

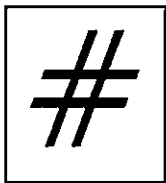
TOWN OF COPPER CANYON

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR'S REPORT	1
CITY OFFICIALS	2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	3-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures and	
Changes in Fund Balance - Governmental Funds	13
Notes to Financial Statements	14-25
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule	26
Schedule of Pension Plan Funding Progress	27
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Property Taxes	28



William C. Spore, P.C.

Certified Public Accountants

Independent Auditor's Report

To the Town Council
Town of Copper Canyon, Texas

I have audited the accompanying financial statements of the governmental activities and major fund of the Town of Copper Canyon, Texas as of September 30, 2010, and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Copper Canyon, Texas, management. My responsibility is to express an opinion on these general purpose financial statements based upon my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of the Town of Copper Canyon, Texas, as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, the budgetary comparison schedule for the general fund and the pension plan funding progress are not a required part of the basic financial statements, but are supplementary information required by GASB. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the Town's basic financial statements taken as a whole. The other supplementary information schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statement of the Town of Copper Canyon, Texas. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

William C. Spore, P.C.
Certified Public Accountants
January 10, 2011

TOWN OF COPPER CANYON

CITY OFFICIALS

September 30, 2010

MAYOR	Sue Tejml
MAYOR PRO TEM	Jeff Mangum
DEPUTY MAYOR PRO TEM	Steven Hill
COUNCIL MEMBERS	Dan Christy
	Mark Schmitz
	Dave Svatik
TOWN ADMINISTRATOR	Donna Welsh
SECRETARY	Elizabeth Penny
MUNICIPAL COURT JUDGE	Aniela Warner
ATTORNEY	Terrance S. Welch Brown & Hofmeister, LLP

TOWN OF COPPER CANYON MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Copper Canyon, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2010. The information provided here should be used in conjunction with the basic financial statements.

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Reporting the Town as a Whole - Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The Statement of Net Assets (page 10) presents information on all of the Town's assets and liabilities, with the difference between the two 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 is improving or deteriorating.

The Statement of Activities (page 11) presents information showing how the Town's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

The Town currently only provides Governmental type activities. Governmental activities include basic services such as police, municipal court, fire, ambulance, inspection, streets and general administration. Permit revenues, sales taxes, and franchise fees finance most of these activities. The Town assesses and collects a property tax the use of which has historically been for maintenance and improvement of the Town's roads and drainage systems. The Town does not provide any Business-type activities such as water or sewer systems and related fees.

Reporting the Town's Most Significant Funds

Fund Financial Statements

All of the Town's activities are accounted for in two governmental funds, the General Fund and the Capital Improvement Projects Fund. Governmental funds focus on how money flows into and

out of the funds and the balances left at the end of the year that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements, the Balance Sheet (page 10) and the Statement of Revenues, Expenditures and Changes in Fund Balance (page 11) provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 14.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the Town's net assets is its investment in capital assets, (land, building, equipment and infrastructure.) The Town uses these capital assets to provide services to the Town's citizens, consequently these assets are not available for future spending. It is also significant that the Town does not have any long-term debt.

The Town's net assets are as follows:

NET ASSETS			
GOVERNMENTAL ACTIVITIES			
	2010	2009	CHANGE
Current and Other Assets	\$ 2,862,257	\$ 877,205	\$ 1,985,052
Capital Assets	<u>3,647,923</u>	<u>1,928,676</u>	<u>1,719,247</u>
Total Assets	<u>6,510,180</u>	<u>2,805,881</u>	<u>3,704,299</u>
Liabilities	<u>(2,597,947)</u>	<u>(124,879)</u>	<u>(2,473,068)</u>
Net Assets:			
Invested in Capital Assets, net			
of debt	3,190,016	1,928,676	1,261,340
Unrestricted	<u>722,217</u>	<u>752,326</u>	<u>(30,109)</u>
Total Net Assets	\$ <u>3,912,233</u>	\$ <u>2,681,002</u>	\$ <u>1,231,231</u>

During 2010 the Town began several capital improvement projects related to road, bridge and drainage improvements within the Town limits. The Town expended \$1,789,166 during 2010 for these capital improvement projects. Funding for these projects was provided by the issuance of \$2,000,000 in general obligation bonds and \$1,208,915 of reimbursements from Denton County as part of the Counties bond program. Of the bond proceeds; \$391,669 was expended in 2010 with the remaining \$1,608,331 to be expended during 2011. These unspent bond proceeds are included in the current and other assets reports above.

Due to the receipt of \$1,208,915 of Denton County reimbursements for capital improvements the Town's net assets increased \$1,231,231 from September 30, 2009 to September 30, 2010. The largest portion of the Town's net assets is its investment in capital assets, (land, building, equipment and infrastructure.) The Town uses these capital assets to provide services to the Town's citizens; consequently these assets are not available for future spending.

