

TOWN OF COPPER CANYON

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR'S REPORT	1
CITY OFFICIALS	2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	3-10
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	14
Notes to Financial Statements	15-26
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	27
Budgetary Comparison Schedule - Debt Service & CIP Funds	28
Schedule of Pension Plan Funding Progress	29
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Property Taxes	30

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Certified Public Accountants
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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, 2012, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Copper Canyon, Texas, as of September 30, 2012, and the respective changes in financial position of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules and the schedule of pension plan funding progress be presented to supplement the basic financial statements. Such information, although not 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 regarding 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 us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Copper Canyon's 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

William C. Spore, P.C.

Certified Public Accountants

January 14, 2013

TOWN OF COPPER CANYON

CITY OFFICIALS

September 30, 2012

MAYOR	Sue Tejml
MAYOR PRO TEM	Jeff Mangum
DEPUTY MAYOR PRO TEM	Steven Hill
COUNCIL MEMBERS	Dan Christy
	Charlie Nicholas
	Dave Svatik
TOWN ADMINISTRATOR	Donna Welsh
SECRETARY	Shelia Morales
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, 2012.

Management's discussion and analysis ("MD&A") has been designed to [1] assist readers and interested parties in focusing on significant financial issues [2] provide an overview of the Town's financial activity, [3] identify changes in the Town's financial position, including its ability to address the next and subsequent years challenges, [4] identify material deviations from the approved budgets adopted by the Town Council (those charged with governance), and [5] identify individual fund issues or concerns.

Because MD&A focuses on the current year's activity, resulting changes and currently known facts, you are encouraged to read it in conjunction with the basic financial statements including notes thereto, required supplemental information, and other supplementary data provided below.

FINANCIAL HIGHLIGHTS

- The Town's government-wide assets exceeded its government-wide liabilities at September 30, 2012 by \$10,349,296, a decrease of \$272,935 from the prior year.
- At September 30, 2012 the Town's governmental funds reported combined fund balances of \$1,021,172, a decrease of \$63,143 from the prior year.
- The Town's capital assets, reported at cost less accumulated depreciation, total \$11,111,947 at September 30, 2012 while the Town's long-term debt totaled \$1,805,000 at September 30, 2012.

USING THIS ANNUAL REPORT

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 11) 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 12) 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, inspection, parks, public works and general administration. Property tax, sales taxes, franchise fees, municipal court fines and permit revenues finance most of these activities. The Town does not provide any Business-type activities such as water or sewer systems and related fees.

Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

All of the Town's activities are accounted for in three governmental funds, the General Fund, Debt Service 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 13) and the Statement of Revenues, Expenditures and Changes in Fund Balance (page 14) 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 15.

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.

The Town's net assets are as follows:

NET ASSETS			
GOVERNMENTAL ACTIVITIES			
	2012	2011	CHANGE
Current and Other Assets	\$ 1,163,897	\$ 2,187,119	\$ (1,023,222)
Capital Assets	<u>11,111,947</u>	<u>11,430,592</u>	<u>(318,645)</u>
Total Assets	<u>12,275,844</u>	<u>13,617,711</u>	<u>(1,341,867)</u>
Liabilities	<u>(1,926,548)</u>	<u>(2,995,480)</u>	<u>1,068,932</u>
Net Assets:			
Invested in Capital Assets, net			
of debt	9,329,612	9,686,870	(357,258)
Restricted for Debt Service	14,455	10,381	4,074
Unrestricted	<u>1,005,229</u>	<u>924,980</u>	<u>80,249</u>
Total Net Assets	<u>\$ 10,349,296</u>	<u>\$ 10,622,231</u>	<u>\$ (272,935)</u>

During 2010 the Town began capital improvement projects related to road, bridge and drainage improvements within the Town limits. These projects continued through out 2011 and were completed in 2012. These projects were being funded by the proceeds of the general obligation bonds issued in 2010, reimbursements from Denton County as part of the County's bond program and from funds committed by the Town's Council for road improvements. The current and other assets at September 30, 2011 included \$747,642 of receivables for reimbursement from Denton County related to the capital improvement projects and the liabilities at September 30, 2011 included \$968,706 of payables related to the capital improvement projects. As the projects were completed during 2012 there were no similar receivables or payables at September 30, 2012.

