

**TOWN OF COPPER CANYON**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2013**

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**WILLIAM C SPORE, P.C.**  
**Certified Public Accountants**  
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**Keller, TX 76248**  
**817-421-6619**

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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 and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Copper Canyon, Texas, as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules 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.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements the collectively comprise the Town of Copper Canyon's basic financial statements. The schedule of property taxes is presented for additional analysis and are not a part of the basic financial statements.

The schedule of property taxes is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of property taxes are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*William C. Spore, P.C.*

Keller, Texas

Certified Public Accountants

March 10, 2014

**TOWN OF COPPER CANYON**

**CITY OFFICIALS**

**September 30, 2013**

<b>MAYOR</b>	<b>Sue Tejml</b>
<b>MAYOR PRO TEM</b>	<b>Jeff Mangum</b>
<b>DEPUTY MAYOR PRO TEM</b>	<b>Steven Hill</b>
<b>COUNCIL MEMBERS</b>	<b>Dan Christy</b>
	<b>Charlie Nicholas</b>
	<b>Dave Svatik</b>
<b>TOWN ADMINISTRATOR</b>	<b>Donna Welsh</b>
<b>SECRETARY</b>	<b>Shelia Morales</b>
<b>MUNICIPAL COURT JUDGE</b>	<b>Aniela Warner</b>
<b>ATTORNEY</b>	<b>Terrance S. Welch</b> <b>Brown &amp; Hofmeister, LLP</b>

## **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, 2013.

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, 2013 by \$10,408,887, an increase of \$59,591 from the prior year.
- At September 30, 2013 the Town's governmental funds reported combined fund balances of \$1,617,569, an increase of \$596,397 from the prior year.
- The Town's capital assets, reported at cost less accumulated depreciation, total \$10,466,194 at September 30, 2013 while the Town's long-term debt totaled \$1,695,000 at September 30, 2013.

### **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 Position 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 position (page 11) presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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 Position 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 position 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 position are as follows:

### NET POSITION

#### GOVERNMENTAL ACTIVITIES

	2013	2012	CHANGE
Current and Other Assets	\$ 1,796,538	\$ 1,163,897	\$ 632,641
Capital Assets	<u>10,466,194</u>	<u>11,111,947</u>	<u>(645,753)</u>
Total Assets	<u>12,262,732</u>	<u>12,275,844</u>	<u>(13,112)</u>
Liabilities	<u>(1,853,845)</u>	<u>(1,926,548)</u>	<u>72,703</u>
Net Position:			
Invested in Capital Assets, net of debt	9,320,560	9,329,612	(9,052)
Restricted for Debt Service	19,648	14,455	5,193
Unrestricted	<u>1,068,679</u>	<u>1,005,229</u>	<u>63,450</u>
Total Net Position	<u>\$ 10,408,887</u>	<u>\$ 10,349,296</u>	<u>\$ 59,591</u>

The Town's net position increased \$59,591 from September 30, 2012 to September 30, 2013. The largest portion (90%) of the Town's net position 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.

During 2013 the Town entered into a development agreement for the construction of wastewater improvements for the "Town Center" development. The agreement calls for the Town to manage the construction project with the developer funding all of the costs of the project. The Town has also entered into an interlocal agreement with the Town of Flower Mound to provide wastewater services to the "Town Center" once the infrastructure is complete. After construction is complete the Town will own and be responsible for the maintenance of the wastewater system.

In July 2013 Town received \$610,000 from the "Town Center" developer and began engineering and easement purchases related to the wastewater improvements. Through September 30, 2013 the Town had expended \$82,194 of the developer funds with the expectation of completing the project during fiscal year 2014.



## Analysis of Town's Operations

A summary of the Town's operations for the years ended September 30, 2013 & 2012 are as follows:

CHANGES IN NET POSITION				
	2013	2012	CHANGE	
REVENUES				
Program Revenues:				
Charges for Services	\$ 223,242	\$ 204,422	\$	18,820
Capital Grants & Reimbursements	610,000	100,006		509,994
Operating Grants & Donations	5,132	9,501		(4,369)
General Revenues:				
Property Taxes	536,520	523,147		13,373
Sales Taxes	49,616	45,476		4,140
Franchise Fees	125,582	125,856		(274)
Interest Income	979	7,324		(6,345)
Total Revenues	\$ 1,551,071	\$ 1,015,732	\$	535,339
PROGRAM EXPENSES				
General Government	\$ 311,392	\$ 293,887	\$	17,505
Public Safety	265,630	244,331		21,299
Parks-Trails	149	346		(197)
Public Works	851,386	685,704		165,682
Interest on Long-Term Debts	62,923	64,399		(1,476)
Total Expenses	1,491,480	1,288,667		202,813
Increase (Decrease) in				
Net Position	\$ 59,591	\$ (272,935)	\$	332,526