The issuance of \$2,000,000 in bonds during 2010 caused the Town's total liabilities to increase significantly from the prior year. These bonds will be repaid over the next twenty years through the annual assessment and collection of debt service property taxes.

Analysis of Town's Operations

A summary of the Town's operations for the years ended September 30, 2010 & 2009 are as follows:

CHANGES IN NET ASSETS

	2010	2009	CHANGE
REVENUES			
Program Revenues:			
Charges for Services	\$ 185,646	\$ 312,997	\$ (127,351)
Capital Grants & Reimbursements	1,231,945	0	1,231,945
Donations	7,500	0	7,500
General Revenues:			
Property Taxes	355,595	311,512	44,083
Sales Taxes	61,915	53,725	8,190
Franchise Fees	131,546	126,104	5,442
Interest Income	7,615	5,071	2,544
Total Revenues	\$ <u>1,981,762</u>	\$ <u>809,409</u>	\$ <u>1,172,353</u>

PROGRAM EXPENSES

General Government	\$ 287,487	\$ 324,674	\$ (37,187)
Public Safety	276,675	261,846	14,829
Parks-Trails	1,733	710	1,023
Public Works	162,319	186,662	(24,343)
Interest on Long-Term Debts	<u>22,347</u>	<u>0</u>	<u>22,347</u>
Total Expenses	<u>750,561</u>	<u>773,892</u>	<u>(23,331)</u>

Increase (Decrease) in

Net Assets	\$ <u>1,231,201</u>	\$ <u>35,517</u>	\$ <u>1,195,684</u>
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Total revenues increased \$1,172,353 primarily due to the receipt of \$1,208,915 from Denton County for capital improvements. Total expenses for the fiscal year ended September 30, 2010 were \$750,561, a decrease of \$23,331 from the prior year. With the issuance of the 2010 General Obligation Bonds in 2010 the Town is now incurring interest expense on long-term debt. Total interest expense for 2010 was \$22,347 while there was no interest expense incurred in the prior year.

GOVERNMENTAL FUND ANALYSIS

The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements, in particular, unreserved fund balance may serve a measure of a government's net resources available for spending at the end of the fiscal year.

Governmental fund operating revenues compared to the prior year are as follows:

	2010	2009	% CHANGE
REVENUES			
Property Taxes	\$ 355,940	\$ 310,437	14.66%
Sales Taxes	61,915	53,725	15.24%
Franchise Fees	131,546	126,104	4.32%
Permits & Fees	68,606	127,723	-46.29%
Road Use Fees	0	90,926	-100.00%
Municipal Court	96,020	81,487	17.83%
Grants & Intergovernmental	1,208,915	0	--
Donations	7,500	0	--
Miscellaneous Revenues	21,020	12,861	63.44%
Interest Income	<u>7,615</u>	<u>5,071</u>	<u>50.17%</u>
TOTAL REVENUES	\$ <u>1,959,077</u>	\$ <u>808,334</u>	<u>142.36%</u>

The Town increased its property tax rate from .19027 per \$100 of assessed value to .20173 per \$100 of assessed value. The rate increase combined with an increase in the assessed values of

property within the Town generated an additional \$45,503 of property revenues in 2010 compared to 2009. Due to an improving economy and the addition of commercial property in the Town sales tax and franchise fees revenues increased in 2010. In 2009 the Town received \$74,880 in gas permit revenues and \$90,926 in road use fees related to gas drilling. There were no similar revenues in 2010 which caused permit and road use fees to decrease in 2010 from 2009. As explained above the Town received \$1,208,915 in capital improvement reimbursements from Denton County as part of interlocal agreement with the County. The Town did not receive any similar reimbursements in 2009.

Governmental fund operating expenditures compared to the prior year are as follows:

	2010	2009	% CHANGE
EXPENDITURES			
General Government	\$ 278,404	\$ 314,394	-11.45%
Public Safety	274,923	257,677	6.69%
Parks-Trails	1,733	710	144.08%
Public Works-Roads & Drainage	42,564	66,719	-36.20%
Capital Outlay	1,849,522	9,378	19621.92%
TOTAL EXPENDITURES	\$ 2,447,146	\$ 648,878	277.13%

Due to a decrease in expenditures for personnel costs and for legal and general engineering services the total general government expenditures decreased by \$35,990 in 2010 from 2009. The decrease in personnel costs related to having one less staff position in 2010 than in 2009. Public safety expenditures increased in 2010 due to an increase in personnel costs related to the court clerk position and to an increase in expenditures for gas well inspections.

During 2010 the Town expended \$18,779 less in road and drainage maintenance projects which account for most of the decrease in public works expenditures when compared with 2009. As mentioned previously in 2010 the Town started several capital improvement projects. The Town expended \$1,789,166 for capital improvement projects in 2010 which are included in the capital outlay expenditures of \$1,849,522 above. Other 2010 capital outlay expenditures include \$60,356 for Town Hall building improvements.

