

# **FINANCIAL STATEMENTS**

For the Year Ended June 30, 2015  
Together With Independent Auditor's Report

## **TOWN OF COPAN GOVERNMENTAL UNIT COPAN, OKLAHOMA**

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CERTIFIED PUBLIC ACCOUNTANT

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**TOWN OF COPAN GOVERNMENTAL UNIT  
COPAN, OKLAHOMA**

June 30, 2015

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**Independent Auditor's Report**

To the Town Council  
Town of Copan, Oklahoma

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Copan, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Copan, Oklahoma, as of June 30, 2015, 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 29 through 32, 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 May 18, 2016 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  
May 18, 2016

**TOWN OF COPAN**  
**STATEMENT OF NET POSITION**

As of June 30, 2015

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 484,701	\$ 593,349	\$ 1,078,050
Restricted Cash and Cash Equivalents	-	167,506	167,506
Accounts Receivable-Tax Revenues	20,354	-	20,354
Accounts Receivable-Utilities, net	-	179,152	179,152
Prepaid Insurance	3,105	3,105	6,210
Excess Capacity Inventory	-	6,258	6,258
Capital Assets:			
Non-depreciable	3,000	117,503	120,503
Depreciable (Net)	236,133	1,420,848	1,656,981
<b>Total Assets</b>	<b>747,293</b>	<b>2,487,721</b>	<b>3,235,014</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts Related to Pensions	720	10,863	11,583
<b>Total Deferred Outflows</b>	<b>720</b>	<b>10,863</b>	<b>11,583</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	3,366	78,341	81,707
Accrued Payroll and Sales Tax Liabilities	-	13,319	13,319
Customer Deposits	-	74,785	74,785
Accrued Interest Payable	-	894	894
Current Portion Notes Payable	-	75,311	75,311
Non-Current Liabilities:			
Net Pension Liability	18,159	99,177	117,336
Notes Payable	-	287,239	287,239
<b>Total Liabilities</b>	<b>21,525</b>	<b>629,066</b>	<b>650,591</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amounts Related to Pensions	2,749	-	2,749
<b>Total Deferred Inflows</b>	<b>2,749</b>	<b>-</b>	<b>2,749</b>
<b>NET POSITION</b>			
Invested in Capital Assets	239,133	1,175,801	1,414,934
(net of related debt & accum. deprec.)			
Restricted for:			
Debt Service	-	92,721	92,721
Unrestricted (Deficit)	484,606	600,996	1,085,602
<b>Total Net Position</b>	<b>\$ 723,739</b>	<b>\$ 1,869,518</b>	<b>\$ 2,593,257</b>

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, 2015

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 38,129	\$ 796	\$ -	\$ 14,500	\$ (22,833)	\$ -	\$ (22,833)
Public Safety	64,798	15,875	-	16,332	(32,591)	-	(32,591)
Streets	5,094	-	-	-	(5,094)	-	(5,094)
Cultural and Recreation	5,416	-	-	10	(5,406)	-	(5,406)
<b>Total Governmental Activities</b>	<b>113,437</b>	<b>16,671</b>	<b>-</b>	<b>30,842</b>	<b>(65,924)</b>	<b>-</b>	<b>(65,924)</b>
Business-type Activities:							
Utilities - PWA	1,208,594	1,180,310	60,708	-	-	32,424	32,424
Interest on Long-Term Debt	19,842	-	-	-	-	(19,842)	(19,842)
<b>Total Business-type Activities</b>	<b>1,228,436</b>	<b>1,180,310</b>	<b>60,708</b>	<b>-</b>	<b>-</b>	<b>12,582</b>	<b>12,582</b>
<b>Total primary government</b>	<b>\$ 1,341,873</b>	<b>\$ 1,196,981</b>	<b>\$ 60,708</b>	<b>\$ 30,842</b>	<b>\$ (65,924)</b>	<b>12,582</b>	<b>(53,342)</b>
<b>General Revenues:</b>							
Taxes:							
Tobacco Tax					1,297	-	1,297
Sales and Use Tax					107,564	-	107,564
Gas Tax					1,381	-	1,381
Motor Vehicle Tax					5,588	-	5,588
Franchise Tax					1,095	-	1,095
Alcoholic Beverage Tax					2,239	-	2,239
Miscellaneous					9,477	-	9,477
Investment Earnings					679	628	1,307
Transfers					493	(493)	-
Loss on Disposition of Fixed Assets					-	(370)	(370)
<b>Total General Revenue and Transfers</b>					<b>129,813</b>	<b>(235)</b>	<b>129,578</b>
Change in Net Assets					63,889	12,347	76,236
Net Position - Beginning					659,850	1,857,171	2,517,021
<b>Net Position - Ending</b>					<b>\$ 723,739</b>	<b>\$ 1,869,518</b>	<b>\$ 2,593,257</b>

