

TOWN OF COPAN GOVERNMENTAL UNIT

Copan, Oklahoma

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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TOWN OF COPAN GOVERNMENTAL UNIT  
COPAN, OKLAHOMA  
JUNE 30, 2011

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TOWN OF COPAN GOVERNMENTAL UNIT  
COPAN, OKLAHOMA  
JUNE 30, 2011

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**Independent Auditor's Report**

The Honorable Mayor and  
Members of the Town Council  
Town of Copan, Oklahoma

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, 2011, which collectively comprise the Town of Copan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Copan, Oklahoma's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

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, 2011, and the respective changes in financial position and cash flow, where applicable, thereof 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 my report dated September 4, 2012 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* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 30 through 33 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 required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge 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.

Judith K. Ballard, CPA  
Stroud, Oklahoma  
September 4, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Copan, Oklahoma's, annual financial report, the Town's management provides narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. The Town's financial performance is discussed and analyzed within the content of the accompanying financial statements and disclosure following this section. The discussion focuses on the Town's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

### Overview of Financial Statements

Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

### Government-wide Financial Statements

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level is based on the modified cash basis in which transactions are recorded when initially derived from cash receipts or disbursements.

The first of these government-wide statements is the *Statement of Net Assets*. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating.

The second government-wide statement is the *Statement of Activities* which reports how the Town's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and streets. Business-type activities include electric, water, gas, trash, and sewer services.

### Fund Financial Statements

A Fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Town has two kinds of funds:

*Governmental Funds:* Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resource for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included as required supplementary information for the general fund and special revenue funds. Budgetary comparison schedules can be found in a later section of this report. These statements and schedules demonstrate compliance with the Town's adopted budget.

*Proprietary Funds:* Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

### Financial Analysis of the Town as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole.

The Town's net assets at fiscal year-end are \$2,248,925. The following table provides the summary at June 30, 2011.

#### Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Current and other assets</b>	360,066	364,155	837,596	759,298	1,197,662	1,123,453
Capital assets	202,188	188,944	1,640,866	1,686,576	1,843,054	1,875,520
Total assets	562,254	553,099	2,478,462	2,445,874	3,040,716	2,998,973
<b>Current liabilities</b>	10,218	2,091	214,191	201,914	224,409	204,005
Long-term liabilities	-	-	567,382	629,096	567,382	629,096
Total liabilities	10,218	2,091	781,573	831,010	791,791	833,101
<b>Net assets:</b>						
Invested in capital asset, net of related debt	202,188	188,944	1,011,808	998,809	1,213,996	1,187,753
Restricted	-	-	92,535	92,477	92,535	92,477
Unrestricted	349,848	362,064	592,546	523,578	942,394	885,642
Total net assets	552,036	551,008	1,696,889	1,614,864	2,248,925	2,165,872

Changes in Net Assets  
June 30, 2011

	Governmental Activities		Business - Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	13,460	14,657	1,119,324	1,253,183	1,132,784	1,267,840
Operating grants/contributions	200	-	-	-	200	-
Capital grants/contributions	17,259	15,830	11,123	18,125	28,382	33,955
General revenues:						
Sales and Use Tax	61,595	50,415	-	-	61,595	50,415
Gas Tax	1,499	1,555	-	-	1,499	1,555
Franchise Tax	1,456	2,441	-	-	1,456	2,441
Interest Income	505	557	1,130	1,918	1,635	2,475
Alcoholic beverage tax	2,214	2,113	-	-	2,214	2,113
Tobacco Tax	898	724	-	-	898	724
Motor vehicle tax	5,614	5,680	-	-	5,614	5,680
Miscellaneous	1,201	913	-	-	1,201	913
Total revenue	105,901	94,885	1,131,577	1,273,226	1,237,478	1,368,111
<b>Expenses:</b>						
General government	30,422	19,892	-	-	30,422	19,892
Public safety	75,549	57,328	-	-	75,549	57,328
Streets	1,408	7,629	-	-	1,408	7,629
Cultural and Recreation	369	954	-	-	369	954
Utility Services	-	-	1,015,525	1,025,479	1,015,525	1,025,479
Interest on long-term debt	-	-	34,227	34,800	34,227	34,800
Total expenses	107,748	85,803	1,049,752	1,060,279	1,157,500	1,146,082
Change before transfers and Prior Period Adjustment	(1,847)	9,082	81,825	212,947	79,978	222,029
Transfers In	-	78,666	-	-	-	78,666
Transfers Out	-	-	-	(78,666)	-	(78,666)
Gain on Sale of Assets	2,875	222	200	-	3,075	222
Increase/ (Decrease) in net assets	1,028	87,970	82,025	134,281	83,053	222,251
Net assets, beginning	551,008	463,038	1,614,864	1,480,583	2,165,872	1,943,621
Net assets, ending	552,036	551,008	1,696,889	1,614,864	2,248,925	2,165,872

The Town reported positive balances in net assets for both governmental and business-type activities.