General Fund Budgetary Highlights

Actual general fund revenues were \$13,214 less than budgeted revenues primarily due to actual permit and fees revenues (\$68,606 actual revenues vs budgeted revenues of \$122,500) and franchise fee revenues (\$131,546 actual revenues vs \$142,200 budgeted revenues) being less than budgeted revenues. Budgeted permit revenues included \$45,000 in gas well permits and \$30,000 in road use fees but no new gas well permits were issued in 2010 and no gas well permit or road use fees were collected. The Town anticipated collecting \$98,000 in franchise fees from Co-Serv during 2010 but actual fees collected during the year were \$86,829.

Total actual 2010 general government fund expenditures were \$38,820 less total budgeted general fund expenditures. General government expenditures were \$53,185 (16%) under budget; public safety expenditures were \$20,109 (8%) over budget; parks and recreation expenditures were

\$267 (13%) under budget; public works expenditures were \$58,833 (74%) under budget and capital outlays were \$53,356 (762%) over budget.

There were no budget amendments during fiscal year 2010.

CAPITAL ASSETS

The Town's investment in capital assets as of September 30, 2010 amounts to \$3,647,923 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure.

Major capital additions during the year were \$90,876 for right-of-way purchases for road and drainage improvements, \$60,356 in improvements to the Town Hall building and \$1,698,290 in road, bridge and drainage improvements (construction in progress at September 30, 2010).

The Town's capital assets, net of accumulated depreciation, are as follows:

CAPITAL ASSETS AT YEAR END NET OF ACCUMULATED DEPRECIATION

	2010	2009
Land-Town Hall	\$ 120,876	\$ 30,000
Buildings-Town Hall	209,336	155,965
Office Equipment	5,666	9,201
Infrastructure-Roads & Drainage	1,613,755	1,733,510
Construction in Progress	1,698,290	0
TOTAL	\$ <u>3,647,923</u>	\$ <u>1,928,676</u>

Additional information on the City's Capital Assets can be found in Note 5.

DEBT ADMINISTRATION

The Town issued \$2,000,000 of general obligation bonds during the 2010 fiscal year. Prior to this debt issuance the Town did not have any long-term debts.

Outstanding long-term debts are as follows:

	2010	2009
General Obligation Bonds	\$ <u>2,000,000</u>	\$ <u>0</u>

Additional information on the City's long-term debts can be found in Note 6.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General fund budgeted revenues for fiscal year 2011 are \$723,992. These revenues include maintenance and operation property tax revenues of \$356,531, based on a tax rate of .201713 per \$100 of valuation, the same maintenance and operating rate as in the prior year. Budgeted permit revenues are \$29,210 and do not include any budgeted revenues for gas well or road use permits.

Budgeted 2011 general fund expenditures are \$653,335 and include \$40,000 for road engineering and maintenance projects, \$19,600 for professional fees for Town boundary surveys and \$31,946 for building improvements.

Budgeted capital improvement fund expenditures for 2011 total \$1,863,575 for the completion of road, bridge and drainage projects started in 2010. These CIP expenditures will be paid from unused 2010 bond proceeds and from interest earning on the unspent proceeds.

The Town has also established a debt service fund related to the general obligations bonds issued in 2010. The has budgeted and assessed a tax rate of .10 per \$100 of valuation for debt service tax collections. Total budgeted debt service fund revenues are \$179,316 and budgeted debt service expenditures are \$168,599, leaving a budgeted excess of \$10,717 which will be carried forward to future years in the debt service fund.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Town of Copper Canyon. If you have questions about this report or need any additional information, contact the Town Secretary at 400 Woodland Drive, Copper Canyon, TX 75077, or at (940) 241-2677.

TOWN OF COPPER CANYON

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS

September 30, 2010

GOVERNMENTAL
ACTIVITIES

ASSETS

CURRENT ASSETS

Cash	\$ 783,426
Receivable-Sales & Franchise Taxes	44,767
Receivable-Property Taxes	15,132
Receivable-Denton County Reimbursements	353,622
Receivable-Other	31,748
TOTAL CURRENT ASSETS	<u>1,228,695</u>

NONCURRENT ASSETS

Restricted Cash-Unspent Bond Proceeds	1,608,331
Bond Issue Costs-Net of Amortization	25,231
	<u>1,633,562</u>

CAPITAL ASSETS

Land-Town Hall	120,876
Buildings-Town Hall	268,283
Office Equipment	35,078
Infrastructure-Roads & Drainage	2,451,335
Construction in Progress	1,698,290
Accumulated Depreciation	(925,939)
NET CAPITAL ASSETS	<u>3,647,923</u>

TOTAL ASSETS

6,510,180

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	504,438
Accrued Liabilities	87,677
Accrued Compensated Absences	5,832
General Obligation Bonds Payable	90,000
TOTAL CURRENT LIABILITIES	<u>687,947</u>

NONCURRENT LIABILITIES

General Obligation Bonds Payable	<u>1,910,000</u>
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TOTAL LIABILITIES

