

**TOWN OF COPAN
WASHINGTON COUNTY, OKLAHOMA**

ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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**Town of Copan, Oklahoma
Town Officials
June 30, 2019**

Board of Trustees

Mayor

Rea Madden

Member

Donna Stephens

Member

Kay Ko Holmes

Member

David Long

Member

Ed Browning

Treasurer

Wendy Wickham

**Town of Copan
Washington County, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

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

We 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, 2019, 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 the modified cash basis of accounting described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Copan, Oklahoma, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2022 on our consideration of the Town of Copan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Copan, Oklahoma's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "David Clanin CPA PLLC". The signature is written in a cursive, flowing style.

David Clanin, CPA PLLC
July 19, 2022

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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 Honorable Mayor and Town Council
Town of Copan, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Copan, Oklahoma, as of and for the year ended June 30, 2019, which collectively comprise the Town of Copan, Oklahoma's basic financial statements and have issued our report thereon dated July 19, 2022. We conducted our 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 our audit, we considered Town of Copan, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Copan, Oklahoma's internal control over financial reporting. Accordingly, we 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

A handwritten signature in black ink that reads "David Clanin CPA PLLC". The signature is written in a cursive, flowing style.

David Clanin, CPA PLLC
July 19, 2022

Town of Copan, Oklahoma
Statement of Net Position – Modified Cash Basis
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 382,729.17	\$ 198,498.53	\$ 581,227.70
Noncurrent Assets:			
Restricted Assets:			
Cash and Investments	-	81,234.42	81,234.42
Capital Assets:			
Property, Plant and Equipment, net	519,758.00	1,849,862.93	2,369,620.93
Total Noncurrent Assets	519,758.00	1,931,097.35	2,450,855.35
TOTAL ASSETS	902,487.17	2,129,595.88	3,032,083.05
LIABILITIES			
Current Liabilities:			
Current Portion of Notes Payable	-	48,381.00	48,381.00
Noncurrent Liabilities:			
Payable from Restricted Assets:			
Meter Deposits Payable	-	90,104.76	90,104.76
Notes Payable	-	227,138.20	227,138.20
Total Noncurrent Liabilities	-	317,242.96	317,242.96
TOTAL LIABILITIES	-	365,623.96	365,623.96
NET POSITION			
Net Investment in Capital Assets	519,758.00	1,574,343.73	2,094,101.73
Restricted	-	138,635.33	138,635.33
Unrestricted	382,729.17	50,992.86	433,722.03
TOTAL NET POSITION	\$ 902,487.17	\$ 1,763,971.92	\$ 2,666,459.09

The accompanying Notes to the Financial Statements are an integral part of this statement

Town of Copan, Oklahoma
Statement of Activities – Modified Cash Basis
June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government:	\$ 57,257.55	\$ 4,192.12	\$ -	\$ -	\$ (53,065.43)	\$ -	\$ (53,065.43)
Public Safety	95,252.98	25,145.56	4,000.00	-	(66,107.42)	-	(66,107.42)
Street and Alley	21,630.33	-	-	-	(21,630.33)	-	(21,630.33)
Judicial and Legal	19,354.49	-	-	-	(19,354.49)	-	(19,354.49)
Total Governmental Activities	<u>193,495.35</u>	<u>29,337.68</u>	<u>4,000.00</u>	<u>-</u>	<u>(160,157.67)</u>	<u>-</u>	<u>(160,157.67)</u>
Business-Type Activities:							
Utilities	<u>1,109,652.61</u>	<u>1,174,909.75</u>	<u>-</u>	<u>117,952.08</u>	<u>-</u>	<u>183,209.22</u>	<u>183,209.22</u>
Total	<u><u>1,303,147.96</u></u>	<u><u>1,204,247.43</u></u>	<u><u>4,000.00</u></u>	<u><u>117,952.08</u></u>	<u><u>(160,157.67)</u></u>	<u><u>183,209.22</u></u>	<u><u>23,051.55</u></u>

General Revenues:

Taxes:			
Sales and Use Taxes	93,250.22	-	93,250.22
Motor Vehicle Collections	3,987.86	-	3,987.86
Alcoholic Beverage Tax	3,021.82	-	3,021.82
Gasoline Tax	574.63	-	574.63
Tobacco Tax	882.91	-	882.91
Investment Income (Expense)	842.69	(4,425.45)	(3,582.76)
Donations	17,643.30	-	17,643.30
Miscellaneous Income (Expense)	3,822.00	-	3,822.00
Transfers	78,338.19	(90,728.55)	(12,390.36)
Total General Revenues and Transfers	<u>202,363.62</u>	<u>(95,154.00)</u>	<u>107,209.62</u>
Change in Net Position	42,205.95	88,055.22	130,261.17
Net Position, Beginning of Year	860,281.22	1,675,916.70	2,536,197.92
Net Position, End of Year	<u><u>\$ 902,487.17</u></u>	<u><u>\$ 1,763,971.92</u></u>	<u><u>\$ 2,666,459.09</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement

Town of Copan, Oklahoma
Balance Sheet – Governmental Funds – Modified Cash Basis
June 30, 2019

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 94,445.62	\$ 288,283.55	\$ 382,729.17
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accrued Liabilities	\$ -	\$ -	\$ -
Fund Equity:			
Cash Fund Balance, Assigned	-	288,283.55	288,283.55
Cash Fund Balance, Unassigned	94,445.62	-	94,445.62
TOTAL LIABILITIES AND FUND EQUITY	\$ 94,445.62	\$ 288,283.55	\$ 382,729.17

The accompanying Notes to the Financial Statements are an integral part of this statement

Town of Copan, Oklahoma
Reconciliation of Governmental Fund and Government – Wide
Statement of Net Position – Modified Cash Basis
June 30, 2019

Total Governmental Funds Balance	\$ 382,729.17
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 as assets in governmental funds. The cost of the assets is \$987,737 and the accumulated depreciation is \$467,979 for a net book value of \$519,758	519,758.00
Net Position of Governmental Activities	\$ 902,487.17

The accompanying Notes to the Financial Statements are an integral part of this statement

Town of Copan, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
– Modified Cash Basis
For the Year Ended June 30, 2019

	General Fund	Special Revenue Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 70,389.34	31,328.10	101,717.44
Fines & Forfeitures	211.25	-	211.25
Interest	313.17	529.52	842.69
Donations	1,100.00	16,543.30	17,643.30
Grants	-	4,000.00	4,000.00
Charges for Services	4,192.12	24,934.31	29,126.43
Miscellaneous	3,227.54	594.46	3,822.00
Total Revenues	<u>79,433.42</u>	<u>77,929.69</u>	<u>157,363.11</u>
Expenditures			
Current:			
Maintenance and Operations	119,507.04	27,914.31	147,421.35
Capital Outlay	78,075.16	-	78,075.16
Total Expenditures	<u>197,582.20</u>	<u>27,914.31</u>	<u>225,496.51</u>
Excess (deficiency) of revenues over expenditures	(118,148.78)	50,015.38	(68,133.40)
Other Financing Sources (uses)			
Transfers	<u>77,532.32</u>	<u>805.87</u>	<u>78,338.19</u>
Net Change in Fund Balance	(40,616.46)	50,821.25	10,204.79
Fund Balance - Beginning	<u>135,062.08</u>	<u>237,462.30</u>	<u>372,524.38</u>
Fund Balance - Ending	<u>\$ 94,445.62</u>	<u>288,283.55</u>	<u>382,729.17</u>

The accompanying Notes to the Financial Statements are an integral part of this statement

Town of Copan, Oklahoma
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Government – Wide Statement of Activities
– Modified Cash Basis
For the Year Ended June 30, 2019

Net Change in Fund Balances - Governmental Funds	\$	10,204.79
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital Asset Purchases Capitalized	\$ 78,076.00		
Depreciation expense	<u>(46,074.84)</u>		<u>32,001.16</u>

Change in Net Position of Governmental Activities	\$	<u><u>42,205.95</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement

Town of Copan, Oklahoma
Statement of Net Position – Proprietary Fund – Modified Cash Basis
June 30, 2019

	Public Works Authority <u>Enterprise Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 198,498.53</u>
Non-Current Assets:	
Restricted Assets:	
Cash and Investments	81,234.42
Capital Assets:	
Property and Equipment, net	<u>1,849,862.93</u>
Total NonCurrent Assets	<u>1,931,097.35</u>
 TOTAL ASSETS	 <u>2,129,595.88</u>
 LIABILITIES:	
Current Liabilities:	
Current Portion of Notes Payable	<u>48,381.00</u>
Noncurrent Liabilities	
Payable from Restricted Assets:	
Meter Deposits Payable	90,104.76
Notes Payable	<u>227,138.20</u>
Total Noncurrent Liabilities	<u>317,242.96</u>
TOTAL LIABILITIES	<u>365,623.96</u>
 NET POSITION	
Net Investment in Capital Assets	1,574,343.73
Restricted	90,104.76
Unrestricted	<u>99,523.43</u>
TOTAL NET POSITION	<u><u>\$ 1,763,971.92</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement

Town of Copan, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund – Modified Cash Basis
For the Year Ended June 30, 2019