Comparing figures to how the Town had spent funds in operation and maintenance, the Town did well. The Town's revenues from Sales and Beverage Taxes have remained near the same. There has been no increase in businesses to help pull in more sales tax revenues, or other types of income for the town.

**General Fund Budgeting Highlights**

Overall, the general fund stayed within budget.

**Overall Assessment**

Overall, the Town of Copan's financial condition was very good as of June 30, 2011.

Comparison of Fund Financial Statements  
General and Special Revenue Funds  
June 30, 2011

	General and Special Revenue Funds	
<b>Revenues:</b>	<b>2011</b>	<b>2010</b>
Franchise Tax	\$1,456	\$2,441
Donations	9,123	10,730
Sales & Use Tax	61,595	51,705
Tobacco Tax	898	724
Gasoline Tax	1,499	1,555
Motor Vehicle Tax	5,614	5,680
Inspection Fee	1,830	1,977
Alcoholic Beverage Tax	2,214	2,113
Interest	506	557
Miscellaneous	1,201	913
Emergency Management	3,525	-
Sale of Scrap	2,873	-
Fire Contracts	11,630	12,680
Grant Revenue	4,811	5,100
<b>Total Revenues</b>	<b>\$108,775</b>	<b>\$96,175</b>
 <b>Expenses:</b>		
Capital Outlay	65,587	40,212
General Government	27,717	19,892
Highways & Streets	3,461	4,783
Public Safety	24,226	15,753
Cultural & Recreation	-	225
<b>Total Expense</b>	<b>\$120,991</b>	<b>\$80,865</b>
 Excess (deficiency) of revenue Over (under) expenditures	<b>(\$12,216)</b>	<b>\$15,310</b>
 <b>Other Financing Sources (Uses)</b>		
Transfers In	-	78,666
Transfers Out	-	-
Sale of Equipment	-	222
<b>Total Other Financing Sources</b>	<b>-</b>	<b>\$78,888</b>
 Changes in fund balance	<b>(12,216)</b>	<b>94,198</b>
 <b>Fund Balance- Beginning</b>	<b>\$362,064</b>	<b>\$267,866</b>
 <b>Fund Balance- Ending</b>	<b>\$349,848</b>	<b>\$362,064</b>

Comparison of Fund Financial Statements, continued

	<b>Proprietary Funds</b>	
<b>Operating Revenues:</b>	<b>2011</b>	<b>2010</b>
Utility Service Revenue	\$1,084,771	\$1,224,619
Misc Incl. Penalties	34,553	28,564
<b>Total Operating Revenues</b>	<b><u>\$1,119,324</u></b>	<b><u>\$1,253,183</u></b>
<b>Operating Expenses:</b>		
Purchase of Electric	326,569	322,871
Purchase of Gas	146,222	199,266
Trash	49,830	45,004
Wages & Labor	288,971	288,923
Depreciation	110,493	91,943
Material and Supplies	63,228	49,359
Insurance	7,869	8,017
Fuel & Oil	10,661	8,323
Lake Storage	11,268	11,268
Miscellaneous	414	505
Interest Expense	34,227	34,800
<b>Total Operating Expenses</b>	<b><u>\$1,049,752</u></b>	<b><u>\$1,060,279</u></b>
Operating Income (Loss)	<u>\$69,572</u>	<u>\$192,904</u>
<b>Non-operating revenues (expenses)</b>		
Sale of Assets	200	-
Grant income	11,123	18,125
Interest Income	1,130	1,918
<b>Total</b>	<b><u>\$12,453</u></b>	<b><u>\$20,043</u></b>
<b>Income (loss) before transfers &amp; contributions</b>	<b><u>\$82,025</u></b>	<b><u>\$212,947</u></b>
Transfers Out	-	(78,666)
Transfers In	-	-
<b>Total Transfers and Contributions</b>	<b><u>\$0</u></b>	<b><u>-\$78,666</u></b>
<b>Changes in net assets</b>	<b><u>82,025</u></b>	<b><u>134,281</u></b>
<b>Net assets - Beginning</b>	<b><u>\$1,614,864</u></b>	<b><u>\$1,480,583</u></b>
<b>Net assets - Ending</b>	<b><u>\$1,696,889</u></b>	<b><u>\$1,614,864</u></b>