2,597,947

NET ASSETS

Invested in Capital Asset, Net of Related Debt	3,190,016
Unrestricted	722,217
TOTAL NET ASSETS	<u>\$ 3,912,233</u>

TOWN OF COPPER CANYON

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2010

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & DONATIONS	CAPITAL GRANTS & REIMBURSE- MENTS	NET (EXPENSE) REVENUE
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (287,457)	\$ 89,626	\$ 7,500	\$ 0	\$ (190,331)
Public Safety	(276,675)	96,020	0	0	(180,655)
Parks-Trails	(1,733)	0	0	0	(1,733)
Public Works-Roads & Drainage	(162,319)	0	0	1,231,945	1,069,626
Interest on Long-Term Debt	(22,347)	0	0	0	(22,347)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (750,531)	\$ 185,646	\$ 7,500	\$ 1,231,945	\$ 674,560
GENERAL REVENUE					
Property Taxes					355,595
Sales Taxes					61,915
Franchise Fees					131,546
Interest Income					7,615
TOTAL GENERAL REVENUE					556,671
CHANGE IN NET ASSETS					1,231,231
NET ASSETS - BEGINNING					2,681,002
NET ASSETS - ENDING					\$ 3,912,233

TOWN OF COPPER CANYON

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2010

ASSETS	GENERAL FUND	CIP FUND	TOTAL
Cash	\$ 525,640	\$ 0	\$ 525,640
Restricted Cash-CIP Fund	0	240,543	240,543
Restricted Cash-Unspent Bond Proceeds	0	1,608,331	1,608,331
Restricted Cash-Court Technology & Security	17,243	0	17,243
Receivable-Sales Taxes & Franchise Fees	44,767	0	44,767
Receivable-Property Taxes	15,132	0	15,132
Receivable-Denton County Reimbursements	0	353,622	353,622
Receivable-Other	3,994	4,724	8,718
TOTAL ASSETS	\$ 606,776	\$ 2,207,220	\$ 2,813,996
LIABILITIES			
Accounts Payable	\$ 36,317	\$ 468,121	\$ 504,438
Accrued Liabilities	41,982	0	41,982
Deferred Revenues	10,440	24,000	34,440
TOTAL LIABILITIES	88,739	492,121	580,860
FUND BALANCE			
Restricted to Capital Improvements	0	1,608,331	1,608,331
Committed to Capital Improvements	0	106,768	106,768
Unassigned	518,037	0	518,037
TOTAL FUND BALANCE	518,037	1,715,099	2,233,136
TOTAL LIABILITIES & FUND EQUITY	\$ 606,776	\$ 2,207,220	\$ 2,813,996

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS

Fund Balance Above \$ 2,233,136

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 Fund Balance Sheet. 3,647,923

Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet. 10,440

Grants received more than sixty days after the end of the fiscal year are not available to pay current expenditures and, therefore, are not included in the Fund Balance Sheet. 23,030

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet. (2,002,296)

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 3,912,233**

TOWN OF COPPER CANYON

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2010

	<u>GENERAL FUND</u>	<u>CIP FUND</u>	<u>TOTAL</u>
REVENUES			
Property Taxes	\$ 355,940	\$ 0	\$ 355,940
Sales Taxes	61,915	0	61,915
Franchise Fees	131,546	0	131,546
Permits & Fees	68,606	0	68,606
Municipal Court	96,020	0	96,020
Donation Revenues	7,500	0	7,500
Miscellaneous Revenues	21,020	0	21,020
Denton County Interlocal Road Reimbursements	0	1,208,915	1,208,915
Interest Income	3,184	4,431	7,615
TOTAL REVENUES	<u>745,731</u>	<u>1,213,346</u>	<u>1,959,077</u>
EXPENDITURES			
General Government	278,404	0	278,404
Public Safety	274,923	0	274,923
Parks-Trails	1,733	0	1,733
Public Works-Roads & Drainage	20,374	22,190	42,564
Capital Outlay	60,356	1,789,166	1,849,522
TOTAL EXPENDITURES	<u>635,790</u>	<u>1,811,356</u>	<u>2,447,146</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>109,941</u>	<u>(598,010)</u>	<u>(488,069)</u>
OTHER FINANCING SOURCES (USES)			
2010 General Obligation Bond Proceeds	0	2,000,000	2,000,000
Debt Issue Costs & Paying Agent Fees	0	(25,883)	(25,883)
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>1,974,117</u>	<u>1,974,117</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	109,941	1,376,107	1,486,048
FUND BALANCE - BEGINNING	408,096	338,992	747,088
FUND BALANCE - ENDING	\$ <u>518,037</u>	\$ <u>1,715,099</u>	\$ <u>2,233,136</u>

TOWN OF COPPER CANYON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2010

Net Change in Fund Balance - Governmental Funds \$ 1,486,048

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

Governmental funds report capital outlay as expenditures. However,
in the statement of activities the cost of these assets is allocated
over the estimated useful lives as depreciation expense:

Capital assets recorded in the current period 1,849,522

Depreciation expense on capital assets (130,275)

Bond proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net assets. (2,000,000)

The cost of issuing bonds is reported as an expenditure in the governmental
funds. In the statement of activities these costs are amortized as interest
over the life of the related bonds. 25,658

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds:

Deferred Revenues - Property Taxes (345)
Grant Reimbursements 23,030

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

Bond cost amortization (427)
Compensated absences (285)
Accrued Interest on long-term debts (21,695)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,231,231

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

The Town of Copper Canyon operates under a Council-Mayor form of government, following the laws of a General Law Town as defined by the State of Texas. The Town provides the following services: code enforcement, inspection, police, municipal court, trails, public works, and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Town are discussed below:

A. REPORTING ENTITY

These financial statements present the Town (the primary government). The Town has no component units (separately administered organizations that are controlled or dependent on the Town).

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS:

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's fire, ambulance, inspection, police, municipal court, trails, public works, and general administrative services are classified as governmental activities. The Town does not provide any business-type activities.

In the government-wide Statement of Net Assets governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the Town's Functions (general government, public safety, trails and recreation and public works). The functions are also supported by general government revenues (property, sales and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants.

TOWN OF COPPER CANYON
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

The net costs (by function) are normally covered by general revenue (property, sales, franchise taxes).

The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

C: BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:

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

The Town only provides Governmental Fund type activities. The Town has presented the following major funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources not accounted for in other funds.

Capital Improvement Projects Fund - The Capital Improvement Projects Fund is used to account for funds designated for capital improvement projects as identified by the Town's capital improvement projects budget.

The Town does not provide any Business-type activities.

The Town does not have any Fiduciary Funds.

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 primarily to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

2. Modified Accrual:

The governmental fund financial statements are presented on 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 knowing or being able to reasonably estimate the amount. "Available" means collectible within the current period or within 60 days after year end. 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 principle and interest on general obligation long-term debt, if any, is recognized when due.

3. Revenue Recognition:

The Town considers property, sales and franchise taxes as available if collected within 60 days after year end. All other governmental revenues are recognized when received.

4. Restricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available the Town first applies restricted resources.

5. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles to local governments in the United States of America requires management and those charged with governance to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6: New Accounting Principles:

The Town has adopted all current GASB pronouncements that are applicable to its operations and activities. No new statements required adoption for the year ended September 30, 2010. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and / or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the City of Justin and its components units.

- Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles State and Local Governments*
- Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*
- Statement No. 57, *Other Post Employment Benefit Measurements by Agent Employers and Agent Multiple-Employer Plans*
- Statement No. 58, *Accounting and Reporting for Chapter 9 Bankruptcies*

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

New pronouncements not yet in effect as of September 30, 2010, are not expected to have any significant impact on the City's financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2011, as required.

E. FINANCIAL STATEMENT AMOUNTS:

1. Cash and cash Equivalents:

The Town has defined cash and cash equivalents to include cash on hand and demand deposits.

2. Capital Assets:

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, or improvements and other capital outlays that significantly extend the useful lives of an assets are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 - 50 years
Office Equipment	3 - 10 years
Infrastructure	20 - 25 years

GASB No. 34 requires the Town to report and depreciate new infrastructure assets effective with the fiscal year beginning October 1, 2003. Infrastructure includes roads, bridges and drainage systems. These infrastructure assets are likely to be the largest asset class of the Town. Historically the Town has been capitalizing infrastructure costs, therefore, the Town elected to implement the retroactive infrastructure provisions in the fiscal year beginning October 1, 2003.

3. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied.

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

5. Compensated Absences:

The Town accrues accumulated unpaid vacation time when earned by the employee. The noncurrent portion (the amount estimated to be used in subsequent years) is maintained separately and represents a reconciling item between the fund and government-wide presentations.

6. Equity Classifications:

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the criteria of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by Town Council ordinance or resolution) and unassigned.

7. Impairment of Capital Assets

Impairment losses are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments; or other evidence of obsolescence; changes in the manner or duration of use of capital assets; or construction stoppage due to lack of funding. There were no write-downs due to impairment charges during 2009.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

F: BUDGETS AND BUDGETARY ACCOUNTING:

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1: Prior to September 1, the Town Secretary submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2: Public hearings are conducted to obtain taxpayer comments.
- 3: Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 4: Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 5: Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

NOTE 2: DEPOSITS:

At September 30, 2010 the carrying amount of the Town's cash accounts were \$2,391,757, made up of petty cash of \$100 and \$2,391,657 held in checking accounts at a local financial institution. The Town did not own any investments at September 30, 2010.

Deposit and Investment risk Disclosures:

(1) Credit Risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The Town does not currently own any investments and, therefor, is not exposed to credit risk.

