

TOWN OF COPAN GOVERNMENTAL UNIT

Copan, Oklahoma

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

JUDITH K. BALLARD, CPA, PC
CERTIFIED PUBLIC ACCOUNTANT
220 WEST MAIN - P.O. BOX 746
STROUD, OKLAHOMA 74079

TOWN OF COPAN GOVERNMENTAL UNIT
COPAN, OKLAHOMA
JUNE 30, 2012

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TOWN OF COPAN GOVERNMENTAL UNIT
COPAN, OKLAHOMA
JUNE 30, 2012

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JUDITH K. BALLARD, CPA, PC

—CERTIFIED PUBLIC ACCOUNTANT—
220 W. MAIN - P.O. BOX 746, STROUD, OK 74079
PHONE (918) 968-3511 FAX (918) 968-3512
EMAIL: jballard@cotc.net

Member AICPA & OSCP

INDEPENDENT AUDITOR'S REPORT

Members of the Town Council
Town of Copan
Copan, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Copan, Oklahoma as of and for the year ended June 30, 2012 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Copan, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 3, 2013, on my consideration of the Town of Copan's internal control over financial reporting and 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 31 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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.

Judith K. Ballard, CPA, PC

Stroud, Oklahoma
September 3, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Copan, Oklahoma's, annual financial report, the Town's management provides narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. The Town's financial performance is discussed and analyzed within the content of the accompanying financial statements and disclosure following this section. The discussion focuses on the Town's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The Town has two kinds of funds:

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

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

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

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

Financial Analysis of the Town as a Whole

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

The Town's net assets at fiscal year-end are \$2,393,105. The following table provides the summary at June 30, 2012.

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	357,219	360,066	938,832	837,596	1,296,051	1,197,662
Capital assets	230,909	202,188	1,581,875	1,640,866	1,812,784	1,843,054
Total assets	588,128	562,254	2,520,707	2,478,462	3,108,835	3,040,716
Current liabilities	3,308	10,218	145,218	214,191	148,526	224,409
Long-term liabilities	-	-	567,204	567,382	567,204	567,382
Total liabilities	3,308	10,218	712,422	781,573	715,730	791,791
Net assets:						
Invested in capital asset, net of related debt	230,909	202,188	1,014,670	1,011,808	1,245,579	1,213,996
Restricted	-	-	92,582	92,535	92,582	92,535
Unrestricted	353,911	349,848	701,033	592,546	1,054,944	942,394
Total net assets	584,820	552,036	1,808,285	1,696,889	2,393,105	2,248,925

Changes in Net Assets
June 30, 2012

	Governmental Activities		Business - Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	15,391	13,460	1,143,589	1,119,324	1,158,980	1,132,784
Operating grants/contributions	-	200	-	-	0	200
Capital grants/contributions	12,445	17,259	40,000	11,123	52,445	28,382
General revenues:						
Sales and Use Tax	72,792	61,595	-	-	72,792	61,595
Gas Tax	1,364	1,499	-	-	1,364	1,499
Franchise Tax	1,656	1,456	-	-	1,656	1,456
Interest Income	393	505	1,148	1,130	1,541	1,635
Alcoholic beverage tax	2,014	2,214	-	-	2,014	2,214
Tobacco Tax	1,029	898	-	-	1,029	898
Motor vehicle tax	5,090	5,614	-	-	5,090	5,614
Miscellaneous	1,615	1,201	-	-	1,615	1,201
Total revenue	113,789	105,901	1,184,737	1,131,577	1,298,526	1,237,478
Expenses:						
General government	30,013	30,422	-	-	30,013	30,422
Public safety	58,448	75,549	-	-	58,448	75,549
Streets	8,529	1,408	-	-	8,529	1,408
Cultural and Recreation	3,418	369	-	-	3,418	369
Utility Services	-	-	1,027,221	1,015,525	1,027,221	1,015,525
Interest on long-term debt	-	-	29,972	34,227	29,972	34,227
Total expenses	100,408	107,748	1,057,193	1,049,752	1,157,601	1,157,500
Change before transfers and	13,381	(1,847)	127,544	81,825	140,925	79,978
Transfers In	16,148	-	(16,148)	-	-	-
Transfers Out	-	-	-	-	-	-
Gain on Sale of Assets	3,255	2,875	-	200	3,255	3,075
Increase/ (Decrease) in net assets	32,784	1,028	111,396	82,025	144,180	83,053
Net assets, beginning	552,036	551,008	1,696,889	1,614,864	2,248,925	2,165,872
Net assets, ending	584,820	552,036	1,808,285	1,696,889	2,393,105	2,248,925

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

Comparing figures to how the Town had spent funds in operation and maintenance, the Town did well. The Town's revenues from Sales and Beverage Taxes have increased this year. There has been a slight increase in businesses to help pull in more sales tax revenues.