Charges for services revenues includes permit revenues and municipal court fines. For 2013 the Town continued to experienced an increase in permit revenues due to an increase in building permits issued as permit revenues increased 11%.

Property tax values increased 2.71% which allowed the Town's property revenues to increase \$13,373 while the property tax rate remained the same in 2013 as it was in 2012.

Capital grants and reimbursements represents funds received by the Town during 2013 from the developer agreement for the construction of wastewater improvements in the "Town Hall" development (\$610,000) and funds received by the Town from its interlocal agreement with Denton County for road and drainage improvements in the Town (\$100,006) in 2012.

In August 2012 the Town's depository agreement with a local financial institution was renewed. The new agreement included investment terms in line with the current market conditions and the Town's interest income decreased significantly from the prior year.

Total program expenses increased \$202,813 in 2013 from 2012 primarily due the recognition of depreciation expense on the completed road improvement projects in 2012. Since October 1, 2010 the Town has expended over \$10,000,000 in infrastructure improvements and the Town's annual infrastructure depreciation expense has increased from \$119,755 for the fiscal year ending September 30, 2010 to \$778,303 in fiscal year 2013.

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:

	2013	2012	% CHANGE
<b>REVENUES</b>			
Property Taxes	\$ 534,401	\$ 520,728	2.63%
Sales Taxes	49,616	45,476	9.10%
Franchise Fees	125,582	125,856	-0.22%
Permits & Fees	81,294	73,099	11.21%
Municipal Court	132,260	131,098	0.89%
Grants & Intergovernmental	615,132	107,596	471.71%
Donations	5,132	1,911	168.55%
Miscellaneous Revenues	9,688	225	4205.78%
Interest Income	979	7,324	-86.63%
<b>TOTAL REVENUES</b>	<b>\$ 1,554,084</b>	<b>\$ 1,013,313</b>	<b>53.37%</b>

The significant increase in governmental fund operating revenues relates to the \$610,000 developer contribution received by the Town for the "Town Center" wastewater infrastructure project. These revenues are included under grants and intergovernmental revenues above. In the prior year the Town received \$107,596 in road reimbursements from Denton County.

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

	2013	2012	% CHANGE
EXPENDITURES			
General Government	\$ 295,950	\$ 283,577	4.36%
Public Safety	265,252	243,974	8.72%
Parks-Trails	149	346	-56.94%
Public Works-Roads & Drainage	73,083	126,964	-42.44%
Debt Service	171,818	168,318	--
Capital Outlay	146,303	253,277	-42.24%
TOTAL EXPENDITURES	\$ <u>952,555</u>	\$ <u>1,076,456</u>	<u>-11.51%</u>

During 2013 the Town expended \$73,083 for road maintenance and mowing compared to \$126,964 in the prior fiscal year.

For fund basis reporting capital additions are expended as they are paid for. Capital improvement expenditures are of a non-recurring nature which makes the annual expenditures not comparable from year to year.

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 \$56,778 greater than budgeted revenues primarily due to favorable variances in actual permit and fees revenues (\$36,894 actual revenues over budgeted revenues) and municipal court revenues (\$12,295 actual revenues over budgeted revenues).

Actual revenues from franchise fees and investment income were under budget \$10,758 and \$5,209 respectfully. Franchise fees from Co-Serv (the Town's electricity provider) were \$14,259 under budgeted revenues due to less electric utility purchases by the Town's Co-Serv customers. As stated previously the Town's depository agreement with it's local financial institution was renewed in August 2012 with the new agreement reducing the investment income received by the Town to current market rates.

Total actual 2013 general fund expenditures, excluding transfers, exceeded budgeted general fund expenditures by \$17,744. General government expenditures were \$2,268 (1%) over budget; public safety expenditures were \$9,124 (3.6%) over budget; parks and recreation expenditures were \$851 (85%) under budget; public works expenditures were \$570 (3%) under budget and capital outlays were \$7,773 (130%) over budget.