(2) Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

At September 30, 2010 the Town's bank balances (per bank) totaled \$2,584,135. Of the bank balances, \$250,000 was covered by federal depository insurance and \$3,000,000 was secured by collateral held by the pledging Bank's agent in the name of the Town. The Town was not exposed to custodial credit risk at September 30, 2010.

Securities pledged by the Town's depository institution at September 30, 2010 are as follows:

SECURITY	PAR	FMV
FHLB-letter of credit	\$2,000,000	\$2,000,000
FHLB-letter of credit	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$3,000,000</u>	<u>\$3,000,000</u>

(3) Concentration of credit risk:

This is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town does not currently own any investments and, therefore, is not exposed to concentration of credit risk.

(4) Interest rate risk:

This is the risk that changes in interest rates will adversely effect the fair value of an investment. The Town does not currently own any investments and, therefore, is not exposed to interest rate risk.

NOTE 3: CAPITAL IMPROVEMENT PROJECT FUND:

During the fiscal year the Town received \$1,974,117 of net bond proceeds and \$1,208,915 of interlocal funds from Denton County for road improvements, both of which were recorded in the CIP fund. Expenditures from the fund are restricted to projects included in the CIP budget as approved by the Town Council. Total expenditures for the fiscal year were \$1,811,356.

NOTE 4: PROPERTY TAX:

Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the Town. Taxes are due October 1, the levy date, and are delinquent after the following January 31. Property taxes at the fund level are recorded as receivables and deferred revenues at the time taxes are assessed. Revenues are recognized as the related taxes are collected.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time taxes are assessed. Revenues are recognized as the related taxes are collected.

TOWN OF COPPER CANYON
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

NOTE 5: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2010 is as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	DELETIONS	ENDING
Land	\$ 30,000	\$ 90,876	\$ 0	\$ 120,876
Building & Improvements	207,927	60,356	0	268,283
Equipment	35,078	0	0	35,078
Infrastructure	2,451,335	0	0	2,451,335
Construction in Progress	0	1,698,290	0	1,698,290
TOTAL AT HISTORICAL COST	<u>2,724,340</u>	<u>1,849,522</u>	<u>0</u>	<u>4,573,862</u>
LESS ACCUMULATED DEPRECIATION				
Land	0	0	0	0
Building & Improvements	51,962	6,985	0	58,947
Equipment	25,877	3,535	0	29,412
Infrastructure	717,825	119,755	0	837,580
Construction in Progress	0	0	0	0
TOTAL ACCUMULATED DEPRECIATION	<u>795,664</u>	<u>130,275</u>	<u>0</u>	<u>925,939</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 1,928,676</u>	<u>\$ 1,719,247</u>	<u>\$ 0</u>	<u>\$ 3,647,923</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 7,688
Public Safety	2,832
Public Works	<u>119,755</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 130,275</u>

NOTE 6: LONG-TERM DEBT:

By virtue of an election held within the Town on May 8, 2010, the Town Council became authorized to issue \$2,500,000 of general obligation bonds in the name of the Town. In August 2010 the Town issued \$2,000,000 of general obligation bonds for the purpose of constructing and improving streets and bridges and associated drainage improvements within the Town.

The bonds bear interest at rates ranging from 1.50% to 4.50%, payable from an ad valorem tax to be levied annually by the Town. The bonds have annual maturity dates ranging from February 2011 through February 2030. The City reserves the right, at its option, to redeem bonds maturing on and after February 15, 2019, in whole or part, at any time on or after February 15, 2019.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

General long-term debt activity for the fiscal year is as follows:

GOVERNMENTAL ACTIVITIES:	BEGINNING	ADDITIONS	PAYMENTS	ENDING	CURRENT PORTION
Series 2010, General Obligation Bonds	\$ 0	\$ 2,000,000	\$ 0	\$ 2,000,000	\$ 90,000
TOTAL BONDS	<u>0</u>	<u>2,000,000</u>	<u>0</u>	<u>2,000,000</u>	<u>90,000</u>
Compensated Absences	<u>5,547</u>	<u>4,790</u>	<u>4,505</u>	<u>5,832</u>	<u>0</u>
TOTAL GOVERNMENTAL	<u>\$ 5,547</u>	<u>\$ 2,004,790</u>	<u>\$ 4,505</u>	<u>\$ 2,005,832</u>	<u>\$ 90,000</u>

Future debt maturities are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2011	\$ 90,000	\$ 78,099	\$ 168,099
2012	105,000	63,205	168,205
2013	110,000	61,593	171,593
2014	75,000	60,168	135,168
2015	80,000	58,788	138,788
2016 - 2020	420,000	262,821	682,821
2021 - 2025	505,000	184,799	689,799
2026 - 2030	615,000	69,685	684,685
TOTALS	<u>\$ 2,000,000</u>	<u>\$ 839,158</u>	<u>\$ 2,839,158</u>

NOTE 7: COMPENSATED ABSENCES

At September 30, 2009, the Town had a liability for unpaid vacation in the amount of \$5,547. During fiscal 2010, \$4,790 (258 hours) of vacation time was earned while \$4,505 (250 hours) was taken, leaving an accrued liability of \$5,832 (218 hours) at September 30, 2010.

