

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018
Together With Independent Auditor's Report

TOWN OF COPAN GOVERNMENTAL UNIT COPAN, OKLAHOMA

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TOWN OF COPAN GOVERNMENTAL UNIT

COPAN, OKLAHOMA

June 30, 2018

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TOWN OF COPAN GOVERNMENTAL UNIT
COPAN, OKLAHOMA

June 30, 2018

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Independent Auditor's Report

To the Town Council
Town of Copan, Oklahoma

Report on the Financial Statements

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 Town of Copan, Oklahoma, as of and for the year ended June 30, 2018, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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 aggregate remaining fund information of the Town of Copan, Oklahoma, as of June 30, 2018, 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, pension exhibits, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the pension exhibits, on pages 29 through 31, and to the budgetary comparison information, on pages 32 through 35, 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. Management has elected not to present management's discussion and analysis. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 28, 2020 on my consideration of the Town of Copan'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 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Copan, Oklahoma's internal control over financial reporting and compliance.



Stroud, Oklahoma
September 28, 2020

TOWN OF COPAN
STATEMENT OF NET POSITION

As of June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 357,345	\$ 118,866	\$ 476,211
Restricted Cash and Cash Equivalents	-	168,341	168,341
Accounts Receivable-Tax Revenues	25,644	-	25,644
Accounts Receivable-Utilities, net	-	167,473	167,473
Accounts Receivable-Other	-	3,446	3,446
Sales Tax Receivable-OTC	-	34,275	34,275
Due From (To) Other Funds	(8,829)	8,829	-
Capital Assets:			
Non-depreciable	3,000	274,278	277,278
Depreciable (Net)	484,756	1,318,163	1,802,919
Total Assets	861,916	2,093,671	2,955,587
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	6,090	18,992	25,082
Total Deferred Outflows	6,090	18,992	25,082
LIABILITIES			
Current Liabilities:			
Accounts Payable	922	98,768	99,690
Customer Deposits	-	75,340	75,340
Current Portion Notes Payable	27	98,371	98,398
Non-Current Liabilities:			
Net Pension Liability	24,653	96,623	121,276
Notes Payable	28,795	73,474	102,269
Total Liabilities	54,397	442,576	496,973
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	2,884	7,964	10,848
Total Deferred Inflows	2,884	7,964	10,848
NET POSITION			
Invested in Capital Assets	458,934	1,420,596	1,879,530
(net of related debt & accum. deprec.)			
Restricted for:			
Debt Service	-	93,001	93,001
Unrestricted (Deficit)	351,791	148,526	500,317
Total Net Position	\$ 810,725	\$ 1,662,123	\$ 2,472,848

The notes to the financial statements are an integral part of this statement.

TOWN OF COPAN
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Function/Program Activities	Program Revenues				Net (Expense) Re
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 50,874	\$ -	\$ -	\$ -	\$ (50,874)
Public Safety	103,309	25,838	-	20,539	(56,932)
Streets	22,676	-	-	-	(22,676)
Cultural and Recreation	5,066	-	-	-	(5,066)
Total Governmental Activities	<u>181,925</u>	<u>25,838</u>	<u>-</u>	<u>20,539</u>	<u>(135,548)</u>
Business-type Activities:					
Utilities - PWA	1,231,423	1,174,291	-	-	-
Interest on Long-Term Debt	12,275	-	-	-	-
Total Business-type Activities	<u>1,243,698</u>	<u>1,174,291</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 1,425,623</u>	<u>\$ 1,200,129</u>	<u>\$ -</u>	<u>\$ 20,539</u>	<u>\$ (135,548)</u>
General Revenues:					
Taxes:					
Tobacco Tax					1,524
Sales Tax					115,644
Gas Tax					1,380
Motor Vehicle Tax					5,139
Franchise Tax					871
Alcoholic Beverage Tax					2,407
Miscellaneous					381
Investment Earnings					135
Transfers-Internal Activity					-
Loss on Sales of Assets					(4,205)
Total General Revenue and Transfers					<u>123,276</u>
Change in Net Assets					<u>(12,272)</u>
Net Position - Beginning					<u>822,997</u>
Net Position - Ending					<u>\$ 810,725</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COPAN
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	General	Street & Alley	Fireman's Special	Library Fund	Park Fund	Total Government Funds
ASSETS						
Cash	\$ 124,687	\$ 184,582	\$ 45,235	\$ 2,841	\$ -	\$ 357,345
Accounts Receivable - Motor Vehicle Tax	-	891	-	-	-	891
Accounts Receivable - Sales Tax	15,582	7,791	-	-	-	23,373
Accounts Receivable - Gas Tax	-	801	-	-	-	801
Accounts Receivable - Alcoholic Beverage Tax & Other	579	-	-	-	-	579
Due (To)/From Other Funds	(4,150)	(1,680)	(2,999)	-	-	(8,829)
Total Assets	<u>136,698</u>	<u>192,385</u>	<u>42,236</u>	<u>2,841</u>	<u>-</u>	<u>374,160</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	922	-	-	-	-	922
Accrued Salaries	-	-	-	-	-	-
Total Liabilities	<u>922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>922</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	192,385	42,236	-	-	234,621
Assigned	-	-	-	2,841	-	2,841
Unassigned	135,776	-	-	-	-	135,776
Total Fund Balances	<u>135,776</u>	<u>192,385</u>	<u>42,236</u>	<u>2,841</u>	<u>-</u>	<u>373,238</u>
Total Liabilities and Fund Balances	<u>\$ 136,698</u>	<u>\$ 192,385</u>	<u>\$ 42,236</u>	<u>\$ 2,841</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets

909,661

Less accumulated depreciation

(421,905)

Long-term liabilities and assets are not receivable/payable in the current period and therefore are not reported in the funds:

487,756

Pension related deferred outflows

6,090

Pension related deferred inflows

(2,884)

Pension liability

(24,653)

Note payable-fire truck

(28,822)

(50,269)