There were no budget amendments during fiscal year 2013.

## CAPITAL ASSETS

The Town's investment in capital assets as of September 30, 2013 amounts to \$10,466,194 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure.

Major capital additions during the year were \$48,686 in road improvements projects and \$82,194 for a wastewater improvement project at September 30, 2013. Both of these projects were reported as construction in progress at September 30, 2013.

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

	2013	2012	CHANGE
Land-Town Hall	\$ 132,184	\$ 130,534	\$ 1,650
Buildings-Town Hall	197,515	202,878	(5,363)
Office Equipment	8,829	3,446	5,383
Infrastructure-Roads & Drainage	9,996,786	10,775,089	(778,303)
Construction in Progress	<u>130,880</u>	<u>0</u>	<u>130,880</u>
TOTAL	\$ <u>10,466,194</u>	\$ <u>11,111,947</u>	\$ <u>(645,753)</u>

Additional information on the Town's Capital Assets can be found in Note 4.

## 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:

	2013	2012
General Obligation Bonds	\$ <u>1,695,000</u>	\$ <u>1,805,000</u>

Additional information on the Town's long-term debts can be found in Note 5.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

General fund budgeted revenues for fiscal year 2014 are \$731,955. These revenues include maintenance and operation property tax revenues of \$388,470, based on a tax rate of .220378 per \$100 of valuation, a increase of .018665 from the prior year's tax rate. Budgeted sales tax, franchise fees and municipal court revenues were budgeted at levels comparative to the 2013 actual revenues while 2014 permit/inspection/development revenues of \$46,050 are budgeted at \$35,244 less than 2013 actual permit/inspection/development revenues.

Budgeted 2014 general fund expenditures are \$685,242. Budgeted personnel expenditures are \$211,133, an increase of \$11,221 (5.6%) over 2013 budgeted expenditures. Public works road maintenance and engineering is budgeted at \$102,000 for 2013, a increase of \$38,000 over the 2013 budget.

The 2014 special projects budget includes \$13,000 for a MS-4 permit and budgeted capital outlay of \$8,000 for office furniture, equipment and Town Hall improvements.

in 2010 the Town established a debt service fund related to the general obligations bonds issued in 2010. Each fiscal year the Town assesses a debt service property tax to fund the fiscal year's annual debt payments. The 2014 debt service tax rate is .077127 per \$100 of valuation, which is a decrease of .022873 from the prior year's rate of .10 per \$100 of valuation.

## **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 POSITION**

*September 30, 2013*

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
<b>CURRENT ASSETS</b>	
Cash	\$ 731,833
Receivable-Sales & Franchise Taxes	39,833
Receivable-Property Taxes	15,091
Receivable-Denton County Reimbursements	0
Receivable-Other	0
<b>TOTAL CURRENT ASSETS</b>	<u>786,757</u>
<b>NONCURRENT ASSETS</b>	
Restricted Cash	988,399
Bond Issue Costs-Net of Amortization	21,382
	<u>1,009,781</u>
<b>CAPITAL ASSETS</b>	
Land-Town Hall	132,184
Buildings-Town Hall	293,570
Office Equipment	31,651
Infrastructure-Roads & Drainage	12,333,491
Construction in Progress	130,880
Accumulated Depreciation	<u>(2,455,582)</u>
<b>NET CAPITAL ASSETS</b>	<u>10,466,194</u>
<b>TOTAL ASSETS</b>	<u>12,262,732</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	75,398
Accrued Liabilities	74,619
Accrued Compensated Absences	8,828
General Obligation Bonds Payable	75,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>233,845</u>
<b>NONCURRENT LIABILITIES</b>	
General Obligation Bonds Payable	<u>1,620,000</u>
<b>TOTAL LIABILITIES</b>	<u>1,853,845</u>
<b>NET POSITION</b>	
Invested in Capital Asset, Net of Related Debt	9,320,560
Restricted for Debt Service	19,648
Unrestricted	1,068,679
<b>TOTAL NET POSITION</b>	<u>\$ 10,408,887</u>

