

TOWN OF COPAN GOVERNMENTAL UNIT  
COPAN, OKLAHOMA

**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2014  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

**JUDITH K. BALLARD, CPA, PC**  
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**TOWN OF COPAN GOVERNMENTAL UNIT  
COPAN, OKLAHOMA  
JUNE 30, 2014**

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**TOWN OF COPAN GOVERNMENTAL UNIT**  
**COPAN, OKLAHOMA**  
**JUNE 30, 2014**

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# JUDITH K. BALLARD, CPA, PC

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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Copan, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Copan's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Copan, Oklahoma, as of June 30, 2014, and

the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 budgetary comparison information, on pages 25 through 28, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. Management has elected not to present management's discussion and analysis. My opinion on the basic financial statements is not affected by this missing information.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated February 3, 2015 on my consideration of the Town of Copan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Copan, Oklahoma's internal control over financial reporting and compliance.



Stroud, Oklahoma  
February 3, 2015

**TOWN OF COPAN**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 420,501	\$ 602,583	\$ 1,023,084
Accounts Receivable-Tax Revenues	24,415	-	24,415
Accounts Receivable-Utilities, net	-	171,244	171,244
Prepaid Insurance	6,734	6,734	13,468
Restricted Assets:			
Cash and Cash Equivalents	-	170,455	170,455
Capital Assets:			
Non-depreciable	3,000	117,503	120,503
Depreciable (Net)	228,659	1,471,527	1,700,186
<b>Total Assets</b>	<b>683,309</b>	<b>2,540,046</b>	<b>3,223,355</b>
<b>LIABILITIES</b>			
Accounts Payable	3,232	62,519	65,751
Accrued Liabilities	-	5,217	5,217
Customer Deposits	-	77,780	77,780
Accrued Interest Payable	-	1,086	1,086
Compensated Absences	-	10,428	10,428
Non-Current Liabilities			
Due Within One Year	-	71,643	71,643
Due in more than one Year	-	362,601	362,601
<b>Total Liabilities</b>	<b>3,232</b>	<b>591,274</b>	<b>594,506</b>
<b>NET POSITION</b>			
Invested in Capital Assets (net of related debt & accum. deprec.)	231,659	1,154,785	1,386,444
Restricted for:			
Debt Service	-	92,675	92,675
Unrestricted (Deficit)	448,418	701,312	1,149,730
<b>Total Net Position</b>	<b>680,077</b>	<b>1,948,772</b>	<b>2,628,849</b>

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 POSITION  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2014

Fund balances - total governmental funds	\$	448,418
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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	\$	475,124	
Less accumulated depreciation		<u>(243,465)</u>	
			231,659

Net position of governmental activities	\$	<u><u>680,077</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, 2014**

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		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 45,766	\$ 877	\$ -	\$ -	\$ (44,889)	\$ -	\$ (44,889)
Public Safety	57,545	16,755	-	19,362	(21,428)	-	(21,428)
Streets	4,759	-	-	-	(4,759)	-	(4,759)
Cultural and Recreation	4,850	-	-	-	(4,850)	-	(4,850)
<b>Total Governmental Activities</b>	<b>112,920</b>	<b>17,632</b>	<b>-</b>	<b>19,362</b>	<b>(75,926)</b>	<b>-</b>	<b>(75,926)</b>
Business-type Activities:							
Utilities - PWA	\$ 1,221,297	\$ 1,219,852	\$ -	\$ 37,171	\$ -	\$ 35,726	\$ 35,726
Interest on Long-Term Debt	23,415	-	-	-	-	(23,415)	(23,415)
<b>Total Business-type Activities</b>	<b>1,244,712</b>	<b>1,219,852</b>	<b>-</b>	<b>37,171</b>	<b>-</b>	<b>12,311</b>	<b>12,311</b>
<b>Total primary government</b>	<b>\$ 1,357,632</b>	<b>\$ 1,237,484</b>	<b>\$ -</b>	<b>\$ 56,533</b>	<b>\$ (75,926)</b>	<b>\$ 12,311</b>	<b>\$ (63,615)</b>