	Public Works Authority <u>Enterprise Fund</u>
Operating Revenues	
Electric	\$ 466,791.98
Water	197,160.65
Sewer	116,166.89
Gas	300,053.18
Trash and Landfill	66,183.28
Miscellaneous	28,553.77
Total Operating Revenues	<u>1,174,909.75</u>
Operating Expenses	
Purchased Electric	380,946.75
Purchased Sanitation	59,865.14
Purchased Gas	109,778.05
Personnel Expense	278,685.58
Maintenance and Operations	159,683.09
Depreciation	120,694.00
Total Operating Expenses	<u>1,109,652.61</u>
Operating Income (Loss)	<u>65,257.14</u>
Non-Operating Revenues (Expenses)	
Interest Income	579.10
Interest Expense	(5,004.55)
Grant Income	117,952.08
Transfers	(90,728.55)
Total Non-Operating Revenues (Expenses)	<u>22,798.08</u>
Change in Net Position	88,055.22
Net Position, Beginning of Year	<u>1,675,916.70</u>
Net Position, End of Year	<u><u>\$ 1,763,971.92</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement

Town of Copan, Oklahoma
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis
For the Year Ended June 30, 2019

Cash Flows from Operating Activities

Cash Inflows:

Payments Received from Customers	\$ 1,189,674.51
Total Cash Provided	<u>1,189,674.51</u>

Cash Outflows:

Payments for Salaries and Benefits	(278,685.58)
Payments for Goods and Services	<u>(710,273.03)</u>
Total Cash Used	<u>(988,958.61)</u>
Net Cash Provided (Used) by Operating Activities	<u>200,715.90</u>

Cash Flows from Noncapital Financing Activities

Grant receipts	117,952.08
Transfers to General Fund	<u>(90,728.55)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>27,223.53</u>

Cash Flows from Capital and Related Financing Activities

Purchases of Capital Assets	(134,663.03)
Principal Paid on Capital Debt	<u>(96,325.00)</u>
Interest Paid on Capital Debt	<u>(5,004.55)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(235,992.58)</u>

Cash Flows from Investing Activities

Interest Received	579.10
	<u>579.10</u>

Net Cash Inflow (Outflow) from All Activities (7,474.05)

Cash and Cash Equivalents, Beginning of Year 287,207.00

Cash and Cash Equivalents, End of Year \$ 279,732.95

Cash and Cash Equivalents

Unrestricted	\$ 198,498.53
Restricted	<u>81,234.42</u>
	<u><u>\$ 279,732.95</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement

Town of Copan, Oklahoma
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis (continued)
For the Year Ended June 30, 2019

	Public Works Authority <u>Enterprise Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 65,257.14
Depreciation	120,694.00
Increase (Decrease) in:	
Meter Deposits Payable	<u>14,764.76</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 200,715.90</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement

Town of Copan, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of the Town's financial statements.

The Town's financial statements are prepared on the modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles.

A. Reporting Entity

The Town of Copan, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a town form of government and is governed by a five-member board of trustees. The trustees elect the mayor from their own body. The Town provides the following services: general government, public safety (fire and police), streets, public works (electric, water, sewer, trash), judicial, public improvements, and planning and zoning for the geographical area organized as the Town of Copan, Oklahoma.

Component Units

For financial reporting purposes, the Town includes 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. Based on the foregoing criteria, the Town of Copan Public Works Authority is blended into the Town's financial statements.

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 Town of Copan Public Works Authority is a public trust created under authority of and pursuant to the provisions of Sections 176-180, inclusive, of Title 60, Oklahoma Statutes 1981, and Oklahoma Trust Act, which declaration of trust is recorded in the office of the County Clerk, Washington County, Oklahoma.

B. Description of government wide financial statements

The government-wide financial statements (i.e., statement of net position and statement of activities) report information on activities of the primary government and its component units. Government activities, which normally are supported by taxes and intergovernmental revenues, and other non-exchange transaction are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

The government-wide financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and change therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles.

Town of Copan, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

B. Description of government wide financial statements (continued)

Only cash (and cash equivalents) and items that involve the receipt or disbursement of cash (or cash equivalents) during the period are recognized, except for the following modifications:

- (1) Interfund receivables and payables that arise from transactions and events involving cash or cash equivalents are recognized.
- (2) Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents are recognized; and
- (3) Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirement are recognized.

As a result of the use of this modified cash basis of accounting, certain transactions are not recorded in the financial statements. For example, accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables. Additionally, capital assets such as property, equipment, and infrastructure are not reported and long-term liabilities such as debt and compensated absences are also not reported.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided from government funds and proprietary funds.