The Town's net assets decreased \$272,935 from September 30, 2011 to September 30, 2012. The largest portion (91%) 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.

Analysis of Town's Operations

A summary of the Town's operations for the years ended September 30, 2012 & 2011 are as follows:

	2012	2011	CHANGE
REVENUES			
Program Revenues:			
Charges for Services	\$ 204,422	\$ 136,365	\$ 68,057
Capital Grants & Reimbursements	100,006	6,630,925	(6,530,919)
Operating Grants & Donations	9,501	13,827	(4,326)
General Revenues:			
Property Taxes	523,147	545,666	(22,519)
Sales Taxes	45,476	55,471	(9,995)
Franchise Fees	125,856	137,409	(11,553)
Interest Income	7,324	10,794	(3,470)
Total Revenues	<u>\$ 1,015,732</u>	<u>\$ 7,530,457</u>	<u>\$ (6,514,725)</u>
PROGRAM EXPENSES			
General Government	\$ 293,887	\$ 295,936	\$ (2,049)
Public Safety	244,331	248,793	(4,462)
Parks-Trails	346	1,053	(707)
Public Works	685,704	208,864	476,840
Interest on Long-Term Debts	<u>64,399</u>	<u>65,813</u>	<u>(1,414)</u>
Total Expenses	<u>1,288,667</u>	<u>820,459</u>	<u>468,208</u>
Increase (Decrease) in			
Net Assets	<u>\$ (272,935)</u>	<u>\$ 6,709,998</u>	<u>\$ (6,982,933)</u>

Charges for services revenues includes permit revenues and municipal court fines. For 2012 the Town experienced a significant increase in permit and court fine revenues due to an increase in building permits issued and an increase in police tickets issued due to a change in personnel by the Town's law enforcement contractor during 2011.

Due to reduced property assessed valuations, primarily related to gas drilling property valuations, total property tax collections decreased \$22,519 (4%) in 2012 from 2011. One of the Town's larger retail vendors closed its business in early 2012 which resulted in a decrease in the Town's sales tax collections.

Capital grants and reimbursements includes funds received by the Town from its interlocal agreement with Denton County for road and drainage improvements in the Town. These reimbursements in 2012 totaled \$100,006 compared to \$6,630,925 received in 2011.

Total program expenses increased \$468,208 in 2012 from 2011 primarily due the recognition of depreciation expense on the completed road improvement projects in 2012. Total depreciation expense for 2012 was \$571,922 compared to \$176,982 in the prior year. General government, public safety and parks expenses all decreased slightly in 2012 when compared to 2011.

Interest on long-term debts relates to the interest payments on the 2010 general obligation bonds which will decrease each year as the principle on the bonds is repaid.

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:

	2012	2011	% CHANGE
REVENUES			
Property Taxes	\$ 520,728	\$ 545,553	-4.55%
Sales Taxes	45,476	55,471	-18.02%
Franchise Fees	125,856	137,409	-8.41%
Permits & Fees	73,099	47,567	53.68%
Municipal Court	131,098	80,725	62.40%
Grants & Intergovernmental	107,596	6,653,955	-98.38%
Donations	1,911	13,827	-86.18%
Miscellaneous Revenues	225	8,073	-97.21%
Interest Income	7,324	10,794	-32.15%
TOTAL REVENUES	\$ <u>1,013,313</u>	\$ <u>7,553,374</u>	<u>-86.58%</u>

The significant decrease in governmental fund operating revenues relates to the Denton County road improvement reimbursements received in 2011 of \$6,630,925 compared to \$100,006 received in 2012. The road improvement projects were completed during 2012 and the decrease in Denton County reimbursements was expected.