**General Revenues:**

**Taxes:**

Tobacco Tax	\$ 1,072	\$ -	\$ 1,072
Sales and Use Tax	96,434	-	96,434
Gas Tax	1,345	-	1,345
Motor Vehicle Tax	5,664	-	5,664
Franchise Tax	1,021	-	1,021
Alcoholic Beverage Tax	2,202	-	2,202
Miscellaneous	9,598	-	9,598
Investment Earnings	775	878	1,653
Sale of Scrap	38,167	-	38,167

**Total General Revenue and Transfers**

**\$ 156,278      \$ 878      \$ 157,156**

**Change in Net Assets**

**\$ 80,352      \$ 13,189      \$ 93,541**

**Net Position - Beginning**

**\$ 599,725      \$ 1,935,583      \$ 2,535,308**

**Net Position - Ending**

**\$ 680,077      \$ 1,948,772      \$ 2,628,849**

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, 2014

Net change in Fund Balances - Total Governmental Funds	\$	66,558
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Amounts reported for governmental activities in the statement  
 of activities are different because:

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

Fixed Assets Purchased	45,870	
Current year depreciation	<u>(32,076)</u>	
		13,794

Change in net position of governmental activities	\$	<u><u>80,352</u></u>
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The notes to the financial statements are an integral part of this statement.

**TOWN OF COPAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	GENERAL	STREET & ALLEY	FIREMAN'S SPECIAL	LIBRARY FUND	TOTAL GOVERNMENT FUNDS
<b>ASSETS</b>					
Cash	\$ 62,017	\$ 339,456	\$ 16,192	\$ 2,836	\$ 420,501
Accounts Receivable - Motor Vehicle Tax	-	947	-	-	947
Accounts Receivable - Sales & Use Tax	14,359	7,179	-	-	21,538
Accounts Receivable - Gas Tax	-	778	-	-	778
Accounts Receivable - Alcoholic Beverage Tax & Other	1,152	-	-	-	1,152
Due (To)/From Other Funds	6,455	(6,455)	-	-	-
Prepaid Insurance	6,734	-	-	-	6,734
<b>Total Assets</b>	<u>\$ 90,717</u>	<u>\$ 341,905</u>	<u>\$ 16,192</u>	<u>\$ 2,836</u>	<u>\$ 451,650</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 2,522	\$ -	\$ 710	\$ -	\$ 3,232
Accrued Salaries	-	-	-	-	-
<b>Total Liabilities</b>	<u>\$ 2,522</u>	<u>\$ -</u>	<u>\$ 710</u>	<u>\$ -</u>	<u>\$ 3,232</u>
 <b>Fund Balances:</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	341,905	15,482	-	357,387
Assigned	-	-	-	2,836	2,836
Unassigned	88,195	-	-	-	88,195
<b>Total Fund Balances</b>	<u>\$ 88,195</u>	<u>\$ 341,905</u>	<u>\$ 15,482</u>	<u>\$ 2,836</u>	<u>\$ 448,418</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 90,717</u>	<u>\$ 341,905</u>	<u>\$ 16,192</u>	<u>\$ 2,836</u>	<u>\$ 451,650</u>