General Fund Budgeting Highlights

Overall, the general fund stayed within budget.

Overall Assessment

Overall, the Town of Copan's financial condition was very good as of June 30, 2012.

Comparison of Fund Financial Statements
General and Special Revenue Funds
June 30, 2012

Revenues:	General and Special Revenue Funds	
	2012	2011
Franchise Tax	\$1,656	\$1,456
Donations	8,013	9,123
Sales & Use Tax	72,792	61,595
Tobacco Tax	1,029	898
Gasoline Tax	1,364	1,499
Motor Vehicle Tax	5,090	5,614
Inspection Fee	1,696	1,830
Alcoholic Beverage Tax	2,014	2,214
Interest	393	506
Miscellaneous	1,615	1,201
Emergency Management	-	3,525
Sale of Scrap/Equipment	3,255	2,873
Fire Contracts	13,695	11,630
Grant Revenue	4,432	4,811
Total Revenues	<u>\$117,044</u>	<u>\$108,775</u>
Expenses:		
Capital Outlay	71,681	65,587
General Government	34,563	27,717
Highways & Streets	6,054	3,461
Public Safety	16,733	24,226
Cultural & Recreation	98	-
Total Expense	<u>\$129,129</u>	<u>\$120,991</u>
Excess (deficiency) of revenue Over (under) expenditures	<u>(\$12,085)</u>	<u>(\$12,216)</u>
Other Financing Sources (Uses)		
Transfers In	16,148	-
Transfers Out	-	-
Sale of Equipment	-	-
Total Other Financing Sources	<u>16,148</u>	<u>\$0</u>
Changes in fund balance	<u>4,063</u>	<u>(12,216)</u>
Fund Balance- Beginning	<u>\$349,848</u>	<u>\$362,064</u>
Fund Balance- Ending	<u>\$353,911</u>	<u>\$349,848</u>

Comparison of Fund Financial Statements, continued

	Proprietary Funds	
	2012	2011
Operating Revenues:		
Utility Service Revenue	\$1,112,027	\$1,084,771
Misc Incl. Penalties	31,562	34,553
Total Operating Revenues	<u>\$1,143,589</u>	<u>\$1,119,324</u>
Operating Expenses:		
Purchase of Electric	347,593	326,569
Purchase of Gas	103,411	146,222
Trash	49,789	49,830
Wages & Labor	300,647	288,971
Depreciation	113,160	110,493
Material and Supplies	80,447	63,228
Insurance	10,170	7,869
Fuel & Oil	10,122	10,661
Lake Storage	11,268	11,268
Miscellaneous	614	414
Interest Expense	29,972	34,227
Total Operating Expenses	<u>\$1,057,193</u>	<u>\$1,049,752</u>
Operating Income (Loss)	<u>\$86,396</u>	<u>\$69,572</u>
Non-operating revenues (expenses)		
Sale of Assets	0	200
Grant income	40,000	11,123
Interest Income	1,148	1,130
Total	<u>\$41,148</u>	<u>\$12,453</u>
Income (loss) before transfers & contributions	<u>\$127,544</u>	<u>\$82,025</u>
Transfers Out	(16,148)	-
Transfers In	-	-
Total Transfers and Contributions	<u>(16,148)</u>	<u>0</u>
Changes in net assets	<u>111,396</u>	<u>82,025</u>
Net assets - Beginning	<u>\$1,696,889</u>	<u>\$1,614,864</u>
Net assets - Ending	<u>\$1,808,285</u>	<u>\$1,696,889</u>

