TOWN OF GANS OKLAHOMA

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

JUNE 30, 2011

TOWN OF GANS, OKLAHOMA
June 30, 2011

Table of Contents

Page

Independent Auditors Report i

BASIC FINANCIAL STATEMENTS

Statements of Net Assets 1
Statements of Activities 2
Balance Sheet 3
Reconciliation of the Government Funds Balance Sheet
to the Statement of Net Assets 4
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds 5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities 6
Statement of Net Assets
Proprietary Funds 7
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds 8
Statement of Cash Flows
Proprietary Funds 9

NOTES

Notes to Financial Statements 10

ADDITIONAL REQUIRED REPORTS

Budgetary Comparison Schedule
General Fund 20

Report on Compliance and Internal Control Over Financial
Reporting Based on an Audit of Financial Statement
Performed in Accordance with *Government Auditing*
Standards 21

AUDIT REPORT

BARRY SPYRES Certified Public Accountant

118 West Cherokee • Sallisaw, Oklahoma 74955 • (918) 775-4048 • Fax (918) 776-9018 • bspyres@diamondnet.us

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Trustees
Town of Gans, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Gans, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Gans. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted this 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. 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 also 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.

The Town of Gans has not presented the management discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In my 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, each major fund, and the remaining fund information of the Town of Gans, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* I have also issued a report dated February 27, 2012, on my consideration of the Town of Gans, State of Oklahoma's internal control over financial reporting and 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 our testing of 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.

The budgetary comparison information is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Barry Spyres, CPA
February 27, 2012

BASIC FINANCIAL STATEMENTS

TOWN OF GANS, OKLAHOMA
Statement of Net Assets
June 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
CURRENT ASSETS:			
Cash and Cash Equivalents	$ 7,977	$ 10,864	$ 18,841
Certificates of Deposit	-	-	-
Receivables			
Taxes	726	-	726
Other Funds/Trade Accounts	4,479	19,842	24,321
Restricted Cash Accounts	6,750	36,404	43,154
TOTAL CURRENT ASSETS	$ 19,932	$ 67,110	$ 87,042
NONCURRENT ASSETS:			
Capital Assets:			
Automobiles and Equipment	$ 6,979	$ 34,775	$ 41,754
Buildings	37,529	-	37,529
Streets and Infrastructure	-	-	-
Sewer and Water Systems	-	1,005,859	1,005,859
Total Capital Assets	44,508	1,040,634	1,085,142
Less Accumulated Depreciation	(9,254)	(569,798)	(579,052)
TOTAL NONCURRENT ASSETS	$ 35,254	$ 470,836	$ 506,090
TOTAL ASSETS	$ 55,186	$ 537,946	$ 593,132
LIABILITIES:			
CURRENT LIABILITIES			
Accounts Payable	1,057	8,479	9,536
Note Payable Current Portion	-	5,602	5,602
Other Funds	-	4,286	4,286
Payable from Restricted Assets			
Customer Meter Deposits	-	19,037	19,037
TOTAL CURRENT LIABILITIES	$ 1,057	$ 37,404	$ 38,461
NONCURRENT LIABILITIES			
Notes Payable Non-Current	$ -	$ 108,257	$ 108,257
TOTAL NONCURRENT LIABILITIES	$ -	$ 108,257	$ 108,257
TOTAL LIABILITIES	$ 1,057	$ 145,661	$ 146,718
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	$ 35,254	$ 356,977	$ 392,231
Restricted	6,750	36,404	43,154
Unrestricted	12,125	(1,096)	11,029
TOTAL NET ASSETS	$ 54,129	$ 392,285	$ 446,414

See accompanying notes and independent auditor's report

TOWN OF GANS, OKLAHOMA
Statement of Activities
For the Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS: GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS: BUSINESS TYPE ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS: TOTAL
GOVERNMENTAL ACTIVITIES						
General Government	$ 34,155	$ -	$ 14,288	$ (19,867)	$ -	$ (19,867)
Public Safety	7,010	20,330	-	13,320		13,320
Street and Sanitation	1,538	-	-	(1,538)		(1,538)
Clerk	-	-	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	$ 42,703	$ 20,330	$ 14,288	$ (8,085)	$ -	$ (8,085)
BUSINESS-TYPE ACTIVITIES						
Water and Sewer	$ 214,269	$ 198,542	$ -	$ -	$ (15,727)	$ (15,727)
TOTAL BUSINESS-TYPE ACTIVITIES	$ 214,269	$ 198,542	$ -	$ -	$ (15,727)	(15,727)
TOTAL	$ 256,972	$ 218,872	$ 14,288			
GENERAL REVENUES:						
Sales and use tax				$ 9,421	$ -	$ 9,421
Motor Vehicle Tax				2,245		2,245
Franchise Tax				6,998		6,998
Other taxes				1,508		1,508
Investment earnings				5	209	214
Miscellaneous				4,435		4,435
TRANSFERS				2,000	(2,000)	-
TOTAL GENERAL REVENUES AND TRANSFERS				$ 26,612	$ (1,791)	$ 24,821
CHANGE IN NET ASSETS				$ 18,527	$ (17,518)	$ 1,009
NET ASSETS BEGINNING OF YEAR				35,602	409,803	445,405
NET ASSETS END OF YEAR				$ 54,129	$ 392,285	$ 446,414

See accompanying notes and independent auditor's report.