Net position of governmental activities

\$ 810,725

TOWN OF COPAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	General	Street & Alley	Fireman's Special	Library Fund	Park Fund	Total Governmental Funds
REVENUES						
Franchise Tax	\$ 871	\$ -	\$ -	\$ -	\$ -	\$ 871
Donations	-	-	16,795	-	-	16,795
Sales Tax	77,096	38,548	-	-	-	115,644
Gasoline Tax	-	1,380	-	-	-	1,380
Motor Vehicle Tax	-	5,139	-	-	-	5,139
Tobacco Tax	1,524	-	-	-	-	1,524
Alcoholic Beverage Tax	2,407	-	-	-	-	2,407
Mosquito Fees	3,339	-	-	-	-	3,339
Interest	58	58	16	2	1	135
Miscellaneous	221	-	29	-	131	381
Fire Dues	-	-	22,499	-	-	22,499
Sale of Assets	6,500	-	-	-	-	6,500
Grant Income	-	-	3,744	-	-	3,744
TOTAL REVENUE	<u>92,016</u>	<u>45,125</u>	<u>43,083</u>	<u>2</u>	<u>132</u>	<u>180,358</u>
EXPENDITURES						
General Government	49,869	-	-	-	-	49,869
Highways & Streets	-	2,277	-	-	-	2,277
Cultural and Recreation	2,749	-	-	-	9	2,758
Public Safety	70,769	-	19,577	-	-	90,346
TOTAL EXPENDITURES	<u>123,387</u>	<u>2,277</u>	<u>19,577</u>	<u>-</u>	<u>9</u>	<u>145,250</u>
Excess (deficiency) of Revenues Over (under) Expenditures	(31,371)	42,848	23,506	2	123	35,108
OTHER FINANCING SOURCES (USES)						
Transfer In/(Out)	25,351	(412)	(22,500)	-	(2,439)	-
Contributed Capital	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>25,351</u>	<u>(412)</u>	<u>(22,500)</u>	<u>-</u>	<u>(2,439)</u>	<u>-</u>
Net Change in Fund Balances	(6,020)	42,436	1,006	2	(2,316)	35,108
FUND BALANCES, Beginning of Year	<u>141,796</u>	<u>149,949</u>	<u>41,230</u>	<u>2,839</u>	<u>2,316</u>	<u>338,130</u>
FUND BALANCES, End of Year	<u>\$ 135,776</u>	<u>\$ 192,385</u>	<u>\$ 42,236</u>	<u>\$ 2,841</u>	<u>\$ -</u>	<u>\$ 373,238</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COPAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended 30, 2018

Net change in Fund Balances - Total Governmental Funds	\$ 35,108
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

Fixed Assets Purchased	22,500	
Current year depreciation	<u>(60,168)</u>	
		(37,668)

Some revenues/expenses reported in the statement of activities do not
require the use of current financial resources and are not reported as
revenues/expenditures in governmental fund.

Net (increase) decrease in pension expense		(13,692)
Net loan principle paid on fire truck loan		14,685
Loss on sale of assets		(10,705)

Change in net position of governmental activities	<u><u>\$ (12,272)</u></u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF COPAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2018

	Copan Public Works Authority
ASSETS	
Current Assets	
Cash	\$ 118,866
Restricted Cash and Cash Equivalents	168,341
Accounts Receivable - Utilities (net)	167,473
Accounts Receivable - Other	3,446
Sales Tax Receivable-OTC	34,275
Due from Other Funds	8,829
Total Current Assets	<u>501,230</u>
Non-Current Assets	
Capital Assets:	
Land	117,503
Construction in Progress	156,775
Sewer Plant	1,451,308
Gas System	459,301
Water System and Tower	1,790,163
Electrical System	40,200
Equipment, Vehicles and Other	406,043
Less: Accumulated Depreciation	<u>(2,828,852)</u>
Total Non-Current Assets	<u>1,592,441</u>
Total Assets	<u><u>2,093,671</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amounts Related to Pensions	<u>18,992</u>
Total Deferred Outflows	<u>18,992</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	98,768
Customer Deposits	75,340
Current Portion of Long-Term Debt	<u>98,371</u>
Total Current Liabilities	<u>272,479</u>
Non-Current Liabilities	
Net Pension Liability	96,623
Notes Payable - Due After One Year	<u>73,474</u>
Total Long-Term Liabilities	<u>170,097</u>
Total Liabilities	<u><u>442,576</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Amounts Related to Pensions	<u>7,964</u>
Total Deferred Outflows	<u>7,964</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	1,420,596
Restricted:	
Debt Service	93,001
Unrestricted	<u>148,526</u>
Total Net Position	<u><u>\$ 1,662,123</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COPAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Copan Public Works Authority
OPERATING REVENUES	
Utility Service Revenue - net	\$ 1,151,100
Miscellaneous Including Penalties	23,191
Total Operating Revenues	<u>1,174,291</u>
OPERATING EXPENSES	
Computer Support	\$ 1,079
Depreciation Expense	124,795
Dues	2,055
Engineering	3,795
Fringe Benefits	26,104
Fuel and Oil	5,392
Insurance	8,715
Interest Expense	12,275
Legal & Accounting	18,657
Mileage	104
Miscellaneous Expense	4,983
Office Expense	19,458
Payroll Taxes	11,370
Phone and Internet	4,292
Police Expense	6,149
Postage	3,098
Publishing	314
Purchase of Electric	364,539
Purchase of Gas	121,402
Repairs and Maintenance	3,784
Security	663
Supplies	183,560
Testing, Fees, etc	65,157
Training	530
Trash	54,206
Wages	197,222
Total Operating Expenses	<u>1,243,698</u>
OPERATING INCOME (LOSS)	<u>(69,407)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	-
Grant Income	-
Total Non-Operating Revenues (Expenses)	<u>-</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	<u>(69,407)</u>
Transfers In (Out)	-
Total Operating Transfers	<u>-</u>
Change in Net Assets	<u>(69,407)</u>
Net Position - Beginning of Year	<u>1,731,530</u>
Net Position - Ending of Year	<u><u>\$ 1,662,123</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COPAN GOVERNMENTAL UNIT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Fiscal Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 1,216,143
Cash Payments to Suppliers for Goods & Services	(912,444)
Cash Payments to Employees for Services	(202,248)
Net Cash Provided by (used for) Operating Activities	<u>101,451</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Increase (Decrease) in Customer Deposits	<u>-</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>-</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase Capital Assets, net	(210,674)
Net Payments from (to) Other Funds	(10,326)
Loan Proceeds/Principal Paid on Notes, net	(108,514)
Interest Paid on Notes	(12,275)
Grant Proceeds	<u>-</u>
Net Cash Provided by (used for) Capital & Related Financing Activities	<u>(341,789)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	<u>-</u>
Net Cash Provided by (used for) Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(240,338)
Cash and Cash Equivalents at Beginning of Year	<u>527,545</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 287,207</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COPAN GOVERNMENTAL UNIT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For Fiscal Year Ended June 30, 2018