**TOWN OF COPAN  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 340,716	\$ 485,709	\$ 826,425
Receivables (net)	12,506	175,098	187,604
Prepaid Insurance	6,844	6,350	13,194
Internal Balances	-	-	-
Inventory	-	5,737	5,737
Restricted Assets:			
Cash and Cash Equivalents	-	164,702	164,702
Capital Assets:			
Non-depreciable	-	117,503	117,503
Depreciable (Net)	202,188	1,523,362	1,725,550
<b>Total Assets</b>	<u>562,254</u>	<u>2,478,461</u>	<u>3,040,715</u>
<b>LIABILITIES</b>			
Accounts Payable	10,218	64,711	74,929
Accrued Liabilities	-	7,593	7,593
Customer Deposits	-	68,950	68,950
Accrued Interest Payable	-	1,390	1,390
Compensated Absences	-	9,870	9,870
Non-Current Liabilities			
Due Within One Year	-	61,676	61,676
Due in more than one Year	-	567,382	567,382
<b>Total Liabilities</b>	<u>10,218</u>	<u>781,572</u>	<u>791,790</u>
<b>NET ASSETS</b>			
Invested in Capital Assets (net of related debt & accum. deprec.)	202,188	1,011,808	1,213,996
Restricted for:			
Debt Service	-	92,535	92,535
Unrestricted (Deficit)	349,848	592,546	942,394
<b>Total Net Assets</b>	<u>552,036</u>	<u>1,696,889</u>	<u>2,248,925</u>

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

TOWN OF COPAN  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2011

Fund balances - total governmental funds	\$ 349,848
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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 in the governmental funds.

Governmental capital assets	\$ 356,571	
Less accumulated depreciation	<u>(154,383)</u>	
		202,188

Net assets of governmental activities	\$ <u><u>552,036</u></u>
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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, 2011**

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 30,422	\$ 1,830	\$ 200	\$ 3,525	\$ (24,867)	\$ -	\$ (24,867)
Public Safety	75,549	11,630	-	13,734	(50,185)	-	(50,185)
Streets	1,408	-	-	-	(1,408)	-	(1,408)
Cultural and Recreation	369	-	-	-	(369)	-	(369)
<b>Total Governmental Activities</b>	<b>107,748</b>	<b>13,460</b>	<b>200</b>	<b>17,259</b>	<b>(76,829)</b>	<b>-</b>	<b>(76,829)</b>
Business-type Activities:							
Utilities - PWA	\$ 1,015,525	\$ 1,119,324	\$ -	\$ 11,123	\$ -	\$ 114,922	\$ 114,922
Interest on Long-Term Debt	34,227	-	-	-	-	(34,227)	(34,227)
<b>Total Business-type Activities</b>	<b>1,049,752</b>	<b>1,119,324</b>	<b>-</b>	<b>11,123</b>	<b>-</b>	<b>80,695</b>	<b>80,695</b>
<b>Total primary government</b>	<b>\$ 1,157,500</b>	<b>\$ 1,132,784</b>	<b>\$ 200</b>	<b>\$ 28,382</b>	<b>\$ (76,829)</b>	<b>\$ 80,695</b>	<b>\$ 3,866</b>

**General Revenues:**

Taxes:

Tobacco Tax	\$ 898	\$ -	\$ 898
Sales and Use Tax	61,595	-	61,595
Gas Tax	1,499	-	1,499
Motor Vehicle Tax	5,614	-	5,614
Franchise Tax	1,456	-	1,456
Alcoholic Beverage Tax	2,214	-	2,214
Miscellaneous	1,201	-	1,201
Investment Earnings	505	1,130	1,635
Sale of Scrap	2,875	200	3,075

Total General Revenue and Transfers

\$ 77,857      \$ 1,330      \$ 79,187

Change in Net Assets

\$ 1,028      \$ 82,025      \$ 83,053

Net Assets - Beginning

\$ 551,008      \$ 1,614,864      \$ 2,165,872

Net Assets - Ending

\$ 552,036      \$ 1,696,889      \$ 2,248,925

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 JUNE 30, 2011

Net change in Fund Balances - Total Governmental Funds \$ (12,216)

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	36,773	
Current year depreciation	<u>(23,529)</u>	13,244