TOWN OF GANS, OKLAHOMA
Balance Sheet
Governmental Funds
June 30, 2011

	GENERAL	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
ASSETS:			
Cash and Cash Equivalents	$ 4,603	$ 3,374	$ 7,977
Receivables			
Taxes Recivable	-	726	726
Due from Other Funds	4,479	-	4,479
Restricted Cash	6,750	-	6,750
TOTAL ASSETS	$ 15,832	$ 4,100	$ 19,932
LIABILITIES & FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 1,057	$ -	$ 1,057
TOTAL LIABILITIES	$ 1,057	$ -	$ 1,057
FUND BALANCES			
Resevered	$ -	$ -	$ -
Unreserved	14,775	4,100	18,875
TOTAL FUND BALANCES	$ 14,775	$ 4,100	$ 18,875
TOTAL LIABILITIES & FUND BALANCES	$ 15,832	$ 4,100	$ 19,932

See accompanying note and independent auditor's report.

TOWN OF GANS, OKLAHOMA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	$	18,875
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 therefore are not reported as assets in governmental funds. The cost of assets is $44,508 and the accumulated depreciation is $9,254		35,254
Capital Lease obligations used in governmental activities are reported in the general long term account group and not as liablitieson the statement of net assets.		
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	$	54,129

See accompanying notes and independent auditor's report.

TOWN OF GANS, OKLAHOMA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	GENERAL	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Motor Vehicle Tax	$ -	$ 2,245	$ 2,245
Sales and Use Tax	9,421	-	9,421
Franchise Tax	6,998	-	6,998
Other Taxes	1,508	-	1,508
Permits and Fees	-	-	-
Grants	14,288	-	14,288
Police Fines	20,330	-	20,330
Miscellaneous	4,435	-	4,435
Interest	5	-	5
TOTAL REVENUES	$ 56,985	$ 2,245	$ 59,230
EXPENDITURES			
General Government	$ 31,502	$ -	$ 31,502
Public Safty	7,010	-	7,010
Streets	-	1,538	1,538
Capital Outlays	13,919	-	13,919
TOTAL EXPENDITURES	$ 52,431	$ 1,538	$ 53,969
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 4,554	$ 707	$ 5,261
OTHER FINANCING SOURCES			
Operating Transfers In	2,000	-	2,000
Operating Transfers Out	$ -	$ -	$ -
TOTAL OTHER FINANCING SOURCES	-	-	-
	$ 2,000	$ -	$ 2,000
NET CHANGE IN FUND BALANCE	$ 6,554	$ 707	$ 7,261
FUND BALANCE AT BEGINNING OF YEAR	8,221	3,393	11,614
FUND BALANCE AT END OF YEAR	$ 14,775	$ 4,100	$ 18,875

See accompanying notes and independent auditor's report.

TOWN OF GANS, OKLAHOMA
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	$ 7,261
Amounts reported for governmental *activities* in the statement of activities are different because:	
Capital outlays are reported in governmental funds expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense $2,653 is exceeded by capital outlays $13,919 in the period.	11,266
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 18,527

See accompanying notes and independent auditor's report.

TOWN OF GANS, OKLAHOMA
Statement of Net Assets
Proprietary Funds
June 30, 2011

ASSETS:				
CURRENT ASSETS				
Cash and Cash Equivalents	$	10,864		
Receivables		19,842		
Restricted Cash		36,404		
TOTAL CURRENT ASSETS			$	67,110
NONCURRENT ASSETS				
Due from Primary Government	$	-		
Capital Assets				
Water and Sewer Systems		1,005,859		
Automobiles and Equipment		34,775		
TOTAL CAPITAL ASSETS	$	1,040,634		
Less Accumulated Depreciation		(569,798)		
NET CAPITAL ASSETS		470,836		
TOTAL NONCURRENT ASSETS				470,836
TOTAL ASSETS			$	537,946
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	$	8,479		
Due to Other Funds		4,286		
Current Portion of Long Term Debt		5,602		
TOTAL CURRENT LIABILITIES				18,367
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Customer Meter Deposits	$	19,037		
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				19,037
NONCURRENT LIABILITIES				
Long Term Debt	$	108,257		
TOTAL NONCURRENT LAIBILITIES				108,257
TOTAL LIABILITIES			$	145,661
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$	356,977		
Restricted		36,404		
Unrestricted		(1,096)		
TOTAL NET ASSETS			$	392,285

See accompanying notes and independent auditor's report.