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, 2014**

	GENERAL	STREET & ALLEY	FIREMAN'S SPECIAL	LIBRARY FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Franchise Tax	\$ 1,021	\$ -	\$ -	\$ -	1,021
Donations	5,000	-	9,888	-	14,888
Sales & Use Tax	64,289	32,145	-	-	96,434
Gasoline Tax	-	1,345	-	-	1,345
Motor Vehicle Tax	-	5,664	-	-	5,664
Tobacco Tax	1,072	-	-	-	1,072
Inspection Fee	877	-	-	-	877
Alcoholic Beverage Tax	2,202	-	-	-	2,202
Interest	462	308	4	1	775
Miscellaneous	4,115	-	5,484	-	9,599
Fire Contracts	-	-	16,755	-	16,755
Grant Income	-	-	4,474	-	4,474
Sale of Scrap	38,167	-	-	-	38,167
<b>TOTAL REVENUE</b>	<u>\$ 117,205</u>	<u>\$ 39,462</u>	<u>\$ 36,605</u>	<u>\$ 1</u>	<u>\$ 193,273</u>
<b>EXPENDITURES</b>					
Capital Outlay	\$ -	\$ -	\$ 24,659	\$ -	\$ 24,659
General Government	51,127	-	-	-	51,127
Highways & Streets	-	764	-	-	764
Cultural and Recreation	200	-	-	-	200
Public Safety	48,903	-	1,062	-	49,965
<b>TOTAL EXPENDITURES</b>	<u>\$ 100,230</u>	<u>\$ 764</u>	<u>\$ 25,721</u>	<u>\$ -</u>	<u>\$ 126,715</u>
Excess (deficiency) of Revenues Over (under) Expenditures	\$ 16,975	\$ 38,698	\$ 10,884	\$ 1	\$ 66,558
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer (Out)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer In	-	-	-	-	-
Sales of Assets	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ 16,975	\$ 38,698	\$ 10,884	\$ 1	\$ 66,558
<b>FUND BALANCES, Beginning of Year</b>	<u>\$ 71,220</u>	<u>\$ 303,207</u>	<u>\$ 4,598</u>	<u>\$ 2,835</u>	<u>\$ 381,860</u>
<b>FUND BALANCES, End of Year</b>	<u>\$ 88,195</u>	<u>\$ 341,905</u>	<u>\$ 15,482</u>	<u>\$ 2,836</u>	<u>\$ 448,418</u>

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

**TOWN OF COPAN  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014**

**COPAN PUBLIC  
WORKS  
AUTHORITY**

**ASSETS**

**Current Assets:**

Cash	\$ 602,583
Accounts Receivable - Utilities (net)	171,244
Prepaid Insurance	6,734
<b>Total Current Assets</b>	<b><u>\$ 780,561</u></b>

**Non-Current Assets:**

**Restricted Cash:**

Customer Deposits	\$ 77,780
Debt Service Accounts	92,675

**Capital Assets:**

Land	\$ 117,503
Sewer Plant	1,281,857
Gas System	454,731
Water System and Tower	1,788,932
Electrical System	35,671
Equipment, Vehicles and Tools	245,991
Less: Accumulated Depreciation	<u>(2,335,655)</u>

<b>Net Fixed Assets</b>	<b><u>\$ 1,589,030</u></b>
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<b>Total Non-Current Assets</b>	<b><u>\$ 1,759,485</u></b>
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<b>Total Assets</b>	<b><u><u>\$ 2,540,046</u></u></b>
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**LIABILITIES**

**Current Liabilities:**

Accounts Payable	\$ 62,519
Payroll Taxes Withheld and Accrued	2,902
Sales Tax Payable	2,315
Customer Deposits	77,780
Accrued Interest Payable	1,086
Current Portion of Long-Term Debt	71,643
Compensated Absences Payable	<u>10,428</u>

<b>Total Current Liabilities</b>	<b><u>\$ 228,673</u></b>
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**Non-Current Liabilities**

Notes Payable - Due After One Year	<u>\$ 362,601</u>
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<b>Total Long-Term Liabilities</b>	<b><u>\$ 362,601</u></b>
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<b>Total Liabilities</b>	<b><u>\$ 591,274</u></b>
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**NET POSITION**

Invested in Capital Assets, Net of Related Debt	\$ 1,154,785
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**Restricted:**

Debt Service	92,675
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<b>Unrestricted</b>	<b><u>701,312</u></b>
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<b>Total Net Position</b>	<b><u><u>\$ 1,948,772</u></u></b>
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The notes to the financial statements are an integral part of this statement.