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

	2012	2011	% CHANGE
EXPENDITURES			
General Government	\$ 283,577	\$ 280,231	1.19%
Public Safety	243,974	246,154	-0.89%
Parks-Trails	346	1,053	-67.14%
Public Works-Roads & Drainage	126,964	46,782	171.39%
Debt Service	168,318	168,324	--
Capital Outlay	253,277	7,959,651	-96.82%
TOTAL EXPENDITURES	\$ 1,076,456	\$ 8,702,195	-87.63%

For fund basis reporting capital additions are expended as they are paid for. With the completion of the road improvement projects in 2012, capital outlay expenditures decreased from \$7,959,651 in 2011 to \$253,277 in 2012.

During 2012 the Town completed a roadway maintenance program and repaired selected bridges and culverts in the town. The Town expended \$81,440 for these projects which accounts for the increase in public works expenditures in 2012 compared to 2011.

Debt service expenditures include the annual principal and interest payments made on the 2010 general obligation bonds.

General Fund Budgetary Highlights

Actual general fund revenues were \$42,155 greater than budgeted revenues primarily due to actual permit and fees revenues (\$73,099 actual revenues vs budgeted revenues of \$40,400) and municipal court revenues (\$131,098 actual revenues vs budgeted revenues of \$91,100) exceeding budgeted revenues. These favorable variances from the budget offset unfavorable variances in sales tax revenues (\$45,476 actual revenues vs budgeted revenues of \$67,000) and franchise tax revenues (\$125,856 actual revenues vs budgeted revenues of \$146,550).

Total actual 2012 general fund expenditures, excluding transfers, were \$10,488 less than budgeted general fund expenditures. General government expenditures were \$8,920 (3%) under budget; public safety expenditures were \$2,829 (1%) under budget; parks and recreation expenditures were \$654 (65%) under budget; public works expenditures were \$5,685 (74%) over budget (33%) and capital outlays were \$3,770 (75%) under budget.

There were no budget amendments during fiscal year 2012.

CAPITAL ASSETS

The Town's investment in capital assets as of September 30, 2012 amounts to \$11,111,947 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure.

Major capital additions during the year were \$252,048 in road and drainage improvements at September 30, 2012.

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

	2012	2011
Land-Town Hall	\$ 130,534	\$ 130,534
Buildings-Town Hall	202,878	215,270
Office Equipment	3,446	3,006
Infrastructure-Roads & Drainage	10,775,089	2,982,869
Construction in Progress	0	8,098,913
TOTAL	\$ 11,111,947	\$ 11,430,592

Additional information on the Town'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:

	2012	2011
General Obligation Bonds	\$ 1,805,000	\$ 1,910,000

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General fund budgeted revenues for fiscal year 2013 are \$707,102. These revenues include maintenance and operation property tax revenues of \$357,247, based on a tax rate of .201713 per \$100 of valuation, the same tax rate as in the prior year. Budgeted sales tax revenues are \$43,000, budgeted permit/inspection/development revenues are \$44,400 and budgeted municipal court revenues are \$119,965.

Budgeted 2013 general fund expenditures are \$620,810. Budgeted personnel expenditures are \$200,072, an increase of \$15,343 over 2012 budgeted expenditures. This increase represents the first budgeted increase in personnel costs in the last two fiscal year budgets. Public works road maintenance and engineering is budgeted at \$64,000 for 2013, a increase of \$6,600 over the 2012 budget.

The 2013 budget includes \$7,920 for an impact fee study, \$13,000 for a MS-4 permit and \$6,000 for office furniture, equipment and Town Hall improvements.