Change in net assets of governmental activities \$ 1,028

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

TOWN OF COPAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	GENERAL	STREET & ALLEY	FIREMAN'S SPECIAL	LIBRARY FUND	TOTAL GOVERNMENT FUNDS
<b>ASSETS</b>					
Cash	\$ 40,360	\$ 279,650	\$ 17,874	\$ 2,832	\$ 340,716
Accrued Interest Receivable	-	-	-	-	-
Accounts Receivable - Motor Vehicle Tax	-	917	-	-	917
Accounts Receivable - Sales & Use Tax	6,201	3,100	-	-	9,301
Accounts Receivable - Gas Tax	-	837	-	-	837
Accounts Receivable - Alcoholic Beverage Tax & Other	1,451	-	-	-	1,451
Due (To)/From Other Funds	-	-	-	-	-
Prepaid Insurance	6,844	-	-	-	6,844
<b>Total Assets</b>	<b>\$ 54,856</b>	<b>\$ 284,504</b>	<b>\$ 17,874</b>	<b>\$ 2,832</b>	<b>\$ 360,066</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 1,266	\$ 277	\$ 8,675	\$ -	\$ 10,218
Accrued Salaries	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 1,266</b>	<b>\$ 277</b>	<b>\$ 8,675</b>	<b>\$ -</b>	<b>\$ 10,218</b>
<b>Fund Balances:</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	284,227	9,199	-	293,426
Assigned	-	-	-	2,832	2,832
Unassigned	53,590	-	-	-	53,590
<b>Total Fund Balances</b>	<b>\$ 53,590</b>	<b>\$ 284,227</b>	<b>\$ 9,199</b>	<b>\$ 2,832</b>	<b>\$ 349,848</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 54,856</b>	<b>\$ 284,504</b>	<b>\$ 17,874</b>	<b>\$ 2,832</b>	<b>\$ 360,066</b>

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

**TOWN OF COPAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	GENERAL	STREET & ALLEY	FIREMAN'S SPECIAL	LIBRARY FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Franchise Tax	\$ 1,456	\$ -	\$ -	\$ -	1,456
Donations	200	-	8,923	-	9,123
Sales & Use Tax	41,063	20,532	-	-	61,595
Gasoline Tax	-	1,499	-	-	1,499
Motor Vehicle Tax	-	5,614	-	-	5,614
Tobacco Tax	898	-	-	-	898
Inspection Fee	1,830	-	-	-	1,830
Alcoholic Beverage Tax	2,214	-	-	-	2,214
Interest	156	334	14	2	506
Miscellaneous	1,200	1	-	-	1,201
Emergency Management	3,525	-	-	-	3,525
Fire Contracts	-	-	11,630	-	11,630
Grant Income	-	-	4,811	-	4,811
Sale of Scrap	-	-	-	-	-
	<u>\$ 2,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,873</u>
<b>TOTAL REVENUE</b>	<u>\$ 55,415</u>	<u>\$ 27,980</u>	<u>\$ 25,378</u>	<u>\$ 2</u>	<u>\$ 108,775</u>
<b>EXPENDITURES</b>					
Capital Outlay	\$ 21,627	\$ -	\$ 43,960	\$ -	\$ 65,587
General Government	27,717	-	-	-	27,717
Highways & Streets	-	3,461	-	-	3,461
Cultural and Recreation	-	-	-	-	-
Public Safety	23,300	-	926	-	24,226
	<u>\$ 72,644</u>	<u>\$ 3,461</u>	<u>\$ 44,886</u>	<u>\$ -</u>	<u>\$ 120,991</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 72,644</u>	<u>\$ 3,461</u>	<u>\$ 44,886</u>	<u>\$ -</u>	<u>\$ 120,991</u>
Excess (deficiency) of Revenues Over (under) Expenditures	\$ (17,229)	\$ 24,519	\$ (19,508)	\$ 2	\$ (12,216)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer (Out)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer In	-	-	-	-	-
Sales of Assets	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ (17,229)	\$ 24,519	\$ (19,508)	\$ 2	\$ (12,216)
<b>FUND BALANCES, Beginning of Year</b>	<u>\$ 70,819</u>	<u>\$ 259,708</u>	<u>\$ 28,707</u>	<u>\$ 2,830</u>	<u>\$ 362,064</u>
<b>FUND BALANCES, End of Year</b>	<u>\$ 53,590</u>	<u>\$ 284,227</u>	<u>\$ 9,199</u>	<u>\$ 2,832</u>	<u>\$ 349,848</u>

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

**TOWN OF COPAN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011**

COPAN PUBLIC  
WORKS  
AUTHORITY

**ASSETS**

**Current Assets:**

Cash	\$ 485,709
Accrued Interest Receivable	107
Accounts Receivable - Utilities (net)	163,868
Prepaid Insurance	6,350
Inventory - Federal Excess Capacity	5,737
Grant Receivable	<u>\$ 11,123</u>
<b>Total Current Assets</b>	<u>\$ 672,894</u>