**TOWN OF COPAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	COPAN PUBLIC WORKS AUTHORITY
<b>OPERATING REVENUES</b>	
Utility Service Revenue - net	\$ 1,185,206
Miscellaneous Including Penalties	<u>34,646</u>
 Total Operating Revenues	 <u>\$ 1,219,852</u>
 <b>OPERATING EXPENSES</b>	
Purchase of Electric	\$ 370,889
Purchase of Gas	194,105
Trash	49,181
Wages and Labor	366,231
Materials and Supplies	81,786
Fuel and Oil	10,104
Depreciation Expense	121,221
Lake Storage	11,268
Interest Expense	23,415
Insurance	11,750
Miscellaneous Expense	2,014
Repairs and Maintenance	\$ <u>2,748</u>
Total Operating Expenses	<u>\$ 1,244,712</u>
 <b>OPERATING INCOME (LOSS)</b>	 <u>\$ (24,860)</u>
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Income	\$ 878
Grant Income	37,171
 Total Non-Operating Revenues (Expenses)	 <u>\$ 38,049</u>
 <b>INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	 <u>\$ 13,189</u>
 Transfers Out	 <u>\$ -</u>
 Total Operating Transfers	 <u>\$ -</u>
 Change in Net Assets	 \$ 13,189
 Net Position - Beginning of Year	 <u>\$ 1,935,583</u>
 Net Position - Ending of Year	 <u><u>\$ 1,948,772</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, 2014

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers	\$ 1,244,228
Cash Payments to Suppliers for Goods & Services	(942,411)
Cash Payments to Employees for Services	<u>(188,479)</u>
Net Cash Provided by (used for ) Operating Activities	<u>\$ 113,338</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Tranfers to other funds	-
Increase in Customer Deposits	<u>3,470</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>\$ 3,470</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase Capital Assets	(79,936)
Principal Paid on Notes	(68,229)
Interest Paid on Notes	(23,500)
Grant Proceeds	<u>37,171</u>
Net Cash Provided by (used for ) Capital & Related Financing Activities	<u>\$ (134,494)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on Investments	<u>\$ 976</u>
Net Cash Provided by (used for) Investing Activities	<u>\$ 976</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (16,710)
Cash and Cash Equivalents at Beginning of Year	<u>\$ 789,748</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 773,038</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, 2014

RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (24,860)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	121,221
Interest Expense	23,415
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable - Trade	6,375
(Increase) Decrease in Prepaid Expenses	(3,616)
(Increase) Decrease in Inventory	9,996
Increase (Decrease) in Accounts Payable	(15,603)
Increase (Decrease) in Accrued Liabilities	(2,684)
Increase (Decrease) in Accrued Salaries	(906)
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 113,338</u></u>

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

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

**A. Principles Determining the Scope of Reporting Entity**

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

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

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

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

**B. Government-wide and Fund Financial Statements**

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

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

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

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



**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**B. Government-wide and Fund Financial Statements: (Continued)**

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, 2014**

**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 Position.

**D. Basis of Accounting**

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

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

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

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

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

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

**E. Budgeting and Budgetary Control**

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

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

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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, 2014, the inventory was zero.

**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: Employee Retirement Systems and Pension Plans**

The Town of Copan participates in the Oklahoma State Firefighters' Pension and Retirement System (OFPRS). Additionally, for Town employees, the Town of Copan maintains a defined benefit plan, Oklahoma Municipal Retirement Fund (OMRF), which was set up in January 2012.

**Oklahoma State Firefighters' Pension and Retirement System (OFPRS)**

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, 2014, conducted by other Certified Public Accountants. The audit and annual reports are available from the State of Oklahoma.