The Town established a debt service fund related to the general obligations bonds issued in 2010. The Town has budgeted and assessed a tax rate of .10 per \$100 of valuation for debt service tax collections to provide funds for the 2013 debt service required principal and interest payments. This tax rate is the same as the rate assessed in 2012. Total budgeted debt service fund revenues are \$175,789 and budgeted debt service expenditures are \$171,593 leaving a budgeted excess of \$4,196 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, 2012

ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS	
Cash	\$ 709,178
Receivable-Sales & Franchise Taxes	40,221
Receivable-Property Taxes	12,972
Receivable-Denton County Reimbursements	0
Receivable-Other	505
TOTAL CURRENT ASSETS	<u>762,876</u>
NONCURRENT ASSETS	
Restricted Cash	378,356
Bond Issue Costs-Net of Amortization	22,665
	<u>401,021</u>
CAPITAL ASSETS	
Land-Town Hall	130,534
Buildings-Town Hall	286,457
Office Equipment	25,781
Infrastructure-Roads & Drainage	12,333,491
Construction in Progress	0
Accumulated Depreciation	(1,664,316)
NET CAPITAL ASSETS	<u>11,111,947</u>
TOTAL ASSETS	<u>12,275,844</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	32,011
Accrued Liabilities	82,776
Accrued Compensated Absences	6,761
General Obligation Bonds Payable	110,000
TOTAL CURRENT LIABILITIES	<u>231,548</u>
NONCURRENT LIABILITIES	
General Obligation Bonds Payable	<u>1,695,000</u>
TOTAL LIABILITIES	<u>1,926,548</u>
NET ASSETS	
Invested in Capital Asset, Net of Related Debt	9,329,612
Restricted for Debt Service	14,455
Unrestricted	1,005,229
TOTAL NET ASSETS	<u>\$ 10,349,296</u>

TOWN OF COPPER CANYON

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & DONATIONS	CAPITAL GRANTS & REIMBURSE- MENTS	NET (EXPENSE) REVENUE
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (293,887)	\$ 73,324	\$ 9,501	\$ 0	\$ (211,062)
Public Safety	(244,331)	131,098	0	0	(113,233)
Parks-Trails	(346)	0	0	0	(346)
Public Works-Roads & Drainage	(685,704)	0	0	100,006	(585,698)
Interest on Long-Term Debt	(64,399)	0	0	0	(64,399)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (1,288,667)	\$ 204,422	\$ 9,501	\$ 100,006	\$ (974,738)
GENERAL REVENUE					
Property Taxes					523,147
Sales Taxes					45,476
Franchise Fees					125,856
Interest Income					7,324
TOTAL GENERAL REVENUE					701,803
CHANGE IN NET ASSETS					(272,935)
NET ASSETS - BEGINNING					10,622,231
NET ASSETS - ENDING					\$ 10,349,296

TOWN OF COPPER CANYON

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2012

ASSETS	GENERAL		DEBT SERVICE		CIP		TOTAL
	FUND		FUND		FUND		
Cash	\$ 709,178	\$	0	\$	0	\$	709,178
Restricted Cash-Debt Service Fund	0		14,455		0		14,455
Restricted Cash-CIP Fund	0		0		332,533		332,533
Restricted Cash-Court Technology & Security	21,187		0		0		21,187
Restricted Cash-Cookbook & Directory	10,181		0		0		10,181
Receivable-Sales Taxes & Franchise Fees	40,221		0		0		40,221
Receivable-Property Taxes	11,227		1,745		0		12,972
Receivable-Other	505		0		0		505
TOTAL ASSETS	\$ 792,499	\$	16,200	\$	332,533	\$	1,141,232
LIABILITIES							
Accounts Payable	\$ 25,513	\$	0	\$	6,498	\$	32,011
Accrued Liabilities	51,077		0		0		51,077
Deferred Revenues	11,227		1,745		24,000		36,972
TOTAL LIABILITIES	87,817		1,745		30,498		120,060
FUND BALANCE							
Restricted to Debt Service	0		14,455		0		14,455
Committed to Capital Improvements	0		0		302,035		302,035
Unassigned	704,682		0		0		704,682
TOTAL FUND BALANCE	704,682		14,455		302,035		1,021,172
TOTAL LIABILITIES & FUND EQUITY	\$ 792,499	\$	16,200	\$	332,533	\$	1,141,232