**Non-Current Assets:**

<b>Restricted Cash:</b>	
Customer Deposits	\$ 72,167
Debt Service Accounts	92,535

**Capital Assets:**

Land	\$ 117,503
Sewer Plant	1,130,707
Gas System	445,756
Water System and Tower	1,699,839
Equipment, Vehicles and Tools	230,970
Less: Accumulated Depreciation	<u>(1,983,909)</u>

Net Fixed Assets \$ 1,640,866

Total Non-Current Assets \$ 1,805,568

**Total Assets** \$ 2,478,462

**LIABILITIES**

**Current Liabilities:**

Accounts Payable	\$ 64,711
Payroll Taxes Withheld and Accrued	5,276
Sales Tax Payable	2,318
Customer Deposits	68,950
Accrued Interest Payable	1,390
Current Portion of Long-Term Debt	61,676
Compensated Absences Payable	<u>9,870</u>

**Total Current Liabilities** \$ 214,191

**Non-Current Liabilities**

Notes Payable - Due After One Year \$ 567,382

**Total Long-Term Liabilities** \$ 567,382

**Total Liabilities** \$ 781,573

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	\$ 1,011,808
<b>Restricted:</b>	
Debt Service	92,535
Unrestricted	<u>592,546</u>
<b>Total Net Assets</b>	<u><u>\$ 1,696,889</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 ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>COPAN PUBLIC WORKS AUTHORITY</u>
<b>OPERATING REVENUES</b>	
Utility Service Revenue - net	\$ 1,084,771
Miscellaneous Including Penalties	<u>34,553</u>
Total Operating Revenues	<u>\$ 1,119,324</u>
 <b>OPERATING EXPENSES</b>	
Purchase of Electric	\$ 326,569
Purchase of Gas	146,222
Trash	49,830
Wages and Labor	288,971
Materials and Supplies	63,228
Fuel and Oil	10,661
Depreciation Expense	110,493
Lake Storage	11,268
Interest Expense	34,227
Insurance	7,869
Miscellaneous Expense	414
Total Operating Expenses	<u>\$ 1,049,752</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 69,572</u>
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Income	\$ 1,130
Grant Income	11,123
Gain on Sale of Asset	<u>200</u>
Total Non-Operating Revenues (Expenses)	<u>\$ 12,453</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<u>\$ 82,025</u>
Transfers Out	<u>\$ -</u>
Total Operating Transfers	<u>\$ -</u>
<b>Change in Net Assets</b>	\$ 82,025
<b>Net Assets - Beginning of Year</b>	<u>\$ 1,614,864</u>
<b>Net Assets - Ending of Year</b>	<u><u>\$ 1,696,889</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, 2011

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers	\$ 1,146,805
Cash Payments to Suppliers for Goods & Services	(766,272)
Cash Payments to Employees for Services	<u>(126,153)</u>
Net Cash Provided by (used for ) Operating Activities	<u>\$ 254,380</u>
 <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Increase in Customer Deposits	<u>3,580</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>\$ 3,580</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase Capital Assets	(64,784)
Principal Paid on Notes	(58,710)
Interest Paid on Notes	(33,017)
Sale of Capital Assets	200
Grant Proceeds	<u>-</u>
Net Cash Provided by (used for ) Capital & Related Financing Activities	<u>\$ (156,311)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on Investments	<u>\$ 1,125</u>
Net Cash Provided by (used for) Investing Activities	<u>\$ 1,125</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 102,774
Cash and Cash Equivalents at Beginning of Year	<u>\$ 547,637</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 650,411</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, 2011

RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ 69,572
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:	
Bad Debt Expense	\$ 14,034
Depreciation	110,493
Interest Expense	34,227
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable - Trade	13,447
(Increase) Decrease in Prepaid Expenses	(412)
(Increase) Decrease in Inventory	8,536
Increase (Decrease) in Accounts Payable	4,946
Increase (Decrease) in Accrued Liabilities	279
Increase (Decrease) in Accrued Salaries	(742)
Net Cash Provided by (Used for) Operating Activities	\$ 254,380

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

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 1: Summary of Significant Accounting Policies:

The financial statements of the Town of Copan (The Town) are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. Proprietary funds and similar component units apply Financial Accounting Principles Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB, in which case, GASB prevails. The more significant of the government's accounting policies are described below.