**TOWN OF COPPER CANYON**

**GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES**

*For the Year Ended September 30, 2013*

<b>FUNCTIONS/PROGRAMS</b>	<b><u>EXPENSES</u></b>	<b><u>CHARGES FOR SERVICES</u></b>	<b><u>OPERATING GRANTS &amp; DONATIONS</u></b>	<b><u>CAPITAL GRANTS &amp; REIMBURSE- MENTS</u></b>	<b><u>NET (EXPENSE) REVENUE</u></b>
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Government	\$ (311,392)	\$ 90,982	\$ 5,132	\$ 0	\$ (215,278)
Public Safety	(265,630)	132,260	0	0	(133,370)
Parks-Trails	(149)	0	0	0	(149)
Public Works-Roads & Drainage	(851,386)	0	0	610,000	(241,386)
Interest on Long-Term Debt	(62,923)	0	0	0	(62,923)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ (1,491,480)</b>	<b>\$ 223,242</b>	<b>\$ 5,132</b>	<b>\$ 610,000</b>	<b>(653,106)</b>
<b>GENERAL REVENUE</b>					
Property Taxes					536,520
Sales Taxes					49,616
Franchise Fees					125,582
Interest Income					979
<b>TOTAL GENERAL REVENUE</b>					<b>712,697</b>
<b>CHANGE IN NET ASSETS</b>					<b>59,591</b>
<b>NET POSITION - BEGINNING</b>					<b>10,349,296</b>
<b>NET POSITION - ENDING</b>					<b>\$ 10,408,887</b>

**TOWN OF COPPER CANYON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

*September 30, 2013*

<b>ASSETS</b>	<b>GENERAL FUND</b>	<b>DEBT SERVICE FUND</b>	<b>CIP FUND</b>	<b>TOTAL</b>
Cash	\$ 731,833	\$ 0	\$ 0	\$ 731,833
Restricted Cash-Debt Service Fund	0	19,648	0	19,648
Restricted Cash-CIP Fund	0	0	937,785	937,785
Restricted Cash-Court Technology & Security	22,079	0	0	22,079
Restricted Cash-Cookbook & Directory	8,887	0	0	8,887
Receivable-Sales Taxes & Franchise Fees	39,833	0	0	39,833
Receivable-Property Taxes	12,138	2,953	0	15,091
<b>TOTAL ASSETS</b>	<b>\$ 814,770</b>	<b>\$ 22,601</b>	<b>\$ 937,785</b>	<b>\$ 1,775,156</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 73,317	\$ 0	\$ 2,081	\$ 75,398
Accrued Liabilities	43,098	0	0	43,098
Deferred Revenues	12,138	2,953	24,000	39,091
<b>TOTAL LIABILITIES</b>	<b>128,553</b>	<b>2,953</b>	<b>26,081</b>	<b>157,587</b>
<b>FUND BALANCE</b>				
Restricted to Debt Service	0	19,648	0	19,648
Committed to Capital Improvements	0	0	911,704	911,704
Unassigned	686,217	0	0	686,217
<b>TOTAL FUND BALANCE</b>	<b>686,217</b>	<b>19,648</b>	<b>911,704</b>	<b>1,617,569</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 814,770</b>	<b>\$ 22,601</b>	<b>\$ 937,785</b>	<b>\$ 1,775,156</b>



**TOWN OF COPPER CANYON**

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

***September 30, 2013***

Fund Balance Above	\$ 1,617,569
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Fund Balance Sheet.	10,466,194
--	------------

Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.	15,091
--	--------

Bond issuance costs are not an available resource and, therefore, are not reported in the Fund Balance Sheet	21,382
--	--------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet.	(1,711,349)
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<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>10,408,887</u></b>
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**TOWN OF COPPER CANYON**