NOTE 8: RETIREMENT PLAN:

Plan Description

The Town provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. The plan provisions that have been adopted are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS. Plan provisions for the Town were as follows:

	Plan Year 2008	Plan Year 2009
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5 or 0/20	60/5 or 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions:

Under the state law governing TMRS, the contribution rate for each Town is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service cost contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that Town. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually reporting benefits, such as updates service credits and annuity increases.

The Town contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and the net pension obligation/(asset) are as follows:

	2008	2009	2010
Annual required contribution rate	14.42%	7.00%	7.00%
Annual required contribution (ARC)	\$ 18,205	\$ 11,317	\$ 12,642
Interest on net pension obligation	\$ 0	\$ 0	\$ 0
Adjustment to the ARC	\$ 0	\$ 0	\$ 0
Annual pension cost	\$ 18,205	\$ 11,317	\$ 12,642
Contributions funded	\$ 18,205	\$ 11,317	\$ 12,642
Increase (decrease) in net pension obligation	\$ 0	\$ 0	\$ 0
Net pension obligation (asset) at beginning of year	\$ 0	\$ 0	\$ 0
Net pension obligation (asset) at end of year	\$ 0	\$ 0	\$ 0

TOWN OF COPPER CANYON
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

The required contributions rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009 are as follows:

Actuarial valuation date	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2009</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
GASB 25 equivalent single amortization period	7-yr closed period	6-yr closed period	6-yr closed period
Amortization period for new gains/losses	25 years	25 years	25 years
Asset valuation method	Amortized cost	Amortized cost	10 year smoothed market
Actuarial assumptions:			
Investment rate of return	7.00%	7.50%	7.50%
Projected salary increases	Varies by age & years of service	Varies by age & years of service	Varies by age & years of service
Inflation factor	3.00%	3.00%	3.00%
Cost-of-living adjustments	0.00%	0.00%	0.00%

The funding status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

	<u>Dec. 31, 2009</u>
Actuarial valuation of assets	\$ 111,306
Actuarial accrued liability	\$ 133,866
Funded ratio	83.15%
Unfunded (overfunded) actuarial accrued liability	\$ 22,560
Annual covered payroll	\$ 124,175
UAAL as percentage of covered payroll	18.2%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

NOTE 9: RESTRICTED CASH:

At September 30, 2010 the Town had restricted cash accounts related to unspent 2010 bond proceeds and CIP funds restricted to road improvements as follows:

Unspent Bond Proceeds	\$1,608,331
CIP Restricted Funds	<u>240,543</u>
	<u>\$1,848,874</u>

These restrictions relate to bond covenants and Town Council commitments.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010

NOTE 10: RELATED PARTIES:

A company owned by a former Town Council member provides mowing services to the Town. The total expended by the Town during the fiscal year with this company was \$13,380. This company provided mowing services to the Town prior to the owner being elected to the Town Council.

NOTE 11: RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is a member of the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") which is a public entity insurance risk pool. Annual contributions to TML are reported in the general fund. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the Town.

NOTE 12: SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through January 10, 2011 (the date that the Town Council approved the financial statements). The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized subsequent events that require additional disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2010

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Beginning Budgetary Fund Balance	\$ 0	\$ 0	\$ 0
Property Taxes	334,740	355,940	21,200
Sales Taxes	60,000	61,915	1,915
Franchise Fees	142,200	131,546	(10,654)
Permits & Fees	122,500	68,606	(53,894)
Municipal Court	84,705	96,020	11,315
Donation Revenues	9,000	7,500	(1,500)
Miscellaneous Revenues	3,500	21,020	17,520
Interest Income	2,300	3,184	884
TOTAL RESOURCES	758,945	745,731	(13,214)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General Government:			
Wages	107,600	107,601	(1)
Contract Labor-Office	1,000	1,146	(146)
Payroll Taxes	9,318	8,769	549
Retirement	11,511	9,598	1,913
Health Insurance	12,000	12,000	0
Employee Vehicle Expenses	2,550	2,902	(352)
Accounting & Auditing Services	4,000	4,200	(200)
Appraisal & Tax Collection Services	3,510	3,361	149
Engineering Services	5,000	2,086	2,914
Legal Services	60,000	44,259	15,741
Codification	2,500	1,850	650
Town Map	2,500	578	1,922
Town Master Plan	22,430	8,761	13,669
Town Cookbook and Directory	7,400	9,750	(2,350)
Other Professional Services	12,450	0	12,450
Building & Equipment Maintenance	11,400	15,542	(4,142)
Dues, Subscriptions & Public Notices	4,750	7,724	(2,974)
Election Costs	3,000	1,743	1,257
Insurance	7,500	6,923	577
Computer Maint. & Tech Support	4,500	4,784	(284)
Website	250	444	(194)
Neighborhood Watch	4,000	72	3,928
Office Supplies	8,000	6,605	1,395
Other Expenses	5,500	1,437	4,063
Volunteer Appreciation & Events	2,000	2,871	(871)
Travel & Training	2,000	800	1,200
Utilities	14,920	12,598	2,322
Total General Government	331,589	278,404	53,185
Public Safety:			
Wages - Court	32,760	41,812	(9,052)
Payroll Taxes - Court	2,837	2,888	(51)
Retirement - Court	2,921	3,044	(123)
Health Insurance - Court	6,000	5,500	500