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. Basic Financial Statements-GASB Statement No. 34

The GASB Statement No. 34 dictates how the basic financial statements are prepared and presented. Within GASB No. 34, 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 Assets, 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 also 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 exists 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.).

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

B. Basic Financial Statements-GASB Statement No. 34

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.

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: There are three (3) classifications (the Firemen's Special Revenue, the Street and Alley Fund, and the Library Fund). They account for operating funds for which revenues were derived from specific taxes, grants or other earmarked revenue sources.

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

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) 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 Assets.

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.

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

F. Investments:

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

G. Inventories

Inventories for all funds are insignificant and purchases of such items are expensed. However, Copan builds up an excess federal capacity and energy inventory which is purchased from time to time by agreement with the Oklahoma Municipal Power Authority. Such electric power inventory is recorded at cost which approximates market. As of June 30, 2011, the inventory was \$5,737.

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: Pension Plans:

The Town's fire department is an entirely voluntary fire department. The Fireman's Pension Plan covers all of the Town's volunteer firemen. This contributory plan is operated as a part of the Oklahoma Firefighter's Pension and Retirement System. The Town pays the entire contribution, which amounts to \$60 per volunteer fireman per year. Members of the plan become 100% vested in retirement benefits earned to date after ten years of accredited service. Normal retirement is attained upon completing twenty years of service or age 50.

The latest information concerning the system is included in the audit report on examination of financial statements for the year ended June 30, 2011, conducted by other Certified Public Accountants. The audit and annual reports are available from the State of Oklahoma.

Note 4: 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, 2011 were adequately insured and/or collateralized.

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 4: Cash and Investments (continued):

As of June 30, 2011, the Public Works Authority had total cash accounts of \$92,535 restricted in use by the loan agreement, as further described in **Note 8**. The Public Works Authority also had \$68,950 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 5: Working Capital

The enterprise fund reflects current assets of \$672,894 and current liabilities of \$214,191 resulting in \$458,703 of working capital.

Note 6: 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.

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.

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 7: Summary of Capital Assets:

Capital asset activity for the year ended June 30, 2011 was as follows:

	<b>Primary Government</b>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Non-Depreciable Assets:				
Infrastructure				\$ -
Construction in Progress	\$ 11,402		\$ (11,402)	-
Depreciable Assets:				
Buildings	38,998			38,998
Equipment	85,234	7,395		92,629
Vehicles	166,918	18,671		185,589
Infrastructure	17,246	22,109		39,355
<b>Totals at historical cost</b>	<u>319,798</u>	<u>48,175</u>	<u>(11,402)</u>	<u>356,571</u>
Less accumulated depreciation for:				
Buildings	1,519	975		2,494
Equipment	68,830	4,973		73,803
Vehicles	56,484	14,507		70,991
Infrastructure	4,021	3,074		7,095
<b>Total accumulated depreciation</b>	<u>130,854</u>	<u>23,529</u>	<u>-</u>	<u>154,383</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 188,944</u>	<u>\$ 24,646</u>	<u>\$ (11,402)</u>	<u>\$ 202,188</u>
<b>Business-type Activities</b>				
Non-Depreciable Assets				
Land	\$ 117,503			\$ 117,503
Depreciable Assets				
Equipment	151,469	29,822	(900)	180,391
Sewer System	1,118,643	12,064		1,130,707
Gas System	445,756	-		445,756
Water System	1,699,839	-	(1)	1,699,838
Vehicles	27,682	22,897		50,579
<b>Totals at historical cost</b>	<u>3,560,892</u>	<u>64,783</u>	<u>(901)</u>	<u>3,624,774</u>
Less accumulated depreciation for:				
Equipment	102,558	13,846	(900)	115,504
Sewer System	299,926	37,470	-	337,396
Gas System	352,634	12,698	-	365,332
Water System	1,091,516	44,298	-	1,135,814
Vehicles	27,682	2,181	-	29,863
<b>Total accumulated depreciation</b>	<u>1,874,316</u>	<u>110,493</u>	<u>(900)</u>	<u>1,983,909</u>
<b>Business-type activities capital asset, net</b>	<u>\$ 1,686,576</u>	<u>\$ (45,710)</u>	<u>\$ (1)</u>	<u>\$ 1,640,865</u>
<b>Depreciation expense was charged to governmental functions as follows:</b>				
Public Safety				18,639
General Government				2,705
Cultural and Recreation				369
Highway & Streets				<u>1,816</u>
<b>Total depreciation expense</b>				<u>\$ 23,529</u>

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 8: Long-term liability activity for the year ended June 30, 2011 is as follows:

	Issue Amount	Maturity Date	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>PRIMARY GOVERNMENT</b>								
<b>Business-Type Activities</b>								
Copan Public Works Authority								
GMAC Gas Loan	450,000	2019	5.00%	183,592	-	16,759	166,833	18,601
GMAC Water Loan	601,800	2021	5.00%	287,301	-	22,167	265,134	22,719
GMAC Water Loan	504,800	2021	5.00%	216,875	-	19,784	197,091	20,356
Total Business-Type Activities				687,768	-	58,710	629,058	61,676

There were no long-term liabilities within the governmental funds.

