompanying financial statements.

**Note 2: Budgetary Accounting**

The Town uses the following procedures in establishing the budgetary data reflected in the financial statements:

- a. The mayor submits to the Town Council a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the Town to obtain taxpayer comments.
- c. The Town Council adopts budget.
- d. The City Clerk, with approval is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Revenues shall be classified separately by source. Expenditures shall be departmentalized within each fund and shall be classified into at least the following accounts: Personal Services, Materials and Supplies, Other Services and Charges, Capital Outlays, Debt Service, and Transfers.

The Town prepares an annual operating budget for its General Fund, Special Revenue Fund, and Proprietary Funds.

The Town prepares its budget on the same basis of accounting as is used to prepare its non-budgetary financial statements.

Town of Gans, Oklahoma  
Notes to Financial Statements  
June 30, 2014

**Note 3: Bank Deposits**

The Town's bank account balances are as follows:

	Book Value	Bank Carrying Value
Town of Gans	13,246	13,246
Gans Public Works Authority	58,375	58,375
<b>Total</b>	<b>71,621</b>	<b>71,621</b>
FDIC Insured	71,621	71,621
Collateralized	-	-
<b>Total</b>	<b>71,621</b>	<b>71,621</b>

**Note 4: Restricted Assets-Cash**

Restricted cash represents amounts maintained in separate bank accounts for the purpose of segregating funds. Restricted cash consisted of the following as of June 30, 2014:

Consumer Meter Deposits	24,330
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Rural Development requires a reserve fund be maintained in an amount equal to one full year of installment payment. The balance in the Reserve Fund at June 30, 2014 was \$11,609 and is required to maintain a balance of \$10,908 resulting in the reserve being fully funded.

**Note 5: Changes in Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital Assets being Depreciated				
Automobiles and Equipment	7,879	-	-	7,879
Buildings and Building Improvements	63,529	-	-	63,529
<b>Total Capital Assets being Depreciated</b>	<b>71,408</b>	<b>-</b>	<b>-</b>	<b>71,408</b>
Less: Accumulated Depreciation				
Automobiles and Equipment	7,759	120	-	7,879
Buildings and Building Improvements	6,805	2,118	-	8,923
<b>Total Accumulated Depreciation</b>	<b>14,564</b>	<b>2,238</b>	<b>-</b>	<b>16,802</b>
Governmental Activities, Capital Assets, Net	<u>56,844</u>	<u>(2,238)</u>	<u>-</u>	<u>54,606</u>

**Town of Gans, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2014**

Depreciation expense for governmental activities is charged to functions as follows:

General Government	1,251
Public Safety	120
Street	867
Clerk	-
<b>Total Depreciation from Governmental Activities</b>	<b>2,238</b>

Capital asset activity for business-type activities for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
<b>Capital Assets being Depreciated</b>				
Automobiles and Equipment	40,745	-	-	40,745
Water Plant and Sewer System	1,005,859	-	-	1,005,859
Buildings and Building Improvements	-	-	-	-
<b>Total Capital Assets being Depreciated</b>	<b>1,046,604</b>	<b>-</b>	<b>-</b>	<b>1,046,604</b>
<b>Less: Accumulated Depreciation</b>				
Automobiles and Equipment	34,775	-	-	34,775
Water Plant and Sewer System	582,981	26,340	-	609,321
Buildings and Building Improvements	-	-	-	-
<b>Total Accumulated Depreciation</b>	<b>617,756</b>	<b>26,340</b>	<b>-</b>	<b>644,096</b>
<b>Business-type Activities, Capital Assets, Net</b>	<b>428,848</b>	<b>(26,340)</b>	<b>-</b>	<b>402,508</b>

**Note 6: Interfund Balances and Transfers**

	Interfund Transfers		Transfers In		Transfers Out
Governmental Funds					
General Fund			-		-
Special Revenue Fund			-		-
Business-type Fund					
Public Works Authority			-		-
<b>Total</b>			<b>-</b>		<b>-</b>

Town of Gans, Oklahoma  
Notes to Financial Statements  
June 30, 2014

Throughout the course of the year, the Town has to make occasional interfund transfers. The transfers are usually approved so that the fund receiving the money can continue to operate.

**Note 7: Concentration of Credit Risk**

Financial instruments that potentially subject the Town and Gans Public Works Authority to credit risk consist primarily of the accounts receivable of Gans Public Works Authority. The Authority sells primarily to citizens in and around Gans, Oklahoma.

**Note 8: Risk Management**

The Town is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance along with policies through Oklahoma Municipal Assurance Group for risk loss.

There has been no significant reduction in the Town's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Town's coverage in any of the prior three fiscal years.

**Note 9: Long Term Debt**

Notes Payable:	Outstanding Balance June 30, 2014
Rural Development:	
Original balance \$185,000 bearing 5.0% interest with monthly payments of \$909 per month. Matures November 2026, secured by utility plant	97,019
National Bank of Sallisaw	
Original balance \$15,970 bearing 3.5% interest with monthly payments of \$175 per month, Matures June 2015, secured by vehicle	4,051
Long Term Debt Outstanding	101,070

Town of Gans, Oklahoma  
Notes to Financial Statements  
June 30, 2014

Maturities of Long Term Debt due within the next five years are as follows:

2015	7,631
2016	5,902
2017	6,218
2018	6,521
2019	6,836
Thereafter	<u>67,962</u>
Total	101,070

**Note 10: Commitments and Contingencies**

**Grant Programs**

The Town participates in certain federal and state grant programs as available. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. The amount of expenditures that may be disallowed by the granting agency cannot be determined at this time, although it is believed by the Town that the amount, if any, would not be significant.

**Note 11: Insurance Coverage**

The Town purchases commercial insurance policies covering property casualty loss, public liability, board member and administrator liability, and workers compensation. The Town also purchases surety bonds for employees in all positions required by state law to be bonded.

**Town of Gans, Oklahoma**  
**Budgetary Comparison**  
**For the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable/</u> <u>(Unfavorable)</u>
<b>Revenues</b>			
Sales and Use Tax	8,200	9,627	1,427
Franchise Tax	5,500	6,320	820
Other Taxes	4,618	5,007	389
Permit and Fees	-	149	149
Grants	3,895	17,370	13,475
Police Fines	16,000	22,000	6,000
Miscellaneous	-	722	722
Interest	-	-	-
<b>Total Revenues</b>	<u>38,213</u>	<u>61,195</u>	<u>22,982</u>
<b>Expenditures</b>			
General Government	21,990	19,976	2,014
Public Safety	19,577	22,743	(3,166)
Streets	3,040	-	3,040
Capital Outlay	-	13,025	(13,025)
<b>Total Expenditures</b>	<u>44,607</u>	<u>55,744</u>	<u>(11,137)</u>
<b>Excess of Revenues Over/(Under) Expenditures</b>	(6,394)	5,451	11,845
<b>Other Financing Sources</b>			
Operating Transfers In	4,800	-	(4,800)
Operating Transfers Out	-	-	-
<b>Total Other Financing Sources</b>	<u>4,800</u>	<u>-</u>	<u>(4,800)</u>
<b>Net Change in Fund Balance</b>	<u>(1,594)</u>	<u>5,451</u>	<u>7,045</u>



NORTHEASTERN OKLAHOMA ACCOUNTING  
109 E. DELAWARE ★ TAHLEQUAH OKLAHOMA 74464

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

To the City Council  
Town of Gans, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Gans, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Gans, Oklahoma's basic financial statements, and have issued our report thereon dated March 17, 2015..

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Northeastern Oklahoma Accounting, PLLC*

Tahlequah, Oklahoma

March 17, 2015