TOWN OF COPPER CANYON

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

September 30, 2012

Fund Balance Above \$ 1,021,172

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. 11,111,947

Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet. 12,972

Bond issuance costs are not an available resource and, therefore, are not reported in the Fund Balance Sheet 22,665

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet. (1,819,460)

NET ASSETS OF GOVERNMENTAL ACTIVITIES
\$ 10,349,296

TOWN OF COPPER CANYON

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

For the Year Ended September 30, 2012

REVENUES	GENERAL FUND	DEBT SERVICE FUND	CIP FUND	TOTAL
Property Taxes	\$ 348,433	\$ 172,295	\$ 0	\$ 520,728
Sales Taxes	45,476	0	0	45,476
Franchise Fees	125,856	0	0	125,856
Permits & Fees	73,099	0	0	73,099
Municipal Court	131,098	0	0	131,098
Grant Revenues	7,590	0	0	7,590
Donation Revenues	1,911	0	0	1,911
Miscellaneous Revenues	225	0	0	225
Denton County Interlocal Road Reimbursements	0	0	100,006	100,006
Interest Income	4,915	97	2,312	7,324
TOTAL REVENUES	738,603	172,392	102,318	1,013,313
EXPENDITURES				
General Government	283,577	0	0	283,577
Public Safety	243,974	0	0	243,974
Parks-Trails	346	0	0	346
Public Works-Roads & Drainage	23,085	0	103,879	126,964
Debt Service - Principal	0	105,000	0	105,000
Debt Service - Interest	0	63,318	0	63,318
Capital Outlay	1,230	0	252,047	253,277
TOTAL EXPENDITURES	552,212	168,318	355,926	1,076,456
EXCESS REVENUES OVER (UNDER) EXPENDITURES	186,391	4,074	(253,608)	(63,143)
OTHER FINANCING SOURCES (USES)				
Transfers	(177,202)	0	177,202	0
NET CHANGE IN FUND BALANCES	9,189	4,074	(76,406)	(63,143)
FUND BALANCE - BEGINNING	695,493	10,381	378,441	1,084,315
FUND BALANCE - ENDING	\$ 704,682	\$ 14,455	\$ 302,035	\$ 1,021,172

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

Net Change in Fund Balance - Governmental Funds

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.

253,277

(571,922)

105,000

2,419

Bond cost amortization	(1,283)
Compensated absences	2,515
Accrued Interest on long-term debts	202

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

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 accepted in the United States of America (GAAP) applicable to local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town has elected to not apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of 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.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

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.

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.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the Town. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

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.

TOWN OF COPPER CANYON
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

D: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

1. Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total assets. Under the accrual basis of accounting revenues are recognized when earned and expensed are recognized at the time the liability is incurred.

2. Governmental fund financial statements are presented using the current financial resources measurement focus and 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 and "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (typical 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 only when payment is 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. 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.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

5: 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, 2012. 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 Town of Cross Roads.

- Statement No. 65, *Items previously reported as Assets and Liabilities*
- Statement No. 66, *Technical Corrections--2012--an amendment of GASB Statements No 10 and no. 62*

New pronouncements not yet in effect as of September 30, 2012, are not expected to have any significant impact on the Town's financial position, results of operations, or cash flows. The Town is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2013, 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 \$1,000 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	15 - 20 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.

TOWN OF COPPER CANYON
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

3. Restricted Resources:

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

4. 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.

5. 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.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

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 budgeted funds lapse at the end of the fiscal year.

For the fiscal year ending September 30, 2012 no departments had expenditures that exceeded appropriations.

NOTE 2: DEPOSITS:

At September 30, 2012 the carrying amount of the Town's cash accounts were \$1,087,534, made up of petty cash of \$180 and \$1,087,354 held in checking accounts at a local financial institution. The Town did not own any investments at September 30, 2012.