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

**TOWN OF COPAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2015

	General	Street & Alley	Fireman's Special	Library Fund	Park Fund	Total Government Funds
<b>ASSETS</b>						
Cash	\$ 72,910	\$ 381,827	\$ 24,506	\$ 2,837	\$ 2,621	\$ 484,701
Accounts Receivable - Motor Vehicle Tax	-	966	-	-	-	966
Accounts Receivable - Sales & Use Tax	11,895	5,947	-	-	-	17,842
Accounts Receivable - Gas Tax	-	238	-	-	-	238
Accounts Receivable - Alcoholic Beverage Tax & Other	1,308	-	-	-	-	1,308
Due (To)/From Other Funds	5,563	(5,563)	-	-	-	-
Prepaid Insurance	3,105	-	-	-	-	3,105
<b>Total Assets</b>	<u>94,781</u>	<u>383,415</u>	<u>24,506</u>	<u>2,837</u>	<u>2,621</u>	<u>508,160</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable	1,792	-	1,574	-	-	3,366
Accrued Salaries	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>1,792</u>	<u>-</u>	<u>1,574</u>	<u>-</u>	<u>-</u>	<u>3,366</u>
<b>Fund Balances:</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	383,415	22,932	-	-	406,347
Assigned	-	-	-	2,837	2,621	5,458
Unassigned	92,989	-	-	-	-	92,989
<b>Total Fund Balances</b>	<u>92,989</u>	<u>383,415</u>	<u>22,932</u>	<u>2,837</u>	<u>2,621</u>	<u>504,794</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 94,781</u>	<u>\$ 383,415</u>	<u>\$ 24,506</u>	<u>\$ 2,837</u>	<u>\$ 2,621</u>	

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

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

Governmental capital assets

Less accumulated depreciation

516,467

(277,334)

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

Pension related deferred outflows

Pension related deferred inflows

Pension liability

720

(2,749)

(18,159)

239,133

(20,188)

**Net position of governmental activities**

\$ 723,739

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, 2015

	General	Street & Alley	Fireman's Special	Library Fund	Park Fund	Total Governmental Funds
<b>REVENUES</b>						
Franchise Tax	\$ 1,095	\$ -	\$ -	\$ -	\$ -	\$ 1,095
Donations	14,500	-	11,848	-	10	26,358
Sales & Use Tax	71,709	35,855	-	-	-	107,564
Gasoline Tax	-	1,381	-	-	-	1,381
Motor Vehicle Tax	-	5,588	-	-	-	5,588
Tobacco Tax	1,297	-	-	-	-	1,297
Inspection Fee	796	-	-	-	-	796
Alcoholic Beverage Tax	2,239	-	-	-	-	2,239
Interest	528	145	5	1	-	679
Miscellaneous	2,169	-	4,668	-	2,640	9,477
Fire Contracts	-	-	15,875	-	-	15,875
Grant Income	-	-	4,484	-	-	4,484
<b>TOTAL REVENUE</b>	<b>94,333</b>	<b>42,969</b>	<b>36,880</b>	<b>1</b>	<b>2,650</b>	<b>176,833</b>
<b>EXPENDITURES</b>						
Capital Outlay	-	-	36,302	-	-	36,302
General Government	52,712	-	-	-	-	52,712
Highways & Streets	-	1,459	-	-	-	1,459
Cultural and Recreation	2,864	-	-	-	129	2,993
Public Safety	24,740	-	2,744	-	-	27,484
<b>TOTAL EXPENDITURES</b>	<b>80,316</b>	<b>1,459</b>	<b>39,046</b>	<b>-</b>	<b>129</b>	<b>120,950</b>
Excess (deficiency) of Revenues Over (under) Expenditures	14,017	41,510	(2,166)	1	2,521	55,883
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer In/(Out)	(9,223)	-	9,616	-	100	493
Sales of Assets	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(9,223)</b>	<b>-</b>	<b>9,616</b>	<b>-</b>	<b>100</b>	<b>493</b>
Net Change in Fund Balances	4,794	41,510	7,450	1	2,621	56,376
<b>FUND BALANCES, Beginning of Year</b>	<b>88,195</b>	<b>341,905</b>	<b>15,482</b>	<b>2,836</b>	<b>-</b>	<b>448,418</b>
<b>FUND BALANCES, End of Year</b>	<b>\$ 92,989</b>	<b>\$ 383,415</b>	<b>\$ 22,932</b>	<b>\$ 2,837</b>	<b>\$ 2,621</b>	<b>\$ 504,794</b>