TOWN OF COPAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 334,579	\$ 579,768	\$ 914,347
Accounts Receivable-Tax Revenues	20,034	-	20,034
Accounts Receivable-Utilities, net	-	176,471	176,471
Refund Receivable-Pro Energy Gas	-	5,207	5,207
Accrued Interest Receivable	-	102	102
Prepaid Insurance	2,606	12,715	15,321
Internal Balances	-	-	-
Inventory	-	-	-
Restricted Assets:			
Cash and Cash Equivalents	-	164,569	164,569
Capital Assets:			
Non-depreciable	-	117,503	117,503
Depreciable (Net)	230,909	1,464,372	1,695,281
Total Assets	<u>588,128</u>	<u>2,520,707</u>	<u>3,108,835</u>
LIABILITIES			
Accounts Payable	3,308	59,081	62,389
Accrued Liabilities	-	7,147	7,147
Customer Deposits	-	71,930	71,930
Accrued Interest Payable	-	1,486	1,486
Compensated Absences	-	5,574	5,574
Non-Current Liabilities			
Due Within One Year	-	64,840	64,840
Due in more than one Year	-	502,364	502,364
Total Liabilities	<u>3,308</u>	<u>712,422</u>	<u>715,730</u>
NET ASSETS			
Invested in Capital Assets (net of related debt & accum. deprec.)	230,909	1,014,670	1,245,579
Restricted for:			
Debt Service	-	92,582	92,582
Unrestricted (Deficit)	353,911	701,033	1,054,944
Total Net Assets	<u>584,820</u>	<u>1,808,285</u>	<u>2,393,105</u>

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

TOWN OF COPAN
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012

Fund balances - total governmental funds \$ 353,911

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	\$ 412,447	
Less accumulated depreciation	<u>(181,538)</u>	
		230,909

Net assets of governmental activities \$ 584,820

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, 2012**

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
Primary Government:							
Governmental Activities:							
General Government	\$ 30,013	\$ 1,696	\$ -	\$ -	\$ (28,317)	\$ -	\$ (28,317)
Public Safety	58,448	13,695	-	12,445	(32,308)	-	(32,308)
Streets	8,529	-	-	-	(8,529)	-	(8,529)
Cultural and Recreation	3,418	-	-	-	(3,418)	-	(3,418)
Total Governmental Activities	<u>100,408</u>	<u>15,391</u>	<u>-</u>	<u>12,445</u>	<u>(72,572)</u>	<u>-</u>	<u>(72,572)</u>
Business-type Activities:							
Utilities - PWA	\$ 1,027,221	\$ 1,143,589	\$ -	\$ 40,000	\$ -	\$ 156,368	\$ 156,368
Interest on Long-Term Debt	29,972	-	-	-	-	(29,972)	(29,972)
Total Business-type Activities	<u>1,057,193</u>	<u>1,143,589</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>126,396</u>	<u>126,396</u>
Total primary government	<u>\$ 1,157,601</u>	<u>\$ 1,158,980</u>	<u>\$ -</u>	<u>\$ 52,445</u>	<u>\$ (72,572)</u>	<u>\$ 126,396</u>	<u>\$ 53,824</u>

General Revenues:

Taxes:

Tobacco Tax	\$ 1,029	\$ -	\$ 1,029
Sales and Use Tax	72,792	-	72,792
Gas Tax	1,364	-	1,364
Motor Vehicle Tax	5,090	-	5,090
Franchise Tax	1,656	-	1,656
Alcoholic Beverage Tax	2,014	-	2,014
Miscellaneous	1,615	-	1,615
Investment Earnings	393	1,148	1,541
Sale of Scrap	3,255	-	3,255
Transfers	16,148	(16,148)	-

Total General Revenue and Transfers \$ 105,356 \$ (15,000) \$ 90,356

Change in Net Assets \$ 32,784 \$ 111,396 \$ 144,180

Net Assets - Beginning \$ 552,036 \$ 1,696,889 \$ 2,248,925

Net Assets - Ending \$ 584,820 \$ 1,808,285 \$ 2,393,105

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, 2012

Net change in Fund Balances - Total Governmental Funds \$ 4,063

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	55,876	
Current year depreciation	<u>(27,155)</u>	
		28,721