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (69,407)
Adjustments to Reconcile Operating Income to	
Net Cash Provided by (Used for) Operating Activities:	
Depreciation	124,795
Interest Expense	12,275
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable - Utilities	41,852
(Increase) Decrease in Sales Tax Receivable-OTC	(34,275)
(Increase) Decrease in Prepaid Expenses	2,642
Increase (Decrease) in Accounts Payable/Accrued Liabilities	29,507
Increase (Decrease) in Payroll Liabilities	<u>(5,938)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 101,451</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1: Summary of Significant Accounting Policies

The Town of Copan operates under a Town Board of Trustees form of government under Title 11 of the Oklahoma Statutes. The Town provides the following services to its citizens: streets, public safety (fire), sanitation, water, sewer, gas, electric and administrative services.

A. Principles Determining the Scope of Reporting Entity

For financial reporting purposes, the Town included all component units that are controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Town, obligation of the Town to finance any deficit, which may occur or receipt of significant subsidies from the Town.

Due to restrictions of the State Constitution relating to the issuance of municipal debt, the Town created a public trust to finance Town services with revenue bonds or other non-general obligation financing. Financing services provided by the public trust are solely for the benefit of the Town. The public trust created to provide financing services is blended into the Town's primary government although retaining separate legal identity.

The Copan Public Works Authority operates the Town's water and sewer, gas, electric and trash pick-up utility systems. The Authority leases from the Town the facilities existing at or acquired after November 1, 1978, for the water, sanitary sewer, gas and solid waste management systems.

On February 4, 1986, an agreement was made with the Town in which the assets, liabilities, and operations of the electric utility were placed under the control of the Authority through an amendment to the existing fifty-year lease agreement which terminates October 30, 2029.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. In this reporting model the focus is on either the Town as a whole or on major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt obligations.

GASB No. 34 requires infrastructure assets to be included in the government-wide financial statements. These assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Infrastructure assets acquired since 1980 were to be capitalized and reported under GASB 34. An exception existed for governments with less than \$10 million in annual revenues which includes the Town of Copan. The exception states that these governments are only required to report their infrastructure assets acquired prospectively, i.e., no retroactive reporting is required. The Town is reporting infrastructure assets on a prospective basis.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, general government, etc.) which are otherwise being supported by general governmental revenues (sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from fines and forfeitures, licenses and permits fees, and charges for services. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1: Summary of Significant Accounting Policies: (Continued)

The net costs (by function or business-type activity) are normally covered by general revenue (sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements emphasize the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. For the Town, all government-type and business-type funds have been listed whether major or not.

Totals on the proprietary fund statements should directly reconcile to the business-type activity column presented in the government-wide statements.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This differs from the manner in which these funds are normally budgeted, which is on the budgetary basis.

This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Town's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental column of the government-wide presentation.

C. Basis of Presentation

The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are grouped by type in the financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activity. The principal operating revenues for the Copan Public Works Authority are charges to customers for sales and services. Operating expenses include cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1. Governmental Fund Types

General Fund - The general fund is the general operating fund of the Town, which accounts for all financial transactions not properly accounted for in other funds.

Special Revenue Funds – The special revenue funds consist of the Firemen's Special Revenue, the Street and Alley Fund, the Library Fund, and the Park Fund. They account for operating funds for which revenues were derived from specific taxes, grants or other earmarked revenue sources.

2. Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b)

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1: Summary of Significant Accounting Policies: (Continued)

2. Proprietary Funds (Continued)

where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

There is one accounting entity: the Copan Public Works Authority. The Public Works Authority accounts for revenues and expenses from the sale of electric, water, trash services, sewer and gas.

3. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, if any, are incorporated into the Governmental column in the Government-Wide Statement of Net Position.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Accrual - Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual - all governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The Town defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be 60 days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. Also, accumulated unpaid vacation, sick pay and other employee amounts are not recognized until due.

E. Budgeting and Budgetary Control

A budget is prepared for the General Fund and all Special Revenue Funds. These budgets are prepared on a budget basis. The appropriations for these funds cannot exceed the estimated revenues, including investment income, and fund balance. It is unlawful for the Town to create or authorize creation of a deficit in any fund.

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

F. Investments

Investments are stated at cost, which approximates market, and are principally in interest bearing checking accounts and certificates of deposit.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1: Summary of Significant Accounting Policies: (Continued)

G. Inventories

Inventories for all funds are insignificant and purchases of such items are expensed.

Note 2: Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives.

Buildings	5 - 50
Streets	20 - 50
Furniture, Machinery, and Equipment	3 - 30
Vehicles	3 - 7
Improvements Other than Building	2 - 50

Note 3: Cash and Investments

The Town reporting entity considers highly liquid investments (including restricted assets) such as Certificates of Deposit to be cash equivalents.

It is the Town's policy for deposits to be secured by collateralized bank pledges and Federal Deposit Insurance Corporation insurance. The Town's deposits at June 30, 2018 were adequately insured and/or collateralized.

As of June 30, 2018, the Public Works Authority had total cash accounts of \$93,001 restricted in use by the loan agreement, as further described in Note 14. The Public Works Authority also had \$75,340 in cash, which represented customer utility deposits. These deposits are used to apply to final utility bills or refunded to customers when service is disconnected.

Note 4: Working Capital

The enterprise fund reflects current assets of \$501,230 and current liabilities of \$272,479 resulting in \$228,751 of working capital.