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



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

For the Year Ended 30, 2015

Net change in Fund Balances - Total Governmental Funds	\$ 56,376
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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	41,343	
Current year depreciation	<u>(33,869)</u>	
		7,474

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

Net decrease in pension expense	39
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<b>Change in net position of governmental activities</b>	<u><u>\$ 63,889</u></u>
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The notes to the financial statements are an integral part of this statement.

**TOWN OF COPAN**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

June 30, 2015

	<b>Copan Public Works Authority</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 593,349
Restricted Cash and Cash Equivalents	167,506
Accounts Receivable - Utilities (net)	179,152
Prepaid Insurance	3,105
Excess Capacity Inventory	6,258
Total Current Assets	<u>949,370</u>
Non-Current Assets	
Capital Assets:	
Land	117,503
Sewer Plant	1,342,726
Gas System	459,301
Water System and Tower	1,788,931
Electrical System	37,191
Equipment, Vehicles and Tools	246,876
Less: Accumulated Depreciation	<u>(2,454,177)</u>
Total Non-Current Assets	<u>1,538,351</u>
Total Assets	<u><u>2,487,721</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Amounts Related to Pensions	<u>10,863</u>
Total Deferred Outflows	<u><u>10,863</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	78,341
Accrued Payroll and Sales Tax Liabilities	13,319
Customer Deposits	74,785
Accrued Interest Payable	894
Current Portion of Long-Term Debt	<u>75,311</u>
Total Current Liabilities	<u>242,650</u>
Non-Current Liabilities	
Net Pension Liability	99,177
Notes Payable - Due After One Year	<u>287,239</u>
Total Long-Term Liabilities	<u>386,416</u>
Total Liabilities	<u><u>629,066</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Amounts Related to Pensions	<u>-</u>
Total Deferred Outflows	<u><u>-</u></u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	1,175,801
Restricted:	
Debt Service	92,721
Unrestricted	<u>600,996</u>
Total Net Position	<u><u>\$ 1,869,518</u></u>

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

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

For the Year Ended June 30, 2015

	<b><u>Copan Public Works Authority</u></b>
<b>OPERATING REVENUES</b>	
Utility Service Revenue - net	\$ 1,163,042
Miscellaneous Including Penalties	17,268
Total Operating Revenues	<u>1,180,310</u>
<b>OPERATING EXPENSES</b>	
Purchase of Electric	397,265
Purchase of Gas	205,025
Trash	49,841
Wages and Labor	304,907
Materials and Supplies	93,209
Fuel and Oil	6,854
Depreciation Expense	124,152
Lake Storage	14,655
Interest Expense	19,842
Insurance	11,009
Miscellaneous Expense	1,401
Repairs and Maintenance	276
Total Operating Expenses	<u>1,228,436</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(48,126)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Income	628
Grant Income	60,708
Loss on Disposition of Fixed Assets	(370)
Total Non-Operating Revenues (Expenses)	<u>60,966</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<u>12,840</u>
Transfers Out	(493)
Total Operating Transfers	<u>(493)</u>
<b>Change in Net Assets</b>	12,347
<b>Net Position - Beginning of Year</b>	<u>1,857,171</u>
<b>Net Position - Ending of Year</b>	<u><u>\$ 1,869,518</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, 2015