Change in net assets of governmental activities \$ 32,784

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

TOWN OF COPAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	GENERAL	STREET & ALLEY	FIREMAN'S SPECIAL	LIBRARY FUND	TOTAL GOVERNMENT FUNDS
ASSETS					
Cash	\$ 45,136	\$ 279,163	\$ 7,447	\$ 2,833	\$ 334,579
Accrued Interest Receivable	-	-	-	-	-
Accounts Receivable - Motor Vehicle Tax	-	968	-	-	968
Accounts Receivable - Sales & Use Tax	10,090	5,045	-	-	15,135
Accounts Receivable - Gas Tax	-	796	-	-	796
Accounts Receivable - Alcoholic Beverage Tax & Other	3,135	-	-	-	3,135
Due (To)/From Other Funds	-	-	-	-	-
Prepaid Insurance	2,606	-	-	-	2,606
Total Assets	<u>\$ 60,967</u>	<u>\$ 285,972</u>	<u>\$ 7,447</u>	<u>\$ 2,833</u>	<u>\$ 357,219</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 1,865	\$ -	\$ 1,443	\$ -	\$ 3,308
Accrued Salaries	-	-	-	-	-
Total Liabilities	<u>\$ 1,865</u>	<u>\$ -</u>	<u>\$ 1,443</u>	<u>\$ -</u>	<u>\$ 3,308</u>
Fund Balances:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	285,972	6,004	-	291,976
Assigned	-	-	-	2,833	2,833
Unassigned	59,102	-	-	-	59,102
Total Fund Balances	<u>\$ 59,102</u>	<u>\$ 285,972</u>	<u>\$ 6,004</u>	<u>\$ 2,833</u>	<u>\$ 353,911</u>
Total Liabilities and Fund Balances	<u>\$ 60,967</u>	<u>\$ 285,972</u>	<u>\$ 7,447</u>	<u>\$ 2,833</u>	<u>\$ 357,219</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, 2012

	GENERAL	STREET & ALLEY	FIREMAN'S SPECIAL	LIBRARY FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Franchise Tax	\$ 1,656	\$ -	\$ -	\$ -	1,656
Donations	-	-	8,013	-	8,013
Sales & Use Tax	48,528	24,264	-	-	72,792
Gasoline Tax	-	1,364	-	-	1,364
Motor Vehicle Tax	-	5,090	-	-	5,090
Tobacco Tax	1,029	-	-	-	1,029
Inspection Fee	1,696	-	-	-	1,696
Alcoholic Beverage Tax	2,014	-	-	-	2,014
Interest	117	269	6	1	393
Miscellaneous	222	-	1,393	-	1,615
Fire Contracts	-	-	13,695	-	13,695
Grant Income	-	-	4,432	-	4,432
Sale of Scrap and Equipment	55	-	3,200	-	3,255
TOTAL REVENUE	<u>\$ 55,317</u>	<u>\$ 30,987</u>	<u>\$ 30,739</u>	<u>\$ 1</u>	<u>\$ 117,044</u>
EXPENDITURES					
Capital Outlay	\$ 16,148	\$ 23,188	\$ 32,345	\$ -	\$ 71,681
General Government	34,563	-	-	-	34,563
Highways & Streets	-	6,054	-	-	6,054
Cultural and Recreation	98	-	-	-	98
Public Safety	15,144	-	1,589	-	16,733
TOTAL EXPENDITURES	<u>\$ 65,953</u>	<u>\$ 29,242</u>	<u>\$ 33,934</u>	<u>\$ -</u>	<u>\$ 129,129</u>
Excess (deficiency) of Revenues Over (under) Expenditures	\$ (10,636)	\$ 1,745	\$ (3,195)	\$ 1	\$ (12,085)
OTHER FINANCING SOURCES (USES)					
Transfer (Out)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer In	16,148	-	-	-	16,148
Sales of Assets	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 16,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,148</u>
Net Change in Fund Balances	\$ 5,512	\$ 1,745	\$ (3,195)	\$ 1	\$ 4,063
FUND BALANCES, Beginning of Year	<u>\$ 53,590</u>	<u>\$ 284,227</u>	<u>\$ 9,199</u>	<u>\$ 2,832</u>	<u>\$ 349,848</u>
FUND BALANCES, End of Year	<u>\$ 59,102</u>	<u>\$ 285,972</u>	<u>\$ 6,004</u>	<u>\$ 2,833</u>	<u>\$ 353,911</u>

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

TOWN OF COPAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

COPAN PUBLIC
WORKS
AUTHORITY

ASSETS

Current Assets:

Cash	\$ 579,768
Accrued Interest Receivable	102
Refund Receivable-Pro Energy Gas	5,207
Accounts Receivable - Utilities (net)	176,471
Prepaid Insurance	12,715
Inventory - Federal Excess Capacity	-
Grant Receivable	-
Total Current Assets	<u>\$ 774,263</u>

Non-Current Assets:

Restricted Cash:

Customer Deposits	\$ 71,930
Debt Service Accounts	92,582
Fire Hydrant Grant Account	57

Capital Assets:

Land	\$ 117,503
Sewer Plant	1,130,707
Gas System	445,755
Water System and Tower	1,751,829
Equipment, Vehicles and Tools	233,150
Less: Accumulated Depreciation	<u>(2,097,069)</u>

Net Fixed Assets \$ 1,581,875

Total Non-Current Assets \$ 1,746,444

Total Assets \$ 2,520,707

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 59,081
Payroll Taxes Withheld and Accrued	5,211
Sales Tax Payable	1,936
Customer Deposits	71,930
Accrued Interest Payable	1,486
Current Portion of Long-Term Debt	64,840
Compensated Absences Payable	<u>5,574</u>

Total Current Liabilities \$ 210,058

Non-Current Liabilities

Notes Payable - Due After One Year \$ 502,364

Total Long-Term Liabilities \$ 502,364

Total Liabilities \$ 712,422

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 1,014,670
Restricted:	
Debt Service	92,582
Unrestricted	<u>701,033</u>
Total Net Assets	<u><u>\$ 1,808,285</u></u>

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

TOWN OF COPAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>COPAN PUBLIC WORKS AUTHORITY</u>
OPERATING REVENUES	
Utility Service Revenue - net	\$ 1,112,027
Miscellaneous Including Penalties	<u>31,562</u>
 Total Operating Revenues	 <u>\$ 1,143,589</u>
 OPERATING EXPENSES	
Purchase of Electric	\$ 347,593
Purchase of Gas	103,411
Trash	49,789
Wages and Labor	300,647
Materials and Supplies	80,447
Fuel and Oil	10,122
Depreciation Expense	113,160
Lake Storage	11,268
Interest Expense	29,972
Insurance	10,170
Miscellaneous Expense	614
 Total Operating Expenses	 <u>\$ 1,057,193</u>
 OPERATING INCOME (LOSS)	 <u>\$ 86,396</u>
 NON-OPERATING REVENUES (EXPENSES)	
Interest Income	\$ 1,148
Grant Income	40,000
 Total Non-Operating Revenues (Expenses)	 <u>\$ 41,148</u>
 INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	 <u>\$ 127,544</u>
 Transfers Out	 <u>\$ (16,148)</u>
 Total Operating Transfers	 <u>\$ (16,148)</u>
 Change in Net Assets	 \$ 111,396
Net Assets - Beginning of Year	<u>\$ 1,696,889</u>
Net Assets - Ending of Year	<u><u>\$ 1,808,285</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, 2012

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers	\$ 1,142,109
Cash Payments to Suppliers for Goods & Services	(756,195)
Cash Payments to Employees for Services	<u>(174,073)</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ 211,841</u>
 <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Transfers to other funds	(16,148)
Increase in Customer Deposits	<u>2,980</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>\$ (13,168)</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase Capital Assets	(54,170)
Principal Paid on Notes	(61,854)
Interest Paid on Notes	(29,876)
Grant Proceeds	<u>40,000</u>
Net Cash Provided by (used for) Capital & Related Financing Activities	<u>\$ (105,900)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on Investments	<u>\$ 1,153</u>
Net Cash Provided by (used for) Investing Activities	<u>\$ 1,153</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 93,926
Cash and Cash Equivalents at Beginning of Year	<u>\$ 650,411</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 744,337</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, 2012

RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ 86,396
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	113,160
Interest Expense	29,972
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable - Trade	(1,480)
(Increase) Decrease in Refund Receivable-Pro Energy Gas	(5,207)
(Increase) Decrease in Prepaid Expenses	(6,365)
(Increase) Decrease in Inventory	5,737
Increase (Decrease) in Accounts Payable	(5,630)
Increase (Decrease) in Accrued Liabilities	(446)
Increase (Decrease) in Accrued Salaries	(4296)
Net Cash Provided by (Used for) Operating Activities	\$ 211,841

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

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies:

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

A. Principles Determining the Scope of Reporting Entity

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

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

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

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

B. Basic Financial Statements-GASB Statement No. 34

The GASB Statement No. 34 dictates how the basic financial statements are prepared and presented. Within GASB No. 34, the basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. In this reporting model the focus is on either the Town as a whole or on major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt obligations.

GASB No. 34 also requires infrastructure assets to be included in the government-wide financial statements. These assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Infrastructure assets acquired since 1980 were to be capitalized and reported under GASB 34. An exception 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.).