Note 5: Fund Equity

The Town reports governmental fund balances on the governmental fund financial statements according to the following classifications:

Nonspendable - This is the portion of the fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This is the portion of the fund balance that has constraints placed on the use of resources that are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 5: Fund Equity (Continued)

Committed - This is the portion of the fund balance that has been constrained by formal action of the Town Council to be used only for specific purposes. The committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. It is distinguished from *restricted* fund balance in that amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process as mentioned.

Constraints imposed on the use of *committed* amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue. Therefore, compliance with constraints imposed by the Town Council that *commit* amounts to specific purposes is not considered to be legally enforceable.

Assigned – This is the portion of the fund balance constrained by the *intent* of the Town Council to be used for specific purposes, but is neither restricted nor committed.

Unassigned – This is the residual classification of fund balance in the *general fund*. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which amounts in any of the fund balance classifications of committed, assigned or unassigned, could be used, the Town considers the expenditure spent out of the committed fund balance.

Note 6: Governmental Grants

Fire Department

During the fiscal year, the Fire Department fund received \$3,744 in grant proceeds from the Oklahoma Department of Agriculture.

Note 7: Commitments

On September 15, 1981, the Authority entered into a contract with the United States of America for reserve water storage space in Copan Lake for the life of the project. In consideration for the right to 5,000 acre feet of reserve storage, the Authority agreed to pay its proportionate costs of the project.

The Authority began withdrawing water from Copan Lake in June of 1983 and estimates the active storage requirement will be 10% of the reserved storage space.

On June 24, 1986, The Authority entered into a contract with the Oklahoma Municipal Power Authority to purchase electric power at a rate purported to be reduced from the rates previously paid by the Authority. In consideration of the contract, the Authority agreed to establish and maintain rates which will provide revenues sufficient to meet the estimated revenues requirements of the Oklahoma Municipal Power Authority.

On October 21, 1991, the Authority resolved and declared its intention to contract with the United States Corp of Engineers for 2,500 acre feet of water supply storage in Copan Lake to be assigned to the City of Bartlesville.

The Town of Copan and the Copan Public Works Authority and Washington County Rural Water District #7 entered into a contract August 26, 2003 for the purchase and sale of portable water. The Town of Copan and Copan PWA sells and delivers portable treated water to the Washington County Rural Water District #7. The contract is renewed on an annual basis.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 8: Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets (net of related debt) – is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset-related debt. The “net of related debt” is the outstanding capital debt less any unspent debt proceeds (held as liquid assets) and any associated unamortized costs.

Restricted Net Position – represent liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant or granting agency) limitations on their use. The Town would typically use restricted net assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted Net Position – represent unrestricted liquid assets.

Note 9: Risk Management

The Town maintains insurance for claims and judgments through employee health, property and liability, workers' compensation, and unemployment insurance programs. These insurance programs are accounted for in the General Fund and the Public Works Authority Fund. The funds account for the risk financing activities of the Town but do not constitute a transfer risk from the Town.

Note 10: Bad Debt Provision

Accounts Receivable-Utilities in the Public Works Authority Fund is stated at a net amount of \$167,473. This consists of gross Accounts Receivable-Utilities of \$213,855 less an allowance for uncollectibles of \$46,382.

Utility revenues in the Public Works Authority Fund are \$1,174,291 after recovering bad debts of \$37,589.

Note 11: Internal Balances

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the entity-wide governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Within the governmental fund financial statements, such amounts are equally offset by a fund balance reserve that indicated they do not constitute available spendable resources.

Note 12: Compensated Absences Policy

The Town of Copan Governmental Unit did not accrue for compensated absences because the amount could not be reasonably estimated and the amount was considered immaterial.

Note 13: Litigation

During the Fiscal Year ended June 30, 2018, the Town was engaged in legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a materially adverse impact on the funds of the Town.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 14: Notes Payable:

	Issue Amount	Maturity Date	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government								
Governmental Funds								
Fire Truck Loan <u>Armstrong Bank</u>	\$ 49,995	2022	3.15%	\$ 43,507	\$ -	\$ 14,685	\$ 28,822	\$ 27
Total Government Funds				<u>\$ 43,507</u>	<u>\$ -</u>	<u>\$ 14,685</u>	<u>\$ 28,822</u>	<u>\$ 27</u>
Business-Type Activities								
Gas Loan <u>Berkadia</u>	\$ 450,000	2019	5.00%	\$ 43,060	\$ -	\$ 25,047	\$ 18,013	\$ 18,013
Water Loan <u>Berkadia</u>	601,800	2021	5.00%	107,036	-	29,290	77,746	32,306
Water Loan <u>Berkadia</u>	504,800	2021	5.00%	62,852	-	31,813	31,039	28,851
Bucket Truck <u>Armstrong Bank</u>	56,768	2021	2.801%	48,290	-	10,404	37,886	12,041
Excavator Loan <u>Armstrong Bank</u>	24,000	2019	2.890%	19,121	-	11,960	7,161	7,160
Total Business-Type Activities				<u>\$ 280,359</u>	<u>\$ -</u>	<u>\$ 108,514</u>	<u>\$ 171,845</u>	<u>\$ 98,371</u>

Notes Payable – Town of Copan

Armstrong Bank Fire Truck Loan

The Town entered into a lease/purchase agreement with Armstrong Bank to acquire a 1995 Pierce International Fire Truck, which serves as collateral on the lease/purchase agreement. The agreement is automatically terminated each year, unless renewed. The option to renew is granted for seven successive years. Upon the last payment under the last renewal option year, the Town will acquire title to and ownership of the fire truck. The lease/purchase payments are recorded as an expenditure on the governmental fund financial statements and as a capitalized asset with corresponding liability, for the present value of the lease payments, on the Statement of Activities.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 14: Notes Payable (Continued):

Notes Payable – Copan Public Works Authority

Berkadia Gas Loan

The note is collateralized by substantially all assets owned, acquired or leased, tangible or intangible, and revenues sufficient to meet the repayment of the loan, pay all costs of the operation and maintenance of the system, repair and replacements, and adequate reserves for the gas system.