The government-wide financial statements are presented on the modified cash basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of presentation – fund financial statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are two categories of funds: governmental and proprietary.

Governmental Funds – used to account for the Town's general activities. Governmental fund types use the flow of current financial resources measurement focus and the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenue, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Town of Copan, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

D. Basis of presentation – fund financial statements (continued)

Fund Accounting

As a result of the use of this modified cash basis of accounting, certain assets and their related revenue and certain liabilities and their related expenses are not recorded in these financial statements.

The following are Town’s major funds:

- General Fund – Accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Special Revenue Funds – Account for operating funds for which revenues were derived from specific taxes, grants or other earmarked revenue sources.
- Enterprise Funds (Proprietary Funds) – Used 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.

E. Assets, Liabilities and Equity

Cash and Cash Equivalents

For the purpose of the Statement of Net Position – Modified Cash Basis, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposit of the Town. For the purposes of the proprietary fund Statement of Cash Flows – Modified Cash Basis, “cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Capital Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. The Town of Copan currently has no capitalization policy.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Buildings	20-60 years
Improvements	20-60 years
Machinery and Equipment	3-20 years
Utility System	20-60 years
Infrastructure	20-60 years

Town of Copan, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Equity (continued)

Capital Assets (continued)

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Included in restricted assets are funds on deposit representing utility customer meter deposits which are refundable to the customer.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Net Position/Fund Balance

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints places on the use of resources for specific purposed versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Town of Copan, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Equity (continued)

Equity Classifications (continued)

Net Position/Fund Balance (continued)

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or by law through constitutional provision or enabling legislation.

Committed fund balance represents amounts that are usable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts) but cannot be used for any other purpose unless the government removes or changes by taking action similar to that which imposed the commitment. The Town's Board of Trustees is the highest level of decision-making authority of the Town.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

Resource Use Policy

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers the restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned or unassigned resources, including fund balances, are available, the Town considers committed, amounts to be spent first, followed by assigned amounts, and lastly, unassigned amounts.

F. Revenues, Expenditures and Expenses

Sales Tax

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund.

Use Tax

The Town levies a use-tax on personal property purchased outside the town limits but stored, used or consumed within the town. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use taxes are allocated entirely to the General Fund.

**Town of Copan, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2019**

I. Summary of Significant Accounting Policies (continued)

F. Revenues, Expenditures and Expenses (continued)

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character: Current (further classified by function), Debt Service, Capital Outlay

Proprietary Funds – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities – Modified Cash Basis, all interfund transfers between individual governmental funds have been eliminated.

II. Stewardship, Compliance and Accountability

By its nature as a local government unit, the Town and its component unit are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

A. Fund Accounting Requirements

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the town include the following:

<u>Fund</u>	<u>Required By</u>
Utility Authority Fund	Trust Indenture

B. Deposit and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in note III A., all deposits were fully insured or collateralized.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2019, the Town and its public trusts complied, in all material respects, with these investment restrictions.

Town of Copan, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2019

II. Stewardship, Compliance and Accountability (continued)

C. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Utility Revenue	Debt Service and Utility Operations

For the year ended June 30, 2019, the Town complied, in all material respects, with these revenue restrictions.

D. Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2019, the Town had no outstanding general obligation debt.

Other Long-Term Debt

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2019, the Town incurred no such indebtedness.

Notes Payable

The various loan agreements relating to the notes payable issuances of Copan Public Works Authority contain some financial restrictions or covenants. These include covenants such as the required reserve account balances. As of June 30, 2019, the Town was in material compliance with required covenants.

E. Fund Equity Restrictions

Deficit Prohibition

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute in all material respects for the year ended June 30, 2019.

Town of Copan, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detailed Notes on Transaction Classes/Accounts

A. Cash and Investments

Authorized Investments

Town policy for eligible investments is governed by State statutes which, in general, allow the Town to invest in obligations of the United States and insured or collateralized Certificate of Deposits. Investment income is recorded in the fund in which it is earned.

Custodial Credit Risk – Deposit: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2019, the Town and Public Works were fully collateralized.

B. Restricted Assets

The amounts reported as restricted assets are comprised of cash held in trust on behalf of the Public Works Authority related to their required note payable reserve account and amounts held in trust for customer utility meter deposits.

Utility Deposit

The Public Works Authority is holding customers' meter deposits in the amount of \$90,104.76 and has assets reserved to refund these deposits, as required by statute.