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

B. Basic Financial Statements-GASB Statement No. 34

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

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

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

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

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

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

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

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

C. Basis of Presentation

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

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

1. Governmental Fund Types:

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

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

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

2. Proprietary Funds:

Enterprise Funds: Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

3. Non-Current Governmental Assets/Liabilities

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

D. Basis of Accounting

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

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

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

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

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

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

E. Budgeting and Budgetary Control:

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

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

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012, 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, 2012, 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.

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, 2012

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, 2012, 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 initial contribution rate, for the fiscal year ended June 30, 2012, was set at 5.45%. During the year ended June 30, 2012, the Town and the employees contributed \$3,495 and \$962, respectively, to the OMRF.

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, 2012 were adequately insured and/or collateralized.

As of June 30, 2012, the Public Works Authority had total cash accounts of \$92,579 restricted in use by the loan agreement, as further described in **Note 15**. The Public Works Authority also had \$71,930 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 \$774,263 and current liabilities of \$210,058 resulting in \$564,205 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.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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 \$4,413 in a grant from the Oklahoma Department of Agriculture.

Public Works Authority

The Copan Public Works Authority was granted a \$25,000 REAP grant and a \$25,000 CDBG grant to purchase and install new fire hydrants in the Town. In addition, the PWA leveraged \$27,786 of its own funds for a total estimated project cost of \$76,286. During the fiscal year June 30, 2012, an administrative fee of \$1,500 was paid directly by the grantor out of the grant funds. In addition, the Town received \$20,000 on the REAP grant and \$18,500 on the CDBG grant. These funds, together with \$13,590 transferred from the PWA checking account, were deposited to the grant bank account, the Fire Hydrant bank account. During the current fiscal year, a total of \$51,990 was spent on new fire hydrants including installation. As of June 30, 2012, grant funds remaining unused are: \$5,000 REAP and \$5,000 CDBG.

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.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9: Net Assets:

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

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

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

Unrestricted Net Assets – represent unrestricted liquid assets.

Note 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.

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 \$193,505 less an allowance for uncollectibles of \$17,034.

Utility revenues in the Public Works Authority Fund include \$1,113,929 after writing off \$5,027 in bad checks and collecting \$5,978 on previously written off 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, 2012, the Town was engaged in legal proceedings, which normally occur in governmental operations. These legal proceedings are not likely to have a materially adverse impact on the funds of the Town.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 15: Long-term liability activity for the year ended June 30, 2012 is as follows:

	Issue Amount	Maturity Date	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
PRIMARY GOVERNMENT								
Business-Type Activities								
Copan Public Works Authority								
GMAC Gas Loan	450,000	2019	5.00%	166,833	-	18,651	148,182	19,555
GMAC Water Loan	601,800	2021	5.00%	265,134	-	22,805	242,329	23,886
GMAC Water Loan	504,800	2021	5.00%	197,091	-	20,398	176,693	21,399
Total Business-Type Activities				629,058	-	61,854	567,204	64,840

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

GMAC Notes Payable – Copan Public Works Authority

GMAC Gas Loan

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

GMAC Water Loans

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

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

Following is a summary of the funding requirements of the loan reserve accounts.

<u>Loan Date</u>	<u>Facility Completion</u>	<u>Required Funding</u>	<u>Actual Funding</u>	<u>Difference Over/(Under) Funded</u>
10/10/79	10/31/79	\$ 26,520	\$ 26,856	\$ 336
10/07/81	12/14/82	35,460	35,460	0
10/07/81	12/14/82	<u>29,748</u>	<u>30,264</u>	<u>516</u>
		\$ 91,728	\$ 92,580	\$ 852

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 15: Long-term liability activity for the year ended June 30, 2012 (continued)

Principal and Interest Payments in Subsequent Years:

<u>Year</u>	<u>Primary Government</u>	
	<u>Note Payable Copan PWA</u>	
	<u>Principal</u>	<u>Interest</u>
2013	64,840	26,888
2014	68,157	23,571
2015	71,645	18,977
2016	75,311	15,255
2017	79,163	11,344
2018-2022	<u>208,088</u>	<u>13,203</u>
	567,204	109,238

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 12:01 a.m. July 1 in any year and ends at Midnight June 30 of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

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

At June 30, 2012, 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 zero balance. 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, 2012. The Loss Fund, that portion of premium on hand to pay claims, had a balance of \$4,265 from the 2009 Program Year and \$4,052 from the 2010 Program Year.