**Oklahoma Municipal Retirement (OMRF)**

In January 2012, the Town began participating in a defined benefit retirement plan which covers employees not covered by other plans. The plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). All regular, full-time Town employees not covered by other plans are required to participate in the OMRF. Benefits vest after ten years of service. Employees who retire at age 65 or completion of ten years of service, if later, are entitled to annual retirement benefits, payable monthly in an amount equal to .75% of final average compensation multiplied by the number of years credited service. Final average compensation is defined as the average of the five highest consecutive annual salaries out of the last ten calendar years of service.

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed ten years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65 the amount of benefit will be actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

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

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

**Actuarially Determined Contribution Requirements and Contributions Made**

The System's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so sufficient assets will be available to pay benefits when due. Required contributions are determined using the aggregate entry age normal cost method. Unfunded actuarial accrued liabilities will be amortized as a level percent of payroll over a period of 30 years. The unfunded actuarial liability's amortization base date is the first amortization date after joining OMRF, which for the Town of Copan is set at March 2013.

For the fiscal year ended June 30, 2014, employees were required to contribute 1.50% of annual compensation. The Town is required to contribute the remaining amounts necessary to fund the pension plan, using an actuarial basis. The Town's contribution rate, for the fiscal year ended June 30, 2014, was set at 5.45%. During the year ended June 30, 2014, the Town and the employees contributed \$10,194 and \$2,802, respectively, to the OMRF.

**Town of Copan**  
**Schedule of Funding Progress**  
**Retirement**  
**6/30/2014**

<b>Actuarial Valuation Date</b>	<b>Value of Assets</b>	<b>Asset Valuation Basis</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Type</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
1/1/2013	\$9,750	Actuarial	107,149	EAN	\$97,399	9.10%	\$153,652	63.40%
1/1/2014	23,589	Actuarial	124,434	EAN	100,846	19.00%	182,749	55.20%

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

**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, 2014 were adequately insured and/or collateralized.

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

As of June 30, 2014, the Public Works Authority had total cash accounts of \$92,675 restricted in use by the loan agreement, as further described in Note 15. The Public Works Authority also had \$77,780 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 \$780,561 and current liabilities of \$228,673 resulting in \$551,888 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.

**Note 7: Governmental Grants**

Fire Department

During the fiscal year, the Fire Department fund received \$4,474 in a grant from the Oklahoma Department of Agriculture.

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Public Works Authority**

The Copan Public Works Authority received \$35,671 in grant proceeds from Grand Gateway Economic Development Association in October 2013. The \$49,000 grant was for replacing electric poles. The project expenditure of \$35,671 was made in October 2013. There is remaining \$13,329 on the grant, and the Town expects to spend that on sewer improvements during the 2014-2015 fiscal year.

**Note 8: 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 9: Net Position**

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

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

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

Unrestricted Net Position – represent unrestricted liquid assets.

**Note 10: 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, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 11: Bad Debt Provision**

Accounts Receivable-Utilities in the Public Works Authority Fund is stated at net. This consists of gross Accounts Receivable-Utilities of \$194,653 less an allowance for uncollectibles of \$17,034.

Utility revenues in the Public Works Authority Fund include \$1,219,852 after writing off \$18,000 in bad checks.

**Note 12: Internal Balances**

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

**Note 13: 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 14: Litigation**

During the Fiscal Year ended June 30, 2014, 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 15: Long-term liability activity for the year ended June 30, 2014 is as follows:**

	<u>Issue</u> <u>Amount</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Primary Government</b>								
<b>Business-Type</b>								
<b>Activities</b>								
<b>With Berkadia</b>								
Gas Loan	\$450,000	2019	5.00%	\$128,662	\$0	\$20,573	\$108,089	\$21,606
Water Loan	601,800	2021	5.00%	218,498	0	25,139	193,359	26,391
Water Loan	504,800	2021	5.00%	155,313	0	22,517	132,796	23,646
<b>Total Business-Type</b>								
<b>Activities</b>				<b>\$502,473</b>	<b>\$0</b>	<b>\$68,229</b>	<b>\$434,244</b>	<b>\$71,643</b>

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.