TOWN OF GANS, OKLAHOMA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

OPERATING REVENUES		
Charges for services	$ 197,821	
Sales tax revenue	-	
Miscellaneous	721	
TOTAL OPERATING REVENUES		$ 198,542
OPERATING EXPENSES		
Water Purchased	$ 74,775	
Sanitation	35,577	
Salaries and related expenses	47,241	
Office Supplies and Postage	2,745	
Water Testing	1,086	
Utilities and Telephone	6,963	
Repairs and Maintenance	3,639	
Contracted Services	4,453	
Memberships and Dues	918	
Insurance	3,687	
Other Expenses	3,959	
Depreciation	23,979	
TOTAL OPERATING EXPENSES		209,022
OPERATING INCOME		$ (10,480)
NON-OPERATING REVENUE (EXPENSES)		
Grant Income	$ -	
Interest Income	209	
Interest Expense	(5,247)	
TOTAL NON-OPERATING REVENUE (EXPENSES)		(5,038)
NET INCOME BEFORE OPERATING TRANSFERS		$ (15,518)
TRANSFERS		
Transfers In		-
Transfers Out		(2,000)
CHANGE IN NET ASSETS		(17,518)
BEGINNING OF YEAR NET ASSETS		409,803
END OF YEAR NET ASSETS		$ 392,285

See accompanying notes and independent auditor's report.

TOWN OF GANS, OKLAHOMA
Statement of Cash Flows Proprietary Funds
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATIONS		
Cash Received from Customers	$ 196,097	
Cash Payments from Suppliers	(134,535)	
Cash Payments to Employees	(47,241)	
NET CASH PROVIDED BY OPERATING ACTIVITIES		$ 14,321
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers Out	$ (2,000)	
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES		(2,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Reduction in Long Term Debt	$ (5,661)	
Purchase of Fixes Assets	-	
Interest Paid	(5,247)	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES		(10,908)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Activity of Restricted Accounts	$ (2,578)	
Interest Income	209	
NET CASH PROVIDED BY INVESTING ACTIVITIES		(2,369)
DECREASE IN CASH AND CASH EQUIVALENTS		$ (956)
CASH AND CASH EQUIVALENTS - Beginning of Year		11,820
CASH AND CASH EQUIVALENTS - End of Year		$ 10,864

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	$ (10,480)
Adjustments:	
Depreciation	23,979
Net change in Assets and Liabilities	
Trade Accounts Receivable	(2,445)
Accounts Payable	3,267
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 14,321

See accompanying notes and independent auditor's report

NOTES

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Gans, Oklahoma is incorporated and operates under a statutory town form of government as directed by Title 11 of the 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 Principals (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting 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 sustain ability of the Town as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The statement of activities demonstrates 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 instead 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 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 with 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 revenue items 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 funds account for revenue and expenditures that are restricted the town special revenue fund consisted 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 - the water and sewer department.

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 instruments 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 management's evaluation of collectability the allowance for doubtful accounts at June 30th 2011 was $1,119.

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 columns 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 are repairs that do not add to the value or capacity of the asset or materiality extend assets lives are not capitalized.

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

	Years
Water Plant and Sewer System	40
Automobiles	5
Equipment	10

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 these 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 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 the 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, and debt service, and transfers.

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

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

NOTE (3) BANK DEPOSITS

The Town's bank account balances are as follows:

	Book Value	Bank Carrying Value
Town of Gans	$ 14,727	$ 14,727
Gans Public Works Authority	47,268	47,268
Total	$ 61,995	$ 61,995
Town of Gans/Gans Public Works		
FDIC Insured	$ 61,995	$ 61,995
Collateralized	0	0
Total	$ 61,995	$ 61,995

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:

Consumer Meter Deposits	$ 18,716
Restricted Sewer Accounts	17,688
Total Restricted Cash	$ 36,404

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 30th 2010 was $11,236 and is required to maintain a balance of $10,908 resulting in the reserve fund being fully funded.