GMAC Notes Payable – Copan Public Works Authority

GMAC 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.

GMAC 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	\$ 26,842	\$ 322
10/07/81	12/14/82	35,460	35,460	0
10/07/81	12/14/82	<u>29,748</u>	<u>30,233</u>	<u>485</u>
		\$ 91,728	\$ 92,535	\$ 807

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 8: Long-term liability activity for the year ended June 30, 2011 (continued)

Principal and Interest Payments in Subsequent Years:

<u>Year</u>	<u>Primary Government</u>	
	<u>Principal</u>	<u>Interest</u>
2012	61,676	30,052
2013	64,831	26,897
2014	68,148	23,580
2015	71,635	20,093
2016	75,300	16,428
2017-2021	<u>287,468</u>	<u>27,232</u>
	629,058	144,282

Note 9: Compensated Absences Policy:

The Town of Copan accrues vacation pay as compensated absences and the amounts have been reported on the PWA's financial statements as a liability.

Note 10: Litigation:

During the Fiscal Year ended June 30, 2011, 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.

Note 11: 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 12:01 a.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.

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 12: Bad Debt Provision:

Accounts Receivable in the Public Works Authority Fund is stated at net. This consists of gross Accounts Receivable of \$180,902 less an allowance for uncollectibles of \$17,034.

Utility revenues in the Public Works Authority Fund include \$1,133,358 after writing off \$4,592 in bad checks and collecting \$4,715 on previously written off bad checks.

Note 13: 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.

**TOWN OF COPAN, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

Note 14: Reconciliation of Government Funds Budget (Statutory) Basis Revenues and Expenditures to the Statement of Revenues, Expenditures and Changes to Fund Balance - Governmental Funds (GAAP Basis):

**GENERAL FUND:**

**Revenues and Other Financing Sources**

Revenues and Other Sources- Budget Basis	\$50,609
Increase Current Liabilities	18
Increase Accounts Receivable	1,261
Misc Adjustments	3,526
Revenues and Other Sources- GAAP Basis	<u>\$55,414</u>

**Expenditures**

Expenditures - Budget Basis	\$69,193
Increase Current Liabilities	339
Increase Prepaid Expenses	(412)
Misc Adjustments	3,524
Expenditures - GAAP Basis	<u>\$72,644</u>

<b>SPECIAL REVENUE FUNDS:</b>	<b>Fireman's</b>	<b>Street &amp;</b>
	<b>Special</b>	<b>Alley</b>

**Revenues and Other Financing Sources**

Revenues and Other Sources- Budget Basis	\$25,378	\$27,728
Increase Accounts Receivable	-	252
Revenues and Other Sources- GAAP Basis	<u>\$25,378</u>	<u>\$27,980</u>

**Expenditures**

Expenditures - Budget Basis	\$37,828	\$3,206
Increase Accounts Payable	7,058	255
Expenditures - GAAP Basis	<u>\$44,886</u>	<u>\$3,461</u>

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 15: Grant Activities:

During the fiscal year, the Fire Department fund received \$4,398 in a grant from the Oklahoma Department of Agriculture and \$413 from the Oklahoma Department of Emergency Management.

Note 16: 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.

Note 17: Status of DEQ Consent Order:

The Copan Public Works Authority has operated under a DEQ Consent Order dated August 20, 2004. As outlined in this Consent Order, sewer upgrades were listed and dates for completion were agreed to. Copan PWA completed a sewer irrigation project which became operational in fiscal year 2009-2010. DEQ released the PWA from the Consent Order in a letter dated December 2010.

Note 18: Net Assets:

The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are 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 Assets** – 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 Assets** – represent unrestricted liquid assets.

Note 19: 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.