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Customers	\$ 1,172,402
Cash Payments to Suppliers for Goods & Services	(890,598)
Cash Payments to Employees for Services	<u>(186,264)</u>
Net Cash Provided by (used for ) Operating Activities	<u>95,540</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Transfers to other funds	(493)
Decrease in Customer Deposits	<u>(2,995)</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>(3,488)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase Capital Assets	(73,844)
Principal Paid on Notes	(71,694)
Interest Paid on Notes	(20,033)
Grant Proceeds	<u>60,708</u>
Net Cash Provided by (used for ) Capital & Related Financing Activities	<u>(104,863)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	<u>628</u>
Net Cash Provided by (used for) Investing Activities	<u>628</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(12,183)
Cash and Cash Equivalents at Beginning of Year	<u>773,038</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 760,855</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, 2015

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

Operating Income (Loss)	\$ (51,413)
Adjustments to Reconcile Operating Income to	
Net Cash Provided by (Used for) Operating Activities:	
Depreciation	124,152
Interest Expense	19,842
Bad Debt Expense	3,776
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable - Trade	(11,684)
(Increase) Decrease in Prepaid Expenses	3,629
(Increase) Decrease in Inventory	(6,258)
Increase (Decrease) in Accounts Payable & Accrued Liabilities	15,692
Increase (Decrease) in Payroll Liabilities	<u>(2,196)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 95,540</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, 2015

**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, 2015

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

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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.

**F. Investments**

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



**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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, 2015, the inventory was \$6,258.

**H. Pensions**

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Oklahoma Municipal Retirement Fund (OkMRF) and additions to/deductions from OkMRF's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**I. Deferred Outflows of Resources**

Deferred outflows of resources are the consumption of net position by the Town that are applicable to a future reporting period. As of June 30, 2015, the Town's total deferred outflows were comprised of deferred charges of \$11,583 related to pensions as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

**J. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to a future reporting period. As of June 30, 2015, the Town's total deferred inflows were comprised of deferred charges of \$2,749 related to pensions as required by GASB Statement No. 68.

**K. Change in Accounting Principle**

During the year ended June 30, 2015, the Town adopted GASB Statement Nos. 68 and 71 and recognized its proportionate share of the net pension liabilities of the Oklahoma Municipal Retirement Fund and the Oklahoma Firefighter's Pension and Retirement Plan. The provisions of these statements were retroactively applied and, accordingly, the Town's governmental activities net position as of June 30, 2014, was reduced by \$20,227. Of this amount, \$20,887 was attributable to the actual net pension liability and was offset by the deferral of the Town's 2014 contribution amount to the plan totaling \$660. The Town's business-type activities net position as of June 30, 2014 was reduced by \$91,601. Of this amount, \$101,795 was attributable to the actual net pension liability and was offset by the deferral of the Town's 2014 contribution amount to the plan totaling \$10,194.

**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

**TOWN OF COPAN, OKLAHOMA**  
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**Note 3: Cash and Investments**

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

It is the Town's policy for deposits to be secured by collateralized bank pledges and Federal Deposit Insurance Corporation insurance. The Town's deposits at June 30, 2015 were adequately insured and/or collateralized.

As of June 30, 2015, the Public Works Authority had total cash accounts of \$92,721 restricted in use by the loan agreement, as further described in Note 14. The Public Works Authority also had \$74,785 in cash, which represented customer utility deposits. These deposits are used to apply to final utility bills or refunded to customers when service is disconnected.

**Note 4: Working Capital**

The enterprise fund reflects current assets of \$949,370 and current liabilities of \$242,650 resulting in \$706,720 of working capital.