NOTE (5) CHANGES IN CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2010 was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Capital Assets being Depreciated				
Automobiles and Equipment	$ 6,979.00	$ -	$ -	$ 6,979.00
Buildings and Building Improvements	23,610.00	13,919.00	-	37,529.00
Total Capital Assets being Depreciated	$ 30,589.00	$ 13,919.00	$ -	$ 44,508.00
Less Accumulated Depreciation				
Automobiles and Equipment	5,421.00	778.00	-	6,199.00
Buildings and Building Improvements	1,180.00	1,875.00	-	3,055.00
Total Accumulated Depreciation	$ 6,601.00	$ 2,653.00	$ -	$ 9,254.00
Governmental Activities, Capital Assets, Net	$ 23,988.00	$ 11,266.00	$ -	$ 35,254.00

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

General Government	$ 1,180.00
Public Safety	778.00
Street	695.00
Clerk	-
Total Depreciation from Governmental Activities	$ 2,653.00

Capital asset activity for business-type activities for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Capital Assets, being Depreciated				
Automobiles and Equipment	$ 34,775.00	$ -	$ -	$ 34,775.00
Water Plant and Sewer Systems	1,005,859.00	-	-	1,005,859.00
Buildings and Building Improvements	-	-	-	-
Total Capital Assets being Depreciated	$ 1,040,634.00	$ -	$ -	$ 1,040,634.00
Less Accumulated Depreciation				
Automobiles and Equipment	34,775.00	-	-	34,775.00
Water Plant and Sewer Systems	511,044.00	23,979.00	-	535,023.00
Buildings and Building Improvements	-	-	-	-
Total Accumulated Depreciation	$ 545,819.00	$ 23,979.00	$ -	$ 569,798.00
Business-Type Activities, Capital Assets, Net	$ 494,815.00	$ (23,979.00)	$ -	$ 470,836.00

NOTE (6) INTER-FUND BALANCES AND TRANSFERS

Interfund Transfers

	Transfers In	Transfers Out
Governmental Funds		
General	$ 2,000	$ 0
Special Revenue	0	0
Business-Type Fund		
Public Works Authority	0	2,000
Total	$ 2,000	$ 2,000

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) CONCENTRATIONS 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. Gans Public Works 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

Gans Public Works Authority

Notes Payable:	Outstanding Debt June 30, 2011
Rural Development	
Original balance of $185,000 bearing 5.00% interest with monthly payment of $909 per month. Matures November 12th 2026, secured by utility plant service.	$ 113,859
Less Current Portion	(5,602)
Total	$ 108,257

Maturities of Long-term Debt due within the next five (5) years are as follows:

Year	Amount
2013	$ 5,096
2014	5,631
2015	5,902
2016	6,218
2017	6,521
Beyond five years	78,387
Total	$ 108,257

ADDITIONAL REQUIRED REPORTS AND SCHEDULES

TOWN OF GANS, OKLAHOMA
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Motor Vehicle Tax	$ -	$ -	$ -
Sales and Use Tax	16,346	9,421	(6,925)
Franchise Tax	8,023	6,998	(1,025)
Other Taxes	1,302	1,508	206
Permits and Fees	-	-	-
Grants	-	14,288	14,288
Police Fines	-	20,330	20,330
Miscellaneous	2,000	4,435	2,435
Interest	-	5	5
TOTAL REVENUES	$ 27,671	$ 56,985	$ 29,314
EXPENDITURES			
General Government	12,096	31,502	(19,406)
Public Safty	18,921	7,010	11,911
Streets	-	-	-
Capital Outlays	-	13,919	(13,919)
TOTAL EXPENDITURES	$ 31,017	$ 52,431	$ (21,414)
EXCESS OR REVENUES OVER (UNDER) EXPENDITURES	$ (3,346)	$ 4,554	$ 7,900
OTHER FINANCIAL SOURCES			
Operating Transfers In	$ -	$ 2,000	$ 2,000
Operating Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES	$ -	$ 2,000	$ 2,000
NET CHANGE IN FUND BALANCE	$ (3,346)	$ 6,554	$ 9,900

See accompanying notes and independent auditor's report.

BARRY SPYRES Certified Public Accountant

118 West Cherokee • Sallisaw, Oklahoma 74955 • (918) 775-4048 • Fax (918) 776-9018 • bspyres@diamondnet.us

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Town Council
Town of Gans, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and remaining fund information of the Town of Gans, Oklahoma as of and for the year ended June 30, 2011, and have issued my report thereon dated February 27, 2012 I conducted the audit in accordance with 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 our audit, I considered the Town of Gans internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Gans, internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Gans , Oklahoma 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 Town of Gans, 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 Town of Gans, financial statements that is more than inconsequential will not be prevented or detected by the Town of Gans, 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 Town of Gans, 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 I consider to be material weaknesses, as defined above, however I noted certain matters that I have reported to management of the Town of Gans in a separate letter dated February 27, 2012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Gans, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I 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*.

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.

Barry Spyres, CPA
February 27, 2012