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2010

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
Travel & Training - Court	750	650	100
Law Enforcement Contract Services	159,971	161,866	(1,895)
Municipal Court Judge Services	2,000	1,800	200
Legal Fees - Municipal Court	6,000	4,823	1,177
Municipal Court Supply & Software	1,500	2,104	(604)
Child Safety	1,825	1,889	(64)
Building Inspection	25,000	24,770	230
Gas Well Inspections	3,000	14,500	(11,500)
Code Enforcement	7,000	7,137	(137)
Animal Control	3,250	2,140	1,110
Total Public Safety	254,814	274,923	(20,109)
Parks & Recreation:			
Equestrian Trail	2,000	1,733	267
Public Works:			
Road Engineering & Maintenance	60,000	5,757	54,243
Street Signs	5,407	1,237	4,170
Mowing	13,800	13,380	420
Total Public Works	79,207	20,374	58,833
Capital Additions:			
Administration & Municipal Court	7,000	60,356	(53,356)
TOTAL APPROPRIATIONS	674,610	635,790	38,820
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 84,335	\$ 109,941	\$ 25,606

BUDGETARY COMPARISON SCHEDULE - CIP FUND

RESOURCES (INFLOWS)			
Beginning Budgetary Fund Balance	\$ 0	\$ 0	\$ 0
Bond Proceeds	0	2,000,000	2,000,000
Denton County Road Contributions	0	1,208,915	1,208,915
Interest Income	2,700	4,431	1,731
TOTAL RESOURCES	2,700	3,213,346	3,210,646
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public Works:			
Bond Issue Costs & Agent Fees	0	25,883	(25,883)
Road Engineering & Maintenance	0	22,190	(22,190)
Road & Drainage Improvements	0	1,789,166	(1,789,166)
TOTAL EXPENDITURES	0	1,837,239	(1,837,239)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 2,700	\$ 1,376,107	\$ 1,373,407

TOWN OF COPPER CANYON

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

For the Year Ended September 30, 2010

DEFINED BENEFIT RETIREMENT PLAN

Actuarial Valuation Date	12-31-09	12-31-08	12-31-07
Actuarial Value of Assets	\$ 111,306	\$ 88,632	57,825
Actuarial Accrued Liabilities (AAL)	133,866	106,464	87,450
Unfunded (Overfunded) AAL (UAAL)	22,560	17,832	29,625
Funded Ratio	83.1%	83.3%	66.1%
Covered Payroll	124,175	102,125	123,933
UAAL as a Percentage of Covered Payroll	18.2%	17.5%	23.9%

OTHER SUPPLEMENTARY INFORMATION

TOWN OF COPPER CANYON
SCHEDULE OF PROPERTY TAXES

September 30, 2010

Tax Year	2009	2008	2007	2006
Assessed Value	174,131,765	\$ 160,985,987	\$ 155,275,782	\$ 140,272,003
Tax Rate per \$100 of Assessed Value	0.20171	0.19027	0.19027	0.17027
Total Tax Levy	351,246	\$ 306,308	\$ 295,443	\$ 238,841
Collections During Fiscal Year	346,802	\$ 304,133	\$ 290,129	\$ 235,750
% of Current Taxes Collected	98.73%	99.29%	98.20%	98.71%

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent on February 1 of the following year.

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Dr., Ste 204
Keller, TX 76248
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January 10, 2011

To the Mayor & Town Council
Town of Copper Canyon

I have audited the financial statements of the governmental activities and the major funds of the Town of Copper Canyon for the year ended September 30, 2010, and have issued my report thereon dated January 10, 2011. Professional standards require that I provide you with the following information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated May 25, 2010. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Copper Canyon are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was :

Management's estimate of depreciation expense is based on the estimated useful lives of the related assets. I evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated January 3, 2011

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Town Council and management of Town of Copper Canyon and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

William C. Spore

Certified Public Accountant

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To the Town Council
Town of Copper Canyon

In planning and performing my audit of the financial statements of the governmental activities and major fund of the Town of Copper Canyon as of and for the year ending September 30, 2010, in accordance with auditing standards generally accepted in the United States of America, I considered the Town of Copper Canyon' internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit'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 misstatements on a timely basis. A materiel 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 was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness.

This communication is intended solely for the information and use of management and Town Council and is not intended to be and should not be used by anyone other than these specified parties.

William C. Spore, PC
Certified Public Accountants
January 10, 2011