Berkadia Water Loans

Both notes are collateralized by substantially all assets owned, acquired or leased, tangible or intangible, and revenue sufficient to meet the repayment of the loan, pay all costs of the operation and maintenance of the system, repair and replacements, and adequate reserves for the water system.

The Authority is required to maintain a cash reserve account by depositing from the revenue account to the reserve account a specified dollar amount beginning the first day of operations of the system and continuing until an amount is accumulated in the reserve account equal to one annual loan payment after which no further deposits need be made except to replace withdrawals. The reserve account is to be used and disbursed only for the purpose of repairing or replacing any damage to the facility due to catastrophe, or for making extension or improvements to the facility and for making mortgage payments when the service account is insufficient to meet such payments. Following is a summary of the funding requirements of the loan reserve accounts.

<u>Loan Date</u>	<u>Facility Completion</u>	<u>Required Funding</u>	<u>Actual Funding</u>	<u>Difference Over/ (Under) Funded</u>
10/10/79	10/31/79	\$ 26,520	\$ 26,977	\$ 457
10/07/81	12/14/82	35,460	35,460	-
10/07/81	12/14/82	29,748	30,564	816
		<u>\$ 91,728</u>	<u>\$ 93,001</u>	<u>\$ 1,273</u>

Armstrong Bank Bucket Truck Loan

The Copan PWA entered into a lease/purchase agreement to acquire a 2009 Dodge 5500 Bucket Truck. The agreement is automatically terminated each year, unless renewed. The option to renew is granted for five successive years. Upon the last payment under the last renewal option year, the PWA will acquire title to and ownership of the bucket truck.

Armstrong Bank Excavator Loan

The Copan PWA entered into a lease/purchase agreement to acquire a 2017 Caterpillar Hydraulic Excavator. The agreement is automatically terminated each year, unless renewed. The option to renew is granted for two successive years. Upon the last payment under the last renewal option year, the PWA will acquire title to and ownership of the excavator.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 14: Notes Payable (Continued):

All Loans: Principle and Interest Payments in Subsequent Years:

	PRIMARY GOVERNMENT			
	PWA		Government Funds	
Year	Principal	Interest	Principal	Interest
2019	\$ 98,371	\$ 5,245	\$ 27	\$ 961
2020	48,381	2,078	14,280	883
2021	24,062	339	7,613	457
2022	1,031	2	6,902	217
2023	-	-	-	-
2024-2028	-	-	-	-
	<u>\$ 171,845</u>	<u>\$ 7,664</u>	<u>\$ 28,822</u>	<u>\$ 2,518</u>

Note 15: Workman's Compensation Insurance:

The Town of Copan participated in the Oklahoma Municipal Assurance Group's Worker's Compensation Insurance Plan.

The Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan) became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01a.m. July 1 in any year, and ends at Midnight June 30, of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

A municipality may apply and enter into agreement with the Plan to participate in the coverage and services that the Plan offers as outlined above. Upon acceptance in the Plan, a participant has the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, a participant in the Plan is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have a right to the return of any Loss Funds set aside for claims, which have not been paid out as benefits. The following report details the funds being held by the Group for the Town of Copan. These funds represent both the current and past plan year participation with the Loss Fund balances in respect to their workers' compensation retention. CompSource Oklahoma provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of CompSource Oklahoma to honor its obligation could result in losses to the Plan. However, OMAG's evaluation of the financial condition of CompSource Oklahoma indicates that CompSource Oklahoma is presently financially sound and will be able to meet its contractual obligations.

At June 30, 2018, the Town had two accounts within the Plan. The Escrow account, typically past refunds or interest earnings left on deposit with the Oklahoma Municipal Assurance Group and to be disbursed upon instruction by the Town's governing body, had a balance of \$9,187 at June 30, 2018. During the year ended June 30, 2018, the funds earned \$435 in interest.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 16: Consideration of Subsequent Events:

Management has evaluated subsequent events through September 28, 2020, which is the date the financial statements are available to be issued.

Note 17: Expanded Governmental Fund Balance Classification:

The following shows the governmental fund balances by classification. Where the amounts are nonspendable, restricted, committed or assigned, the purposes for which they are so designated are noted below.

	Special Revenue Funds					
	General Fund	Street & Alley Fund	Fireman's Special Fund	Library Fund	Park Fund	Total
Fund Balances	\$ -	\$ -	\$ -	\$ -	-	\$ -
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Special Projects	-	192,385	42,236	-	-	234,621
Assigned	-	-	-	2,841	-	2,841
Unassigned	135,776	-	-	-	-	135,776
Total fund balances	\$ 135,776	\$ 192,385	\$ 42,236	\$ 2,841	\$ -	\$ 373,238

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 18: Summary of Capital Assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

	Primary Government		
	Beginning Balance	Additions	Ending Balance
Governmental Activities			
Non-Depreciable Assets:			
Land	\$ 3,000	\$ -	\$ 3,000
Construction in Progress	-	-	-
Depreciable Assets:	-	-	-
Buildings	51,671	-	51,671
Equipment	191,555	-	191,555
Vehicles	316,286	22,500	320,021
Infrastructure	343,414	-	343,414
Totals at historical cost	905,926	22,500	909,661
Less accumulated depreciation for:			
Buildings	9,364	1,397	10,761
Equipment	124,143	11,288	135,431
Vehicles	192,868	29,023	213,831
Infrastructure	43,422	18,460	61,882
Total accumulated depreciation	369,797	60,168	421,905
Governmental activities capital assets, net	\$ 536,129	\$ (37,668)	\$ 487,756
Business-type Activities			
Non-Depreciable Assets			
Land	\$ 117,503	\$ -	\$ 117,503
Construction in Progress	-	156,775	156,775
Depreciable Assets			
Buildings	12,785	-	12,785
Equipment	229,180	41,399	270,579
Sewer System	1,451,308	-	1,451,308
Gas System	459,301	-	459,301
Electrical System	40,200	-	40,200
Water System	1,790,163	-	1,790,163
Vehicles	110,179	12,500	122,679
Totals at historical cost	4,210,619	210,674	4,421,293
Less accumulated depreciation for:			
Buildings	462	639	1,101
Equipment	186,493	7,794	194,287
Sewer System	597,916	51,110	649,026
Gas System	438,968	5,656	444,624
Electrical System	5,040	1,506	6,546
Water System	1,417,884	47,593	1,465,477
Vehicles	57,294	10,497	67,791
Total accumulated depreciation	2,704,057	124,795	2,828,852
Business-type activities capital asset, net	\$ 1,506,562	\$ 85,879	\$ 1,592,441
Depreciation expense was charged to governmental functions as follows:			
Public Safety			36,456
Cultural and Recreation			2,308
General Government			1,005
Highway & Streets			20,399
Total depreciation expense			\$ 60,168