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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	\$26,882	\$362
10/07/81	12/14/82	35,460	35,460	0
10/07/81	12/14/82	29,748	30,333	585
		<u>\$91,728</u>	<u>\$92,675</u>	<u>\$947</u>

Principle and Interest Payments in Subsequent Years:

**Primary Government  
Note Payable Copan PWA**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$71,642	\$20,086
2016	75,309	16,419
2017	79,162	12,566
2018	83,211	8,517
2019	75,891	4,361
2020-2024	<u>49,029</u>	<u>1,754</u>
	<u>\$434,244</u>	<u>\$63,703</u>

**Note 16: Workman's Compensation Insurance:**

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

The Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan) became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01a.m. July 1 in any year, and ends at



**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

Midnight June 30, of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

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

At June 30, 2014, the Town has three accounts within the Plan. The Escrow account, typically past refunds or interest earnings left on deposit with the Oklahoma Municipal Assurance Group and to be disbursed upon instruction by the Town's governing body, had a balance of \$4,052 at June 30, 2014. The Rate Stabilization Reserve (RSR) account, reserves developed under the Premium Modification Guidelines to be applied against future premium increases, had a zero balance at June 30, 2014. The Loss Fund, that portion of premium on hand to pay claims, had a balance of \$3,655 from the 2012 Program Year and \$5,009 from the 2013 Program Year.

**Note 17: Consideration of Subsequent Events:**

Management has evaluated subsequent events through February 3, 2015, which is the date the financial statements are available to be issued.

**Note 18: Expanded Governmental Fund Balance Classification:**

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

	<u>Special Revenue Funds</u>				
	<u>General Fund</u>	<u>Street &amp; Alley Fund</u>	<u>Fireman's Special Fund</u>	<u>Library Fund</u>	<u>Total</u>
Fund Balances	\$0	\$0	\$0	\$0	\$0
Nonspendable	0	0	0	0	0
Restricted	0	0	0	0	0
Committed	0	0	0	0	0
Special Projects	0	341,905	15,482	0	357,387
Assigned	0	0	0	2,836	2,836
Unassigned	88,195	0	0	0	88,195
<b>Total fund balances</b>	<b>\$88,195</b>	<b>\$341,905</b>	<b>\$15,482</b>	<b>\$2,836</b>	<b>\$448,418</b>

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 19: Summary of Capital Assets:**

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

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Non-Depreciable Assets:				
Land	\$ -	\$ 3,000	\$ -	\$ 3,000
Construction in Progress	-	-	-	-
Depreciable Assets:				
Buildings	38,998	-	-	38,998
Equipment	128,024	16,185	-	144,209
Vehicles	194,089	26,685	-	220,774
Infrastructure	68,143	-	-	68,143
Totals at historical cost	429,254	45,870	-	475,124
Less accumulated depreciation for:				
Buildings	4,444	975	-	5,419
Equipment	88,467	8,933	-	97,400
Vehicles	102,826	17,471	-	120,297
Infrastructure	15,652	4,697	-	20,349
Total accumulated depreciation	211,389	32,076	-	243,465
<b>Governmental activities capital assets, net</b>	<u>\$ 217,865</u>	<u>\$ 13,794</u>	<u>\$ -</u>	<u>\$ 231,659</u>
<b>Business-type Activities</b>				
Non-Depreciable Assets				
Land	\$ 117,503	\$ -	\$ -	\$ 117,503
Depreciable Assets				
Equipment	183,826	11,586	-	195,412
Sewer System	1,254,957	26,900	-	1,281,857
Gas System	454,731	-	-	454,731
Electrical System	-	35,671	-	35,671
Water System	1,783,152	5,780	-	1,788,932
Vehicles	50,579	-	-	50,579
Totals at historical cost	3,844,748	79,937	-	3,924,685
Less accumulated depreciation for:				
Equipment	143,542	14,412	-	157,954
Sewer System	415,488	42,584	-	458,072
Gas System	390,749	12,954	-	403,703
Electrical System	-	793	-	793
Water System	1,228,250	47,207	-	1,275,457
Vehicles	36,405	3,271	-	39,676
Total accumulated depreciation	2,214,434	121,221	-	2,335,655
<b>Business-type activities capital asset, net</b>	<u>\$ 1,630,314</u>	<u>\$ (41,284)</u>	<u>\$ -</u>	<u>\$ 1,589,030</u>
<b>Depreciation expense was charged to governmental functions as follows:</b>				
Public Safety				22,942
Cultural and Recreation				4,650
General Government				489
Highway & Streets				3,995
<b>Total depreciation expense</b>				<u>\$ 32,076</u>