Deposit and Investment Risk Disclosures:

(I) 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.

At September 30, 2012 the Town's bank balances (per bank) totaled \$1,098,013. Of the bank balances, \$250,000 was covered by federal depository insurance and \$1,300,000 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, 2012.

Securities pledged by the Town's depository institution at September 30, 2012 are as follows:

SECURITY	PAR	FMV
FHLB-letter of credit	\$1,300,000	\$1,300,000

TOWN OF COPPER CANYON
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

(2) 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.

(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, therefor, 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, therefor, is not exposed to interest rate risk.

NOTE 3: CAPITAL IMPROVEMENT PROJECT FUND:

The Capital Improvement Project Fund (CIP) is used to account for funds designated for capital improvement projects as identified by the Town's capital improvement projects budget. Total expenditures from the fund for the fiscal year were \$355,926. These expenditures were funded by \$100,006 of interlocal funds received from Denton County for road improvements, from bond proceeds received in the prior fiscal year and from funds committed by the Town Council for road improvements in prior years. The CIP fund balance at September 30, 2012 represents funds committed by the Town Council to road maintenance and improvements.

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.

TOWN OF COPPER CANYON
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 5: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2012 is as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	TRANSFERS & DELETIONS	ENDING
Land	\$ 130,534	\$ 0	\$ 0	\$ 130,534
Building & Improvements	286,457	0	0	286,457
Equipment	35,078	1,230	(10,527)	25,781
Infrastructure	3,982,531	8,350,960	0	12,333,491
Construction in Progress	8,098,913	0	(8,098,913)	0
TOTAL AT HISTORICAL COST	<u>12,533,513</u>	<u>8,352,190</u>	<u>(8,109,440)</u>	<u>12,776,263</u>
LESS ACCUMULATED DEPRECIATION				
Land	0	0	0	0
Building & Improvements	71,187	12,392	0	83,579
Equipment	32,072	790	10,527	22,335
Infrastructure	999,662	558,740	0	1,558,402
Construction in Progress	0	0	0	0
TOTAL ACCUMULATED DEPRECIATION	<u>1,102,921</u>	<u>571,922</u>	<u>10,527</u>	<u>1,664,316</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 11,430,592</u>	<u>\$ 7,780,268</u>	<u>\$ (8,119,967)</u>	<u>\$ 11,111,947</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 12,825
Public Safety	357
Public Works	<u>558,740</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 571,922</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 Town reserves the right, at its option, without penalty 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, 2012

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	\$ 1,910,000	\$ 0	\$ 105,000	\$ 1,805,000	\$ 110,000
TOTAL BONDS	<u>1,910,000</u>	<u>0</u>	<u>105,000</u>	<u>1,805,000</u>	<u>110,000</u>
Compensated Absences	<u>9,276</u>	<u>7,722</u>	<u>10,237</u>	<u>6,761</u>	<u>0</u>
TOTAL GOVERNMENTAL	<u>\$ 1,919,276</u>	<u>\$ 7,722</u>	<u>\$ 115,237</u>	<u>\$ 1,811,761</u>	<u>\$ 110,000</u>

Future debt maturities are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2013	\$ 110,000	\$ 61,593	\$ 171,593
2014	75,000	60,168	135,168
2015	80,000	58,788	138,788
2016	80,000	57,088	137,088
2017	80,000	55,108	135,108
2018 - 2022	450,000	235,853	685,853
2023 - 2027	545,000	143,332	688,332
2028 - 2030	385,000	25,924	410,924
TOTALS	<u>\$ 1,805,000</u>	<u>\$ 697,854</u>	<u>\$ 2,502,854</u>

NOTE 7: 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 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.