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 17: Expanded Governmental Fund Balance Classification:

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

	Special Revenue Funds				
	General Fund	Street & Alley Fund	Fireman's Special Fund	Library Fund	Total
Fund balances:					
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:					
Committed:					
Special Projects	-	285,972	6,004	-	291,976
Assigned:	-	-	-	2,833	2,833
Unassigned:	59,102	-	-	-	59,102
Total fund balances	\$59,102	\$285,972	\$6,004	\$2,833	\$353,911

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 18: Summary of Capital Assets:

Capital asset activity for the year ended June 30, 2012 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities				
Non-Depreciable Assets:				
Infrastructure				\$ -
Construction in Progress	\$ -	\$ -	\$ -	-
Depreciable Assets:				
Buildings	38,998	-	-	38,998
Equipment	92,629	24,188	-	116,817
Vehicles	185,589	8,500	-	194,089
Infrastructure	39,355	23,188	-	62,543
Totals at historical cost	<u>356,571</u>	<u>55,876</u>	<u>-</u>	<u>412,447</u>
Less accumulated depreciation for:				
Buildings	2,494	975	-	3,469
Equipment	73,803	6,478	-	80,281
Vehicles	70,991	15,574	-	86,565
Infrastructure	7,095	4,128	-	11,223
Total accumulated depreciation	<u>154,383</u>	<u>27,155</u>	<u>-</u>	<u>181,538</u>
Governmental activities capital assets, net	<u>\$ 202,188</u>	<u>\$ 28,721</u>	<u>\$ -</u>	<u>\$ 230,909</u>
Business-type Activities				
Non-Depreciable Assets				
Land	\$ 117,503	\$ -	\$ -	\$ 117,503
Depreciable Assets				
Equipment	180,391	2,180	-	182,571
Sewer System	1,130,707	-	-	1,130,707
Gas System	445,756	-	-	445,756
Water System	1,699,838	51,990	-	1,751,828
Vehicles	50,579	-	-	50,579
Totals at historical cost	<u>3,624,774</u>	<u>54,170</u>	<u>-</u>	<u>3,678,944</u>
Less accumulated depreciation for:				
Equipment	115,504	14,188	-	129,692
Sewer System	337,396	37,838	-	375,234
Gas System	365,332	12,698	-	378,030
Water System	1,135,814	45,165	-	1,180,979
Vehicles	29,863	3,271	-	33,134
Total accumulated depreciation	<u>1,983,909</u>	<u>113,160</u>	<u>-</u>	<u>2,097,069</u>
Business-type activities capital asset, net	<u>\$ 1,640,865</u>	<u>\$ (58,990)</u>	<u>\$ -</u>	<u>\$ 1,581,875</u>
Depreciation expense was charged to governmental functions as follows:				
Public Safety				19,881
Cultural and Recreation				3,418
Highway & Streets				3,856
Total depreciation expense				<u>\$ 27,155</u>

TOWN OF COPAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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	\$65,891
Increase Accounts Receivable	5,574
	<hr/>
Revenues and Other Sources- GAAP Basis	<u>\$71,465</u>

Expenditures

Expenditures - Budget Basis	\$61,115
Increase Current Liabilities	600
Decrease Prepaid Expenses	<u>4,238</u>
Expenditures - GAAP Basis	<u>\$65,953</u>

SPECIAL REVENUE FUNDS:	<u>Fireman's Special</u>	<u>Street & Alley</u>
Revenues and Other Financing Sources	\$32,002	\$29,167
Reclass income/expenses	(1,263)	(135)
Increase Accounts Receivable		1,955
	<hr/>	<hr/>
Revenues and Other Sources- GAAP Basis	<u>\$30,739</u>	<u>\$30,987</u>
 Expenditures		
Expenditures - Budget Basis	\$42,429	\$29,653
Decrease Accounts Payable	(7,479)	(277)
Reclass expense	(1,016)	(134)
	<hr/>	<hr/>
Expenditures - GAAP Basis	<u>\$33,934</u>	<u>\$29,242</u>