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 19: Employee retirement systems and pension plans

The Town of Copan participates in the Oklahoma State Firefighters' Pension and Retirement System (OFPRS). This Plan is a cost-sharing multiple-employer defined benefit pension plan for the Town's volunteer fireman. The Town of Copan also participates in a defined benefit plan, Oklahoma Municipal Retirement Fund (OkMRF), for employees not covered by other plans. This Plan is an agent multiple employer defined benefit pension plan.

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The OFPRS provides retirement, disability and death benefits to plan members. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS as provided for in Title 11 of the Oklahoma State Statutes. The OFPRS issues a publicly available financial report that can be accessed at www.ok.gov/fprs.

Contributions - All of the firefighters for the Town are volunteers, and the Town contributes \$60 per firefighter per year. For the year ended June 30, 2018, the Town contributed \$600 to the Plan. The contribution requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The State of Oklahoma also made on-behalf contributions to the Plan in an amount during the calendar year in accordance with the rate established by state law. These on-behalf payments did not meet the criteria of a special funding situation.

Benefits - In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The Plan's benefits are established and amended by state statute. Retirement provisions are as follows:

1. *Normal Retirement* - For firefighters hired prior to November 1, 2013 normal retirement is attained upon completing 20 years of service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. For firefighters hired after November 1, 2013, normal retirement is attained upon completing 22 years of service and must be age 50 to receive benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.
2. *Immediate Disability Benefits* - All firefighters are eligible for immediate disability benefits. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years. For disabilities not-in-the-line-of duty, benefits are limited to those under 20 years of service and are \$7.53 per year of service.
3. *Death Benefit* - A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death.
4. *Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2018, the Town reported a liability of \$24,653 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Town's proportion of the net pension liability was based on the Town's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2017. Based upon this information the Town's proportion was .0001960%.

For the year ended June 30, 2018, the Town recognized pension expense/(income) of \$13,692. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 19: Employee retirement systems and pension plans (continued):

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ 3,293	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,197	2,884
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	600	-
Total	\$ 6,090	\$ 2,884

\$600 reported as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2019	\$ 192
2020	955
2021	714
2022	69
2023	553
Thereafter	123
Total	\$ 2,606

5. *Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation of July 1, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Investment rate of return	7.50% net of pension plan investment expense
Mortality rates:	Based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.
Salary increases:	3.50% to 9.0% average, including inflation

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 19: Employee retirement systems and pension plans (continued):

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	4.38%
Domestic equity	47%	7.72%
International equity	15%	9.70%
Real estate	10%	6.96%
Other assets	8%	5.75%

6. *Discount Rate* - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by Oklahoma State Statutes. Projected cash flows also assume the state of Oklahoma will continue contributing the required percentage of the insurance tax premium, as established by state statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.
7. *Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the Town, applying a discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percent lower (6.5%) or one percent higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's Net pension Liability	\$ 32,339	\$ 24,653	\$ 18,136

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS, which is publically available at www.ok.gov/fprs.

Oklahoma Municipal Retirement (OkMRF)

Plan Description - The Town, as the employer, participates in the Oklahoma Municipal Retirement Plan - an agent multiple-employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund (OkMRF.) All regular, full-time Town employees not covered by other plans are required to participate in the OkMRF. The OkMRF plan issues a separate financial report and can be obtained from ORMF directly or from their website at www.okmrf.org/reports.html. Benefits vest after ten years of service. Effective July 1, 1993, employees, who retire at age 65 or completion of ten years of service, if later, are entitled to annual retirement benefits, payable monthly in an amount equal to .75% of final average compensation multiplied by the number of years credited

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 19: Employee retirement systems and pension plans (continued):

service. Final average compensation is defined as the average of the five highest consecutive annual salaries out of the last ten calendar years of service.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed ten years of service. The amount of benefit is determined based on the final average salary and credited service as of the date

of termination. If benefit payments are to begin before age 65 the amount of benefit will be actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

A participant who becomes totally and permanently disabled after completion of ten years of service will be entitled to a disability benefit computed based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age.

Employee contributions are returned with accrued interest if their employment is terminated prior to completion of ten years of service. A death benefit is payable after ten years of service based on 50% of the employee's accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse.

For the fiscal year ended June 30, 2018, employees were required to contribute 1.50% of annual compensation. The Town is required to contribute the remaining amounts necessary to fund the pension plan, using an actuarial basis. The Town's contribution rate, for the fiscal year ended June 30, 2018, was 6.61%. During the year ended June 30, 2018, the Town and the employees contributed \$11,161 and \$2,533, respectively, to the OkMRF.

Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

1. *Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2018, the Town reported a liability of \$96,623 for its proportionate share of the net pension liability. The net pension liability was determined based on an actuarial valuation performed as of July 1, 2017, which is also the measurement date. There were no changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2017 and the Town's report ending date of June 30, 2018 that would have a significant impact on the net pension liability. Since this plan is an agent multiple employer plan, the net pension liability is determined for the Town plan only. For the year ended June 30, 2018, the Town recognized pension expense of \$10,249. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,003	\$ (6,450)
Changes in assumptions	3,556	-
Net difference between projected and actual earnings on pension plan investments	3,272	(1,514)
Town's contributions subsequent to the measurement date	11,161	-
Total	\$ 18,992	\$ (7,964)

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 19: Employee retirement systems and pension plans (continued):

\$11,161 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2019	\$ 981
2020	(266)
2021	(494)
2022	(354)
2023	-
Thereafter	-
Total	<u><u>\$ (133)</u></u>

2. *Actuarial Assumptions* - The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Rate of Return and Discount Rate	7.75%
Projected Salary Increases	Rates by age
Inflation	3.00%
Percent of Married Employees	100%
Spouse Age Difference	3 years (female spouses younger)
Mortality	UP 1994 Mortality Tables established by the Society of Actuaries
Date of last experience study	September 2012 for fiscal years 2007 through 2011

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 19: Employee retirement systems and pension plans (continued):

Asset Class	Target Allocation	Real Return	Weighted Return
Large cap stocks (S&P 500)	25.00%	5.80%	1.45%
Small/mid cap stocks (Russell 2500)	10.00%	6.40%	0.64%
Long/short equity (MSCI ACWI)	10.00%	5.00%	0.50%
International stocks (MSCI EAFE)	20.00%	6.20%	1.24%
Fixed income bonds (Barclays Capital Aggregate)	30.00%	2.30%	0.69%
Real estate (NCREIF)	5.00%	4.60%	0.23%
Cash equivalents (3 month Treasury)	0.00%	0.00%	0.00%
Average Real Return			4.75%
Inflation			2.75%
Long term expected return			7.50%

3. *Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the Town's proportionate share of the net pension liability using the discount rate of 7.50%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total Pension Liability	\$ 162,267	\$ 147,700	\$ 135,265
Plan Net Fiduciary Position	51,077	51,077	51,077
Net Pension Liability	\$ 111,190	\$ 96,623	\$ 84,188

The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.50%, as prescribed by paragraph 26 of GASB 68 when the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The Town of Copan has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, in accordance with GASB 68, paragraph 29, the evaluations required by paragraph 27 to determine the sufficiency pension plan assets can be made without a separate projection of cash flows.

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the ORMF, which can be located at www.okmrf.org/reports.html.

TOWN OF COPAN, OKLAHOMA
Required Supplemental Information
June 30, 2018

TOWN OF COPAN
REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS

For the Year Ended June 30, 2018

EXHIBIT 1

Schedule of the Town of Copan's Proportionate Share of the Net Pension Liability (Asset)
Oklahoma Firefighters Pension & Retirement System

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	0.001960%	0.000766%
City's proportionate share of the net pension liability	\$ 24,653	\$ 9,359
City's covered employee payroll	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	66.61%	64.87%

Notes to Schedule:

Only the last 4 current fiscal years are presented because 10-year data is not yet available.

EXHIBIT 2

Schedule of the Town's Contributions
Oklahoma Firefighters Pension & Retirement System

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>
Statutorily determined contribution	\$ 600	\$ 780
Contributions in relation to the statutorily determined contribution	600	780
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	N/A	N/A
Contributions as a percentage of covered -employee payroll	N/A	N/A

Notes to Schedule:

Only the last 4 current fiscal years are presented because 10-year data is not yet available.

TOWN OF COPAN
REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS

For the Year Ended June 30, 2018

EXHIBIT 3

Oklahoma Municipal Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios Last Fiscal Year

	2017	2016	
Total Pension Liability			
Service cost	\$ 4,551	\$ 5,206	\$
Interest cost	10,743	10,853	
Benefit changes due to plan amendments	-	-	
Difference between expected and actual experience	(4,118)	(5,830)	
Changes of assumptions	4,674	-	
Benefit payments, including refunds of employee contributions	(13,286)	(10,076)	
Net change in total pension liability	2,564	153	
Total pension liability - beginning	145,136	144,983	
Total pension liability - ending	<u>\$ 147,700</u>	<u>\$ 145,136</u>	<u>\$</u>
Plan Net Fiduciary Position			
Contributions - Employer	\$ 10,488	\$ 11,326	\$
Contributions - Employee	2,583	2,459	
Net investment	5,442	488	
Benefit payments, including refunds of employee contributions	(13,286)	(10,076)	
Administrative expense	(96)	(83)	
Other	-	-	
Net change in total pension liability	5,131	4,114	
Plan net fiduciary position - beginning	45,946	41,832	
Plan net fiduciary position - ending	<u>\$ 51,077</u>	<u>\$ 45,946</u>	<u>\$</u>
Net pension liability - ending	<u>\$ 96,623</u>	<u>\$ 99,190</u>	<u>\$</u>
Plan net fiduciary position as percentage of total pension liability	34.58%	31.66%	
Covered employee payroll	\$ 135,246	\$ 163,426	\$
Net pension liability position as percentage of covered employee payroll	71.44%	60.69%	

Notes to Schedule

Only the last 4 current fiscal years are presented because 10-year data is not yet available.

TOWN OF COPAN
REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS

For the Year Ended June 30, 2018

EXHIBIT 4

Oklahoma Municipal Retirement Fund
Schedule of Town's Contributions Last Fiscal Year

	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 10,488	\$ 11,321
Contributions in relation to the actuarially determined contribution	<u>10,488</u>	<u>11,321</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	135,246	163,421
Contributions as a percentage of covered - employee payroll	7.75%	6.93%

Notes to Schedule:

1. Only the last 4 current fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2017
3. Actuarially determined contribution rate is calculated as of July 1, 2017.
 July 2016 through June 2017 contributions were at a rate of 6.61%
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 28 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - 4.00% to 7.42% (varies by attained age)
 - Investment rate of return - 7.50%