**Note 5: Fund Equity**

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

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

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

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

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

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

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

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

**Note 6: Governmental Grants**

Fire Department

**TOWN OF COPAN, OKLAHOMA**  
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During the fiscal year, the Fire Department fund received \$4,484 in a grant from the Oklahoma Department of Agriculture.

Public Works Authority

The Copan Public Works Authority received \$60,708 in REAP grant proceeds during the fiscal year. The proceeds were used for sewer improvements.

**Note 7: Commitments**

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

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

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

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

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

**Note 8: Net Position**

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

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

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

Unrestricted Net Position – represent unrestricted liquid assets.

**Note 9: Risk Management**

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

**TOWN OF COPAN, OKLAHOMA**  
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**Note 10: Bad Debt Provision**

Accounts Receivable-Utilities in the Public Works Authority Fund is stated at net. This consists of gross Accounts Receivable-Utilities of \$217,962 less an allowance for uncollectibles of \$38,810.

Utility revenues in the Public Works Authority Fund are \$1,163,042 after writing off \$3,776 in bad checks.

**Note 11: Internal Balances**

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

**Note 12: Compensated Absences Policy**

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

**Note 13: Litigation**

During the Fiscal Year ended June 30, 2015, 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 14: Long-term liability activity for the year ended June 30, 2015 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 Business-Type Activities</b>								
<b>With Berkadia</b>								
Gas Loan	\$ 450,000	2019	5.00%	\$ 108,089	\$ -	\$ 21,609	\$ 86,480	\$ 22,712
Water Loan	601,800	2021	5.00%	193,359	-	26,420	166,939	27,743
Water Loan	504,800	2021	5.00%	132,796	-	23,665	109,131	24,856
<b>Total Business- Type Activities</b>				<u>\$ 434,244</u>	<u>\$ -</u>	<u>\$ 71,694</u>	<u>\$ 362,550</u>	<u>\$ 75,311</u>

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**  
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**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.

<b>Loan Date</b>	<b>Facility Completion</b>	<b>Required Funding</b>	<b>Actual Funding</b>	<b>Difference Over/ (Under) Funded</b>
10/10/79	10/31/79	\$ 26,520	\$ 26,896	\$ 376
10/07/81	12/14/82	35,460	35,460	-
10/07/81	12/14/82	29,748	30,365	617
		<u>\$ 91,728</u>	<u>\$ 92,721</u>	<u>\$ 993</u>

**Principle and Interest Payments in Subsequent Years:**

**Primary Government  
Note Payable Copan PWA**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 75,311	\$ 16,417
2017	79,164	12,564
2018	83,214	8,514
2019	75,891	4,358
2020	35,685	1,597
2021-2025	13,285	155
	<u>\$ 362,550</u>	<u>\$ 43,605</u>

**Note 15: Workman's Compensation Insurance:**

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

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

**TOWN OF COPAN, OKLAHOMA**  
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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, 2015, 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 \$0 at June 30, 2015. 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, 2015. The Loss Fund, that portion of premium on hand to pay claims, had a balance of \$13,929 from the 2012 through 2014 Program Years.

**Note 16: Consideration of Subsequent Events:**

Management has evaluated subsequent events through May 18, 2016, which is the date the financial statements are available to be issued.

**Note 17: Expanded Governmental Fund Balance Classification:**

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

<u>Special Revenue Funds</u>						
	<b>General Fund</b>	<b>Street &amp; Alley Fund</b>	<b>Fireman's Special Fund</b>	<b>Library Fund</b>	<b>Park Fund</b>	<b>Total</b>
<b>Fund Balances</b>	\$ -	\$ -	\$ -	\$ -	-	\$ -
<b>Nonspendable</b>	-	-	-	-	-	-
<b>Restricted</b>	-	-	-	-	-	-
<b>Committed</b>	-	-	-	-	-	-
Special Projects	-	383,415	22,932	-	-	406,347
<b>Assigned</b>	-	-	-	2,837	2,621	5,458
<b>Unassigned</b>	92,989	-	-	-	-	92,989
<b>Total fund balances</b>	<b>\$ 92,989</b>	<b>\$ 383,415</b>	<b>\$ 22,932</b>	<b>\$ 2,837</b>	<b>\$ 2,621</b>	<b>\$ 504,794</b>