**TOWN OF COPAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
<b>REVENUES</b>				
Inspection Fees	\$ 1,780	1,780	1,830	\$ (50)
Franchise Tax	1,685	1,685	1,102	583
Sales and Use Tax	30,781	30,781	40,270	(9,489)
Alcoholic Beverage Tax	1,892	1,892	2,176	(284)
Tobacco Tax	644	644	821	(177)
Interest	31	31	155	(124)
Miscellaneous	583	583	4,255	(3,672)
Government Grants	-	-	-	-
Rual Fire Runs	-	-	-	-
Total Revenues	\$ 37,396	\$ 37,396	\$ 50,609	\$ (13,213)
<b>EXPENDITURES</b>				
Personal Services	\$ 39,520	39,520	19,320	\$ 20,200
Maintenance and Operations	44,820	44,820	39,167	5,653
Capital Outlay	12,000	12,000	-	12,000
				-
Total Expenditures	\$ 96,340	\$ 96,340	\$ 58,487	\$ 37,853
Excess (Deficiency) of revenues over expenditures	\$ (58,944)	\$ (58,944)	\$ (7,878)	\$ (51,066)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	-	\$ -	-
Transfers Out	-	-	(10,706)	10,706
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (10,706)	\$ 10,706
Net Change in Fund Balance			(18,584)	
<b>FUND BALANCES - beginning</b>			\$ 58,943	
<b>FUND BALANCES - ending</b>			\$ 40,359	

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, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
<b>REVENUES</b>				
Gas Tax	\$ -	-	1,564	\$ (1,564)
Sales Tax	-	-	20,135	(20,135)
Motor Vehicle Tax	-	-	5,695	(5,695)
Interest	-	-	334	(334)
Total Revenues	\$ -	\$ -	\$ 27,728	\$ (27,728)
 <b>EXPENDITURES</b>				
Maintenance and Operations	\$ 155,128	155,128	3,206	\$ 151,922
Capital Outlay	100,000	100,000	-	100,000
Total Expenditures	\$ 255,128	\$ 255,128	\$ 3,206	\$ 251,922
Excess (Deficiency) of revenues over expenditures	\$ (255,128)	\$ (255,128)	\$ 24,522	\$ 279,650
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance			24,522	
<b>FUND BALANCES - beginning</b>			\$ 255,127	
<b>FUND BALANCES - ending</b>			\$ 279,649	

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, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
<b>REVENUES</b>				
Donations	\$ -	\$ -	\$ 5,410	\$ (5,410)
Government Grants	-	-	8,324	(8,324)
Fire Contracts	-	-	11,630	(11,630)
Miscellaneous	-	-		-
Interest	-	-	14	(14)
Total Revenues	\$ -	\$ -	\$ 25,378	\$ (25,378)
 <b>EXPENDITURES</b>				
Maintenance and Operations	\$ 10,324	10,324	950	\$ 9,374
Capital Outlay	20,000	20,000	36,878	(16,878)
Total Expenditures	\$ 30,324	\$ 30,324	\$ 37,828	\$ (7,504)
Excess (Deficiency) of revenues over expenditures	\$ (30,324)	\$ (30,324)	\$ (12,450)	\$ 17,874
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance			(12,450)	
<b>FUND BALANCES - beginning</b>			\$ 30,324	
<b>FUND BALANCES - ending</b>			\$ 17,874	

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, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
<b>REVENUES</b>				
Donations	\$ -	\$ -	\$ -	\$ -
Government Grants	-	-	-	-
Fire Contracts	-	-	-	-
Fire Runs	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	2	(2)
Total Revenues	\$ -	\$ -	\$ 2	\$ (2)
<b>EXPENDITURES</b>				
Maintenance and Operations	\$ 830	830	\$ -	\$ 830
Capital Outlay	2,000	2,000	-	2,000
Total Expenditures	\$ 2,830	\$ 2,830	\$ -	\$ 2,830
Excess (Deficiency) of revenues over expenditures	\$ (2,830)	\$ (2,830)	2	\$ 2,832
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	-	\$ -	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	\$ -	-	\$ -	-
Net Change in Fund Balance			2	
<b>FUND BALANCES - beginning</b>			\$ 2,830	
<b>FUND BALANCES - ending</b>			\$ 2,832	

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

# JUDITH K. BALLARD, CPA, PC

—CERTIFIED PUBLIC ACCOUNTANT—

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Member AICPA & OSCP

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

To the Mayor and Members of the Council  
Town of Copan, Oklahoma

I have audited 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, 2011, which collectively comprise the Town of Copan's basic financial statements and have issued my report thereon dated September 4, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Copan, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town of Copan's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Copan, Oklahoma's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

# JUDITH K. BALLARD, CPA, PC

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## 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*.

This report is intended solely for the information and use of management, Town 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.

Judith K. Ballard, CPA , PC  
Stroud, Oklahoma  
September 4, 2012