TOWN OF COPAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2018

	Budgeted Original	Budgeted Final	Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
REVENUES				
Inspection Fees	\$ 1,272	\$ 1,272	\$ -	\$ 1,272
Franchise Tax	-	-	871	(871)
Sales Tax	66,463	66,463	77,096	(10,633)
Alcoholic Beverage Tax	2,122	2,122	2,407	(285)
Tobacco Tax	1,182	1,182	1,524	(342)
Interest	58	58	58	-
Miscellaneous	900	900	221	679
Sale of Property	-	-	6,500	(6,500)
Mosquito Fees	2,244	2,244	3,339	(1,095)
Total Revenues	<u>74,241</u>	<u>74,241</u>	<u>92,016</u>	<u>(17,775)</u>
EXPENDITURES				
Personal Services	65,200	65,200	2,588	62,612
Maintenance and Operations	65,613	65,613	82,145	(16,532)
Capital Outlay	68,000	68,000	38,654	29,346
				-
Total Expenditures	<u>198,813</u>	<u>198,813</u>	<u>123,387</u>	<u>75,426</u>
Excess (Deficiency) of revenues over expenditures	<u>(124,572)</u>	<u>(124,572)</u>	<u>(31,371)</u>	<u>(93,201)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	25,351	(25,351)
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>25,351</u>	<u>(25,351)</u>
Net Change in Fund Balance			(6,020)	
FUND BALANCES - beginning			<u>124,571</u>	
FUND BALANCES - ending			<u><u>\$ 118,551</u></u>	

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

TOWN OF COPAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET AND ALLEY

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
REVENUES				
Gas Tax	\$ -	\$ -	\$ 1,380	\$ (1,380)
Sales Tax	-	-	38,548	(38,548)
Motor Vehicle Tax	-	-	5,139	(5,139)
Miscellaneous Income	-	-	-	-
Interest	-	-	58	(58)
Total Revenues	-	-	45,125	(45,125)
EXPENDITURES				
Personal Service	-	-	-	-
Maintenance and Operations	135,455	135,455	2,277	133,178
Capital Outlay	-	-	-	-
Total Expenditures	135,455	135,455	2,277	133,178
Excess (Deficiency) of revenues over expenditures	(135,455)	(135,455)	42,848	178,303
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(412)	(412)
Total Other Financing Sources and Uses	-	-	(412)	(412)
Net Change in Fund Balance			42,436	
FUND BALANCES - beginning			142,093	
FUND BALANCES - ending			<u>\$ 184,529</u>	

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

TOWN OF COPAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIREMAN'S SPECIAL FUND

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
REVENUES				
Donations	\$ -	\$ -	\$ 16,795	\$ (16,795)
Government Grants	-	-	3,744	(3,744)
Fire Contracts	-	-	22,499	(22,499)
Miscellaneous	-	-	29	(29)
Interest	-	-	16	(16)
Total Revenues	-	-	43,083	(43,083)
EXPENDITURES				
Personal Service	-	-	-	-
Maintenance and Operations	10,800	10,800	19,577	(8,777)
Capital Outlay	28,299	28,299	-	28,299
Total Expenditures	39,099	39,099	19,577	19,522
Excess (Deficiency) of revenues over expenditures	(39,099)	(39,099)	23,506	62,605
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(22,500)	22,500
Total Other Financing Sources and Uses	-	-	(22,500)	22,500
Net Change in Fund Balance			1,006	
FUND BALANCES - beginning			37,055	
FUND BALANCES - ending			\$ 38,061	

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

TOWN OF COPAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY FUND

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
REVENUES				
Donations	\$ -	\$ -	\$ -	\$ -
Government Grants	-	-	-	-
Fire Contracts	-	-	-	-
Fire Runs	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	2	(2)
Total Revenues	-	-	2	(2)
EXPENDITURES				
Maintenance and Operations	2,940	2,940	-	2,940
Capital Outlay	-	-	-	-
Total Expenditures	2,940	2,940	-	2,940
Excess (Deficiency) of revenues over expenditures	(2,940)	(2,940)	2	2,942
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-
Net Change in Fund Balance			2	
FUND BALANCES - beginning			2,839	
FUND BALANCES - ending			<u>\$ 2,841</u>	

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement

TOWN OF COPAN, OKLAHOMA
Other Supplemental Information
June 30, 2018



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 Town Council
Town of Copan, Oklahoma

I 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, each major fund, and the aggregate remaining fund information of the Town of Copan, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Copan's basic financial statements and have issued my report thereon dated September 28, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Copan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Copan'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies (#2018-001 and #2018-002).

Compliance and Other Matters

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

Town of Copan, Oklahoma's Response to Findings

Town of Copan, Oklahoma's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. Town of Copan, Oklahoma's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

JUDITH K. BALLARD, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

220 W. Main Street
PO Box 746, Stroud, OK 74079
Ph: 918-968-3511 / Fax: 918-968-3512



Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Judith K. Ballard, CPA, PC

Stroud, Oklahoma
September 28, 2020

TOWN OF COPAN, OKLAHOMA
Schedule of Findings and Responses
June 30, 2018

#2018-001 Inadequate Segregation of Duties

Criteria:	The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.
Condition:	Currently, the same individual is responsible for preparing Town checks, printing and signing those checks, and preparing the monthly bank reconciliations. There is limited oversight provided by other individuals in the conduct of these functions.
Cause:	The Town Board was unaware of this important function to oversee these functions.
Effect:	Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the cash disbursements, including misappropriation of assets, could occur and not be detected within a timely basis.
Recommendation:	The Board should require two signatures for each check disbursement and someone on the Board should be appointed to review the monthly bank statements and bank reconciliations.
Views of Responsible Officials and Planned Corrective Action:	The Board agrees to start requiring two signatures on check disbursements and to have someone on the Board to review monthly bank statements and bank reconciliations.

#2018-002 Reconciliation of Utility Meter Deposits

Criteria:	A report of customer utility meter deposits on hand should be printed each month and reconciled back to the general ledger accounts to ensure correct meter deposits on hand are reported accurately.
Condition:	The Town does not print, on a timely basis, a customer meter deposit report and the utility software they use does not allow a correct balance report to be printed at a subsequent date. Thus, at year end, the report could not be reconciled to the general ledger accounts.
Cause:	The Town was unaware of the need to print the monthly utility meter deposit report and reconcile back to the general ledger.
Effect:	Without reconciling the meter deposit report back to the general ledger, errors in meter deposits and deposit refunds could be undetected and the Town would have no way of determining the correct balance in meter deposits on hand.
Recommendation:	The Town should print a report of customer meter deposits at each month end and reconcile back to the general ledger, noting and correcting reconciling items, if necessary.
Views of Responsible Officials and Planned Corrective Action:	The Town will work to address this issue within the next fiscal year.