TOWN OF COPPER CANYON
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

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 2011	Plan Year 2012
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:

	2010	2011	2012
Annual required contribution rate	7.00%	7.00%	7.00%
Annual required contribution (ARC)	\$ 12,642	\$ 10,724	\$ 7,746
Interest on net pension obligation	\$ 0	\$ 0	\$ 0
Adjustment to the ARC	\$ 0	\$ 0	\$ 0
Annual pension cost	\$ 12,642	\$ 10,724	\$ 7,746
Contributions funded	\$ 12,642	\$ 10,724	\$ 7,746
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, 2012

The required contributions rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011 are as follows:

Actuarial valuation date	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2011</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	6.3-yr closed period	10.6-yr closed period	8.6-yr closed period
Amortization period for new gains/losses	25 years	8 years	8 years
	10 year smoothed market	10 year smoothed market	10 year smoothed market
Asset valuation method			
Actuarial assumptions:			
Investment rate of return	7.50%	7.00%	7.00%
	Varies by age & years of service	Varies by age & years of service	Varies by age & years of service
Projected salary increases			
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, 2012, the most recent actuarial valuation date, is as follows:

	<u>Dec. 31, 2011</u>
Actuarial valuation of assets	\$ 170,893
Actuarial accrued liability	\$ 212,178
Funded ratio	80.54%
Unfunded (overfunded) actuarial accrued liability	\$ 41,285
Annual covered payroll	\$ 126,134
UAAL as percentage of covered payroll	32.7%

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.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. 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.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 8: 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 9: SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through January 14, 2013 (the date that the Town Council approved the financial statements). The financial statements include all Type I 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 Type II subsequent events which would require additional disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2012

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Beginning Budgetary Fund Balance	\$ 0	\$ 0	\$ 0
Property Taxes	345,648	348,433	2,785
Sales Taxes	67,000	45,476	(21,524)
Franchise Fees	146,550	125,856	(20,694)
Permits & Fees	40,400	73,099	32,699
Municipal Court	91,100	131,098	39,998
Grant Revenues	0	7,590	7,590
Donation Revenues	0	1,911	1,911
Miscellaneous Revenues	2,150	225	(1,925)
Interest Income	3,600	4,915	1,315
TOTAL RESOURCES	696,448	738,603	42,155
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General Government:			
Wages	107,600	107,600	0
Contract Labor-Office	4,000	4,753	(753)
Payroll Taxes	9,318	8,850	468
Retirement	5,952	5,945	7
Health Insurance	12,000	12,000	0
Employee Vehicle Expenses	2,550	2,532	18
Accounting & Auditing Services	4,200	4,000	200
Appraisal & Tax Collection Services	6,400	6,047	353
Engineering Services	5,000	7,897	(2,897)
Legal Services	40,000	28,864	11,136
Codification	1,850	1,730	120
Town Map	2,500	2,576	(76)
Drainage Standards	15,000	15,000	0
Concept Plan-Economic Develop.	0	5,590	(5,590)
Town Clean-Up Day	10,000	7,499	2,501
Town Cookbook and Directory	0	3,775	(3,775)
Building & Equipment Maintenance	12,100	17,612	(5,512)
Dues, Subscriptions & Public Notices	4,127	4,636	(509)
Election Costs	3,000	144	2,856
Insurance	7,500	5,138	2,362
Computer Maint. & Tech Support	4,500	3,197	1,303
Website	2,500	2,234	266
Neighborhood Watch	2,000	50	1,950
Office Supplies	8,500	3,543	4,957
Other Expenses	1,500	2,242	(742)
Volunteer Appreciation & Events	2,500	3,506	(1,006)
Travel & Training	2,600	2,616	(16)
Utilities	15,300	14,001	1,299
Total General Government	292,497	283,577	8,920