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

Note 20: 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	\$116,818
Increase Accounts Receivable	12,147
Land Donation	3,000
Reclass expenses	(14,760)
Revenues and Other Sources- GAAP Basis	<u>\$117,205</u>

**Expenditures**

Expenditures - Budget Basis	\$110,153
Reclass expenses	(\$5,305)
Decrease Accounts Payable	(1,002)
Increase Prepaid Expenses	(3,616)
Expenditures - GAAP Basis	<u>\$100,230</u>

**SPECIAL REVENUE FUNDS:**

	<u>Fireman's Special</u>	<u>Street &amp; Alley</u>
<b>Revenues and Other Financing Sources</b>	<b>\$42,424</b>	<b>\$53,156</b>
Increase Accounts Receivable	-	3,212
Reclass income/expenses	(5,819)	(10,450)
Reclass sales tax income	-	(6,456)
Revenues and Other Sources- GAAP Basis	<u>\$36,605</u>	<u>\$39,462</u>

**Expenditures**

Expenditures - Budget Basis	\$33,387	\$11,216
Reclass income/expenses	(5,959)	(10,452)
Decrease Account Payable	(1,847)	-
Expenditures - GAAP Basis	<u>\$25,581</u>	<u>\$764</u>

**TOWN OF COPAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance w/</u> <u>Final Budget</u> <u>(Over)</u> <u>Under</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Inspection Fees	\$ 913	913		\$ 913
Franchise Tax	2,419	2,419	2,222	197
Sales and Use Tax	45,716	45,716	57,831	(12,115)
Alcoholic Beverage Tax	1,891	1,891	2,185	(294)
Tobacco Tax	932	932	997	(65)
Dog Pound Fees	117	117	55	62
Interest	112	112	119	(7)
Miscellaneous	578	578	794	(216)
Sale of Property	-	-	40,195	
Donations	-	-	2,000	(2,000)
Total Revenues	<u>\$ 52,678</u>	<u>\$ 52,678</u>	<u>\$ 106,398</u>	<u>\$ (13,525)</u>
<b>EXPENDITURES</b>				
Personal Services	\$ 5,010	5,010	3,150	\$ 1,860
Maintenance and Operations	62,958	62,958	86,163	(23,205)
Capital Outlay	46,519	46,519	20,840	25,679
				-
Total Expenditures	<u>\$ 114,487</u>	<u>\$ 114,487</u>	<u>\$ 110,153</u>	<u>\$ 4,334</u>
Excess (Deficiency) of revenues over expenditures	<u>\$ (61,809)</u>	<u>\$ (61,809)</u>	<u>\$ (3,755)</u>	<u>\$ (17,859)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	-	10,420	\$ (10,420)
Transfers Out	-	-		-
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,420</u>	<u>\$ (10,420)</u>
Net Change in Fund Balance			6,665	
<b>FUND BALANCES - beginning</b>			<u>\$ 61,807</u>	
<b>FUND BALANCES - ending</b>			<u>\$ 68,472</u>	