Town of Copan, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detailed Notes on Transaction Classes/Accounts (continued)

C. Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Depreciable assets:				
Buildings	51,671	68,663	-	120,334
Equipment	191,555	3,400	-	194,955
Furniture and Fixtures	-	-	-	-
Vehicles	320,021	6,013	-	326,034
Infrastructure	343,414	-	-	343,414
Total Depreciable assets	906,661	78,076	-	984,737
Total Capital Assets	909,661	78,076	-	987,737
Total Accum Depreciation	(421,905)	(46,074)	-	(467,979)
Net Capital Assets	\$ 487,756	\$ 32,002	\$ -	\$ 519,758
Business-Type Activities - Utility:				
Non-depreciable assets:				
Land	\$ 117,503	\$ -	\$ -	\$ 117,503
Depreciable assets:				
Buildings	\$ 12,785	\$ -	\$ -	\$ 12,785
Equipment	270,579	7,300	-	277,879
Sewer System	1,451,308	527,591	-	1,978,899
Gas System	459,301	-	-	459,301
Electric System	40,200	-	-	40,200
Water System	1,790,163	-	-	1,790,163
Vehicles	122,679	-	-	122,679
Total Depreciable assets	4,147,015	534,891	-	4,681,906
Total Capital Assets	4,264,518	534,891	-	4,799,409
Total Accum Depreciation	(2,828,852)	(120,694)	-	(2,949,546)
Net Capital Assets	\$ 1,435,666	\$ 414,197	\$ -	\$ 1,849,863

Town of Copan, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2019

III. Detailed Notes on Transaction Classes/Accounts (continued)

C. Capital Assets (continued)

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 1,005
Public Safety	24,301
Street and Alley	18,460
Culture and Recreation	2,308
Total Depreciation Expense	<u>\$ 46,074</u>

D. Long-Term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and business-type activities. Per 62 O.S. 430.1, any lease obligations from governmental activities extending beyond June 30 of the fiscal year shall contain provisions for mutual ratification of renewal.

As of June 30, 2019, the utility authority long-term debt consisted of the following:

Loans for water line construction with original amounts of \$601,800 and \$504,800 at 5% interest and maturing in 2021. The loans had balances of \$45,128.70 and \$4,545.11, respectively, at June 30, 2019.

Loan for a bucket truck with an original amount of \$56,768 at 2.801% interest, maturing in 2021. The loan had a balance of \$25,845.39 at June 30, 2019.

The loans above were paid in full prior to the issuance of the auditor's report on July 19, 2022.

Town of Copan, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2019

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

The governing board of the Town is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

C. Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

OTHER SUPPLEMENTAL INFORMATION

Town of Copan, Oklahoma
Combining Balance Sheet – Special Revenue Funds – Modified Cash Basis
For the Year Ended June 30, 2019

	<u>Special Revenue Funds</u>			Total Special Revenue Funds
	<u>Street and Alley Fund</u>	<u>Fireman's Special Fund</u>	<u>Other</u>	
ASSETS				
Cash and Cash Equivalents	\$ <u>210,542.95</u>	<u>74,894.03</u>	<u>2,846.57</u>	<u>288,283.55</u>
LIABILITIES AND FUND BALANCE				
Fund Balance:				
Total Fund Balance	\$ <u>210,542.95</u>	<u>74,894.03</u>	<u>2,846.57</u>	<u>288,283.55</u>
Total Liabilities and Fund Balance	\$ <u><u>210,542.95</u></u>	<u><u>74,894.03</u></u>	<u><u>2,846.57</u></u>	<u><u>288,283.55</u></u>

Town of Copan, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
– Special Revenue Funds – Modified Cash Basis
For the Year Ended June 30, 2019

	Street & Alley	Fireman's Special	Other	Total Special Revenue Funds
Revenues:				
Taxes	31,328.10	-	-	31,328.10
Interest	410.81	112.68	6.03	529.52
Donations	-	16,543.30	-	16,543.30
Grants	-	4,000.00	-	4,000.00
Charges for Services	-	24,934.31	-	24,934.31
Miscellaneous	-	594.46	-	594.46
Total Revenues	31,738.91	46,184.75	6.03	77,929.69
Expenditures				
Current:				
Maintenance and Operations	3,174.28	24,740.03	-	27,914.31
Total Expenditures	3,174.28	24,740.03	-	27,914.31
Excess (deficiency) of revenues over expenditures	28,564.63	21,444.72	6.03	50,015.38
Other Financing Sources (uses)				
Transfers	(10,407.01)	11,212.88	-	805.87
Net Change in Fund Balance	18,157.62	32,657.60	6.03	50,821.25
Fund Balance - Beginning	192,385.33	42,236.43	2,840.54	237,462.30
Fund Balance - Ending	210,542.95	74,894.03	2,846.57	288,283.55