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 18: Summary of Capital Assets:**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<b>Beginning Balance</b>	<b>Primary Government Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Non-Depreciable Assets:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Construction in Progress	-	-	-	-
Depreciable Assets:	-	-	-	-
Buildings	38,998	12,673	-	51,671
Equipment	144,209	18,146	-	162,355
Vehicles	220,774	9,275	-	230,049
Infrastructure	68,143	1,249	-	69,392
<b>Totals at historical cost</b>	<b>475,124</b>	<b>41,343</b>	<b>-</b>	<b>516,467</b>
Less accumulated depreciation for:				
Buildings	5,419	1,151	-	6,570
Equipment	97,400	8,962	-	106,362
Vehicles	120,297	19,051	-	139,348
Infrastructure	20,349	4,705	-	25,054
<b>Total accumulated depreciation</b>	<b>243,465</b>	<b>33,869</b>	<b>-</b>	<b>277,334</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 231,659</b>	<b>\$ 7,474</b>	<b>\$ -</b>	<b>\$ 239,133</b>
<b>Business-type Activities</b>				
Non-Depreciable Assets				
Land	\$ 117,503	\$ -	\$ -	\$ 117,503
Depreciable Assets				
Equipment	195,412	885	-	196,297
Sewer System	1,281,857	60,869	-	1,342,726
Gas System	454,731	10,570	(6,000)	459,301
Electrical System	35,671	1,520	-	37,191
Water System	1,788,932	-	(1)	1,788,931
Vehicles	50,579	-	-	50,579
<b>Totals at historical cost</b>	<b>3,924,685</b>	<b>73,844</b>	<b>(6,001)</b>	<b>3,992,528</b>
Less accumulated depreciation for:				
Equipment	157,954	14,706	-	172,660
Sewer System	458,072	44,128	-	502,200
Gas System	403,703	13,287	(5,630)	411,360
Electrical System	793	1,343	-	2,136
Water System	1,275,457	47,417	-	1,322,874
Vehicles	39,676	3,271	-	42,947
<b>Total accumulated depreciation</b>	<b>2,335,655</b>	<b>124,152</b>	<b>(5,630)</b>	<b>2,454,177</b>
<b>Business-type activities capital asset, net</b>	<b>\$ 1,589,030</b>	<b>\$ (50,308)</b>	<b>\$ (371)</b>	<b>\$ 1,538,351</b>
<b>Depreciation expense was charged to governmental functions as follows:</b>				
Public Safety				24,550
Cultural and Recreation				4,799
General Government				885
Highway & Streets				3,635
<b>Total depreciation expense</b>				<b>\$ 33,869</b>

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2015

Note 19: 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	\$ 96,209
Decrease Accounts Receivable	(2,309)
Reclass Accounts Payable	433
Revenues and Other Sources- GAAP Basis	<u>94,333</u>

**Expenditures**

Expenditures - Budget Basis	86,208
Decrease Accounts Payable	(298)
Decrease Prepaid Expenses	3,629
Expenditures - GAAP Basis	<u>89,539</u>

**SPECIAL REVENUE FUNDS:**

**Revenues and Other Financing Sources**

	<b>Fireman's Special</b>	<b>Street &amp; Alley</b>
Revenues and Other Sources	38,403	44,722
Decrease Accounts Receivable	-	(1,753)
Reclass income/expenses	-	-
Reclass sales tax income	-	-
Additional transfers in	8,093	-
Revenues and Other Sources- GAAP Basis	<u>46,496</u>	<u>42,969</u>

**Expenditures**

Expenditures - Budget Basis	37,453	7,914
Reclass income/expenses	19	-
Increase Account Payable	1,574	-
Decrease due to Other Funds	-	(6,455)
Expenditures - GAAP Basis	<u>\$ 39,046</u>	<u>\$ 1,459</u>



**TOWN OF COPAN, OKLAHOMA**  
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**Note 20: Employee retirement systems and pension plans**