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

**TOWN OF COPAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**STREET AND ALLEY**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
<b>REVENUES</b>				
Gas Tax	\$ -	-	1,345	\$ (1,345)
Sales Tax	-	-	35,389	(35,389)
Motor Vehicle Tax	-	-	5,664	(5,664)
Miscellaneous Income	-	-	10,450	(10,450)
Interest	-	-	308	(308)
Total Revenues	\$ -	\$ -	\$ 53,156	\$ (53,156)
<b>EXPENDITURES</b>				
Maintenance and Operations	\$ 195,344	195,344	795	\$ 194,549
Capital Outlay	102,171	102,171	10,420	91,751
Total Expenditures	\$ 297,515	\$ 297,515	\$ 11,215	\$ 286,300
Excess (Deficiency) of revenues over expenditures	\$ (297,515)	\$ (297,515)	\$ 41,941	\$ 339,456
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -		\$ -
Transfers Out	-	-		-
Total Other Financing Sources and Uses	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance			41,941	
<b>FUND BALANCES - beginning</b>			\$ 297,515	
<b>FUND BALANCES - ending</b>			\$ 339,456	

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**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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance w/</u> <u>Final Budget</u> <u>(Over)</u> <u>Under</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Donations	\$ -	\$ -	\$ 9,888	\$ (9,888)
Government Grants	-	-	4,474	(4,474)
Fire Contracts	-	-	16,755	(16,755)
Miscellaneous	-	-	11,259	(11,259)
Interest	-	-	48	(48)
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,424</u>	<u>\$ (42,424)</u>
<b>EXPENDITURES</b>				
Maintenance and Operations	\$ 3,950	3,950	27,028	\$ (23,078)
Capital Outlay	<u>3,205</u>	<u>3,205</u>	<u>6,359</u>	<u>(3,154)</u>
Total Expenditures	<u>\$ 7,155</u>	<u>\$ 7,155</u>	<u>\$ 33,387</u>	<u>\$ (26,232)</u>
Excess (Deficiency) of revenues over expenditures	<u>\$ (7,155)</u>	<u>\$ (7,155)</u>	<u>\$ 9,037</u>	<u>\$ 16,192</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance			9,037	
<b>FUND BALANCES - beginning</b>			<u>\$ 7,155</u>	
<b>FUND BALANCES - ending</b>			<u><u>\$ 16,192</u></u>	

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**TOWN OF COPAN SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**LIBRARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance w/</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>(Over)</u> <u>Under</u>
<b>REVENUES</b>				
Donations	\$ -	\$ -	\$ -	\$ -
Government Grants	-	-	-	-
Fire Contracts	-	-	-	-
Fire Runs	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	1	(1)
Total Revenues	\$ -	\$ -	\$ 1	\$ (1)
<b>EXPENDITURES</b>				
Maintenance and Operations	\$ 835	835	\$ -	\$ 835
Capital Outlay	<u>2,000</u>	<u>2,000</u>	-	<u>2,000</u>
Total Expenditures	\$ <u>2,835</u>	\$ <u>2,835</u>	\$ -	\$ <u>2,835</u>
Excess (Deficiency) of revenues over expenditures	\$ <u>(2,835)</u>	\$ <u>(2,835)</u>	\$ 1	\$ <u>2,836</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	-	\$ -	\$ -
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance			1	
<b>FUND BALANCES - beginning</b>			\$ <u>2,835</u>	
<b>FUND BALANCES - ending</b>			\$ <u><u>2,836</u></u>	

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# JUDITH K. BALLARD, CPA, PC

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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**

Mayor and Town Council  
Town of Copan  
Copan, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Copan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated February 3, 2015.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Copan'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*.

### Purpose of this Report

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

*Judith K. Ballard, CPA, PC*

Stroud, Oklahoma 74079  
February 3, 2015