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2012

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
Public Safety:			
Wages - Court	32,760	32,600	160
Payroll Taxes - Court	2,837	2,755	82
Retirement - Court	1,812	1,801	11
Health Insurance - Court	6,000	6,000	0
Travel & Training - Court	300	84	216
Law Enforcement Contract Services	174,851	174,851	0
Municipal Court Judge Services	2,000	1,800	200
Legal Fees - Municipal Court	6,000	6,484	(484)
Municipal Court Technology & Security	1,800	3,262	(1,462)
Child Safety	1,943	1,367	576
Building Inspection	10,000	10,580	(580)
Code Enforcement	3,000	0	3,000
Animal Control	3,500	2,390	1,110
Total Public Safety	246,803	243,974	2,829
Parks & Recreation:			
Equestrian Trail	1,000	346	654
Public Works:			
Road Engineering & Maintenance	0	3,780	(3,780)
Street Signs	3,600	5,425	(1,825)
Mowing	13,800	13,880	(80)
Total Public Works	17,400	23,085	(5,685)
Capital Additions:			
Administration	5,000	1,230	3,770
Transfers Out:			
To CIP Fund	0	177,202	(177,202)
TOTAL APPROPRIATIONS	562,700	729,414	(166,714)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 133,748	\$ 9,189	\$ (124,559)

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND

For the Year Ended September 30, 2012

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Beginning Budgetary Fund Balance	\$ 0	\$ 0	\$ 0
Property Taxes	170,171	172,295	2,124
Interest Income	0	97	97
TOTAL RESOURCES	170,171	172,392	2,221
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Debt Service Principal	105,000	105,000	0
Debt Service Interest	63,430	63,318	112
TOTAL EXPENDITURES	168,430	168,318	112
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 1,741	\$ 4,074	\$ 2,333

BUDGETARY COMPARISON SCHEDULE - CIP FUND

For the Year Ended September 30, 2012

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Beginning Budgetary Fund Balance	\$ 0	\$ 0	\$ 0
Denton County Road Contributions	0	100,006	100,006
Interest Income	2,100	2,312	212
Transfer from General Fund	0	177,202	177,202
TOTAL RESOURCES	2,100	279,520	277,420
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public Works:			
Road Engineering & Maintenance	40,000	103,879	(63,879)
Road & Drainage Improvements	0	252,047	(252,047)
TOTAL EXPENDITURES	40,000	355,926	(315,926)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ (37,900)	\$ (76,406)	\$ (38,506)

TOWN OF COPPER CANYON

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

For the Year Ended September 30, 2012

The Town's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the Town makes all of the annually required contributions, no net pension obligation (NPO) exists. The Town's funding progress is as follows:

DEFINED BENEFIT RETIREMENT PLAN

Actuarial Valuation Date	12-31-11	12-31-10	12-31-09
Actuarial Value of Assets	\$ 170,893	\$ 142,006	111,306
Actuarial Accrued Liabilities (AAL)	212,178	197,617	133,866
Unfunded (Overfunded) AAL (UAAL)	41,285	55,611	22,560
Funded Ratio	80.5%	71.9%	83.1%
Covered Payroll	126,134	139,505	124,175
UAAL as a Percentage of Covered Payroll	32.7%	39.9%	18.2%

OTHER SUPPLEMENTARY INFORMATION

TOWN OF COPPER CANYON
SCHEDULE OF PROPERTY TAXES
September 30, 2012

Tax Year	2011	2010	2009	2008
Assessed Value	172,191,357	\$ 179,536,768	\$ 174,131,765	\$ 160,985,987
Tax Rate per \$100 of Assessed Value	0.30171	0.30171	0.20171	0.19027
Total Tax Levy	519,524	\$ 541,686	\$ 351,246	\$ 306,308
Collections During Fiscal Year	515,513	\$ 537,455	\$ 346,802	\$ 304,133
% of Current Taxes Collected	99.23%	99.22%	98.73%	99.29%

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 116
Keller, TX 76248
817-421-6619

January 14, 2013

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, 2012, and have issued my report thereon dated January 9, 2012. 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 January 19, 2012. 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 2012. 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 10, 2012.

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

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Dr., Ste 116
Keller, TX 76248
817-421-6619

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, 2012, 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 14, 2013