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

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

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

Contributions - All of the firefighters for the Town are volunteer, and the Town contributes \$60 per firefighter per year. For the year ended June 30, 2015, the Town contributed \$720 to the Plan. The contribution requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The State of Oklahoma also made on-behalf of contributions to the Plan in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

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

1. *Normal Retirement* - For firefighters hired prior to November 1, 2013 normal retirement is attained upon completing 20 years of service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. For firefighters hired after November 1, 2013, normal retirement is attained upon completing 22 years of service and must be age 50 to receive benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.
2. *Immediate Disability Benefits* - All firefighters are eligible for immediate disability benefits. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years. For disabilities not-in-the-line-of duty, benefits are limited to those under 20 years of service and is \$7.53 per year of service.
3. *Death Benefit* - A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death.
4. *Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2015, the Town reported a liability of \$39,621 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Town's proportion of the net pension liability was based on the Town's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2014. Based upon this information the Town's proportion was .0039%.

For the year ended June 30, 2015, the Town recognized pension expense of \$3,558. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2015

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 433	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,749
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	720	-
<b>Total</b>	<u><u>\$ 1,153</u></u>	<u><u>\$ 2,749</u></u>

\$720 reported as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2016	\$ 602
2017	602
2018	602
2019	602
2020	(69)
Thereafter	<u>(23)</u>
<b>Total</b>	<u><u>\$ 2,316</u></u>

5. *Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

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

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2015

target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real estate	10%	7.76%
Other assets	13%	6.88%

6. *Discount Rate* - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by Oklahoma State Statutes. Projected cash flows also assume the state of Oklahoma will continue contributing 36% of the insurance tax premium, as established by state statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.
7. *Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the Town, applying a discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percent lower (6.5%) or one percent higher (8.5%) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Town's Net pension Liability	\$ 24,170	\$ 18,510	\$ 13,765

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

**Oklahoma Municipal Retirement (OkMRF)**

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

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

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2015

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

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

For the fiscal year ended June 30, 2015, 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, 2015, was 5.45%. During the year ended June 30, 2015, the Town and the employees contributed \$9,884 and \$2,720, respectively, to the OkMRF.

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

1. *Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2015, the Town reported a liability of \$99,177 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Town's proportion of the net pension liability was based on the Town's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2014. Based upon this information, the Town's proportion was 0.0071%. For the year ended June 30, 2015, the Town recognized pension expense of \$6,597. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	979	-
Town's contributions subsequent to the measurement date	9,884	-
<b>Total</b>	<b>\$ 10,863</b>	<b>\$ -</b>

\$9,884 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2016	\$ 245
2017	245
2018	245
2019	244
2020	-
Thereafter	-
<b>Total</b>	<b>\$ 979</b>

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2015

2. *Actuarial Assumptions* - The total pension liability as of June 30, 2015, was determined based on an actuarial valuation prepared as of June 30, 2015, using July 1, 2014 as the measurement date and with the following actuarial assumptions:

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

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

Fixed income bonds (Barclays Capital Aggregate)	30.00%	2.60%	0.78%
Real estate (NCREIF)	5.00%	4.80%	0.24%
Cash equivalents (3 month Treasury)	0.00%	0.00%	0.00%
		Average Real Return	4.75%
		Inflation	3.00%
		<b>Long term expected return</b>	<b>7.75%</b>

3. *Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the Town's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Total Pension Liability	\$ 145,930	\$ 133,027	\$ 121,894
Plan Net Fiduciary Position	33,849	33,849	33,849
<b>Net Pension Liability</b>	<b>\$ 112,081</b>	<b>\$ 99,178</b>	<b>\$ 88,045</b>

The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75%, as prescribed by paragraph 26 of GASB 68 when the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The Town of Copan has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits

**TOWN OF COPAN, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2015

are payable. Thus, in accordance with GASB 68, paragraph 29, the evaluations required by paragraph 27 to determine the sufficiency pension plan assets can be made without a separate projection of cash flows.