TOWN OF COPAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
REVENUES				
Inspection Fees	\$ 1,647	1,647	1,696	\$ (49)
Franchise Tax	992	992	-	992
Sales and Use Tax	36,243	36,243	44,638	(8,395)
Alcoholic Beverage Tax	1,958	1,958	2,031	(73)
Tobacco Tax	739	739	984	(245)
Interest	140	140	117	23
Miscellaneous	-	-	16,425	(16,425)
Government Grants	-	-	-	-
Rural Fire Runs	-	-	-	-
Total Revenues	\$ 41,719	\$ 41,719	\$ 65,891	\$ (24,172)
EXPENDITURES				
Personal Services	\$ 18,500	18,500	14,954	\$ 3,546
Maintenance and Operations	45,921	45,921	30,013	15,908
Capital Outlay	17,958	17,958	16,147	1,811
Total Expenditures	\$ 82,379	\$ 82,379	\$ 61,114	\$ 21,265
Excess (Deficiency) of revenues over expenditures	\$ (40,660)	\$ (40,660)	\$ 4,777	\$ (45,437)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	\$ -	-	-	-
Net Change in Fund Balance			4,777	
FUND BALANCES - beginning			\$ 40,359	
FUND BALANCES - ending			\$ 45,136	

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, 2012

	Budgeted Amounts		Actual	Variance w/
	Original	Final	Amounts (Budgetary	Final Budget (Over)
			Basis)	Under
REVENUES				
Gas Tax	\$ -	-	1,405	\$ (1,405)
Sales Tax	-	-	22,319	(22,319)
Motor Vehicle Tax	-	-	5,039	(5,039)
Miscellaneous Income	-	-	135	(135)
Interest	-	-	269	(269)
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,167</u>	<u>\$ (29,167)</u>
EXPENDITURES				
Maintenance and Operations	\$ 161,650	161,650	1,891	\$ 159,759
Capital Outlay	118,000	118,000	27,762	90,238
Total Expenditures	<u>\$ 279,650</u>	<u>\$ 279,650</u>	<u>\$ 29,653</u>	<u>\$ 249,997</u>
Excess (Deficiency) of revenues over expenditures	<u>\$ (279,650)</u>	<u>\$ (279,650)</u>	<u>\$ (486)</u>	<u>\$ 279,164</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	-	-	\$ -
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance			(486)	
FUND BALANCES - beginning			<u>\$ 279,649</u>	
FUND BALANCES - ending			<u><u>\$ 279,163</u></u>	

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

TOWN OF COPAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIREMAN'S SPECIAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
REVENUES				
Donations	\$ -	\$ -	\$ 2,450	\$ (2,450)
Government Grants	-	-	9,995	(9,995)
Fire Contracts	-	-	13,695	(13,695)
Miscellaneous	-	-	5,856	(5,856)
Interest	-	-	6	(6)
Total Revenues	\$ -	\$ -	\$ 32,002	\$ (32,002)
 EXPENDITURES				
Maintenance and Operations	\$ 7,874	7,874	2,131	\$ 5,743
Capital Outlay	10,000	10,000	40,298	(30,298)
Total Expenditures	\$ 17,874	\$ 17,874	\$ 42,429	\$ (24,555)
Excess (Deficiency) of revenues over expenditures	\$ (17,874)	\$ (17,874)	\$ (10,427)	\$ 7,447
 OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	\$ -	-	-	-
Net Change in Fund Balance			(10,427)	
FUND BALANCES - beginning			\$ 17,874	
FUND BALANCES - ending			\$ 7,447	

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

TOWN OF COPAN SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance w/ Final Budget (Over) Under
	Original	Final		
REVENUES				
Donations	\$ -	\$ -	\$ -	\$ -
Government Grants	-	-	-	-
Fire Contracts	-	-	-	-
Fire Runs	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	1	(1)
Total Revenues	\$ -	\$ -	\$ 1	\$ (1)
EXPENDITURES				
Maintenance and Operations	\$ 830	830	\$ -	\$ 830
Capital Outlay	2,000	2,000	-	2,000
Total Expenditures	\$ 2,830	\$ 2,830	\$ -	\$ 2,830
Excess (Deficiency) of revenues over expenditures	\$ (2,830)	\$ (2,830)	\$ 1	\$ 2,831
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance			1	
FUND BALANCES - beginning			\$ 2,832	
FUND BALANCES - ending			\$ 2,833	

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

JUDITH K. BALLARD, CPA, PC

—CERTIFIED PUBLIC ACCOUNTANT—
220 W. MAIN - P.O. BOX 746, STROUD, OK 74079
PHONE (918) 968-3511 FAX (918) 968-3512
EMAIL: jballard@cotc.net

Member AICPA & OSCP

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

To the Mayor and City Council
The Town of Copan, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Copan, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town of Copan's basic financial statements and have issued my report thereon dated September 3, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stroud, Oklahoma
September 3, 2013