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

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

For the Year Ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance w/ Final Budget (Over) Under</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Inspection Fees	\$ -	\$ -	\$ 796	\$ (796)
Franchise Tax	2,000	2,000	1,065	935
Sales and Use Tax	52,048	52,048	74,173	(22,125)
Alcoholic Beverage Tax	1,967	1,967	2,254	(287)
Tobacco Tax	897	897	1,279	(382)
Dog Pound Fees	49	49	55	(6)
Interest	107	107	528	(421)
Miscellaneous	715	715	1,290	(575)
Sale of Property	-	-	269	(269)
Donations	-	-	14,500	(14,500)
Total Revenues	<u>57,783</u>	<u>57,783</u>	<u>96,209</u>	<u>(38,426)</u>
<b>EXPENDITURES</b>				
Personal Services	5,150	5,150	1,076	4,074
Maintenance and Operations	69,839	69,839	65,366	4,473
Capital Outlay	31,266	31,266	12,166	19,100
Total Expenditures	<u>106,255</u>	<u>106,255</u>	<u>78,608</u>	<u>27,647</u>
Excess (Deficiency) of revenues over expenditures	<u>(48,472)</u>	<u>(48,472)</u>	<u>17,601</u>	<u>(66,073)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(7,600)</u>	<u>(12,400)</u>
Total Other Financing Sources and Uses	<u>20,000</u>	<u>20,000</u>	<u>(7,600)</u>	<u>(12,400)</u>
Net Change in Fund Balance			10,001	
<b>FUND BALANCES - beginning</b>			<u>68,472</u>	
<b>FUND BALANCES - ending</b>			<u>\$ 78,473</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, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance w/ Final Budget (Over) Under</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Gas Tax	\$ -	\$ -	\$ 1,349	\$ (1,349)
Sales Tax	-	-	37,640	(37,640)
Motor Vehicle Tax	-	-	5,588	(5,588)
Miscellaneous Income	-	-	-	-
Interest	-	-	145	(145)
Total Revenues	<u>-</u>	<u>-</u>	<u>44,722</u>	<u>(44,722)</u>
<b>EXPENDITURES</b>				
Maintenance and Operations	227,304	227,304	7,914	219,390
Capital Outlay	112,152	112,152	-	112,152
Total Expenditures	<u>339,456</u>	<u>339,456</u>	<u>7,914</u>	<u>331,542</u>
Excess (Deficiency) of revenues over expenditures	<u>(339,456)</u>	<u>(339,456)</u>	<u>36,808</u>	<u>376,264</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance			36,808	
FUND BALANCES - beginning			<u>339,456</u>	
FUND BALANCES - ending			<u>\$ 376,264</u>	

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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, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
<b>REVENUES</b>				
Donations	\$ -	\$ -	\$ 16,332	\$ (16,332)
Government Grants	-	-	-	-
Fire Contracts	-	-	15,875	(15,875)
Miscellaneous	-	-	4,668	(4,668)
Interest	-	-	5	(5)
Total Revenues	-	-	36,880	(36,880)
<b>EXPENDITURES</b>				
Maintenance and Operations	7,994	7,994	36,302	(28,308)
Capital Outlay	8,198	8,198	2,162	6,036
Total Expenditures	16,192	16,192	38,464	(22,272)
Excess (Deficiency) of revenues over expenditures	(16,192)	(16,192)	(1,584)	14,608
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	9,123	(9,123)
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	-	-	9,123	(9,123)
Net Change in Fund Balance			(1,584)	
<b>FUND BALANCES - beginning</b>			16,192	
<b>FUND BALANCES - ending</b>			<u>\$ 23,731</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, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance w/ Final Budget (Over) Under</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Donations	\$ -	\$ -	\$ -	\$ -
Government Grants	-	-	-	-
Fire Contracts	-	-	-	-
Fire Runs	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	1	(1)
Total Revenues	-	-	1	(1)
<b>EXPENDITURES</b>				
Maintenance and Operations	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of revenues over expenditures	-	-	1	1
<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>			2,836	
<b>FUND BALANCES - ending</b>			<u>\$ 2,837</u>	

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



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

To the Town Council  
Town of Copan, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Copan, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Copan's basic financial statements and have issued my report thereon dated May 18, 2016.

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

**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  
May 18, 2016