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

*For the Year Ended September 30, 2013*

	<b><u>GENERAL FUND</u></b>	<b><u>DEBT SERVICE FUND</u></b>	<b><u>CIP FUND</u></b>	<b><u>TOTAL</u></b>
<b>REVENUES</b>				
Property Taxes	\$ 357,417	\$ 176,984	\$ 0	\$ 534,401
Sales Taxes	49,616	0	0	49,616
Franchise Fees	125,582	0	0	125,582
Permits & Fees	81,294	0	0	81,294
Municipal Court	132,260	0	0	132,260
Donation Revenues	5,132	0	0	5,132
Miscellaneous Revenues	9,688	0	0	9,688
Developer Contributions	0	0	610,000	610,000
Interest Income	491	27	461	979
<b>TOTAL REVENUES</b>	<b>761,480</b>	<b>177,011</b>	<b>610,461</b>	<b>1,548,952</b>
<b>EXPENDITURES</b>				
General Government	295,950	0	0	295,950
Public Safety	265,252	0	0	265,252
Parks-Trails	149	0	0	149
Public Works-Roads & Drainage	18,430	0	54,653	73,083
Debt Service - Principal	0	110,000	0	110,000
Debt Service - Interest	0	61,818	0	61,818
Capital Outlay	13,773	0	132,530	146,303
<b>TOTAL EXPENDITURES</b>	<b>593,554</b>	<b>171,818</b>	<b>187,183</b>	<b>952,555</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>167,926</b>	<b>5,193</b>	<b>423,278</b>	<b>596,397</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(186,391)	0	186,391	0
<b>NET CHANGE IN FUND BALANCES</b>	<b>(18,465)</b>	<b>5,193</b>	<b>609,669</b>	<b>596,397</b>
<b>FUND BALANCE - BEGINNING</b>	<b>704,682</b>	<b>14,455</b>	<b>302,035</b>	<b>1,021,172</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 686,217</b>	<b>\$ 19,648</b>	<b>\$ 911,704</b>	<b>\$ 1,617,569</b>

**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, 2013*

Net Change in Fund Balance - Governmental Funds	\$	596,397
---	----	---------

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	146,303
---	---------

Depreciation expense on capital assets	(792,056)
--	-----------

Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	110,000
---	---------

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	2,119
------------------------------------	-------

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	(1,283)
------------------------	---------

Compensated absences	(2,067)
----------------------	---------

Accrued Interest on long-term debts	178
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<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>59,591</u></b>
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## **TOWN OF COPPER CANYON**

### **NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2013**

#### **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) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. 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 Position 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, 2013**

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.

#### **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.

## TOWN OF COPPER CANYON

### NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

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 expenses 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.

#### 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, 2013. 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 Copper Canyon and its component units.

- Statement No. 68, *Accounting & Financial Reporting for Pensions*
- Statement No. 70, *Combinations & Disposals of Government Operations*

# **TOWN OF COPPER CANYON**

## **NOTES TO THE FINANCIAL STATEMENTS**

**September 30, 2013**

New pronouncements not yet in effect as of September 30, 2013, 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.

#### **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.

## TOWN OF COPPER CANYON

### NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

#### 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.

#### **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).



# TOWN OF COPPER CANYON

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

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, 2013 the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Administration	\$ 2,268
Public Safety	\$ 9,124
Capital Additions	\$ 7,773

### NOTE 2: DEPOSITS:

At September 30, 2013 the carrying amount of the Town's cash accounts were \$1,720,232, made up of petty cash of \$160 and \$1,720,072 held in checking accounts at a local financial institution. The Town did not own any investments at September 30, 2013.

#### Deposit and Investment Risk Disclosures:

(1) 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, 2013 the Town's bank balances (per bank) totaled \$1,708,288. 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 exposed to \$158,288 custodial credit risk at September 30, 2013.

Securities pledged by the Town's depository institution at September 30, 2013 are as follows:

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

(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.

# TOWN OF COPPER CANYON

## NOTES TO THE FINANCIAL STATEMENTS

**September 30, 2013**

### **NOTE 3: 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.

### **NOTE 4: CAPITAL ASSETS:**

Capital asset activity for the fiscal year ended September 30, 2013 is as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	TRANSFERS & DELETIONS	ENDING
Land	\$ 130,534	\$ 1,650	\$ 0	\$ 132,184
Building & Improvements	286,457	7,113	0	293,570
Equipment	25,781	6,660	(790)	31,651
Infrastructure	12,333,491	0	0	12,333,491
Construction in Progress	0	130,880	0	130,880
<b>TOTAL AT HISTORICAL COST</b>	<u>12,776,263</u>	<u>146,303</u>	<u>(790)</u>	<u>12,921,776</u>
<b>LESS ACCUMULATED DEPRECIATION</b>				
Land	0	0	0	0
Building & Improvements	83,579	12,476	0	96,055
Equipment	22,335	1,277	790	22,822
Infrastructure	1,558,402	778,303	0	2,336,705
Construction in Progress	0	0	0	0
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>1,664,316</u>	<u>792,056</u>	<u>790</u>	<u>2,455,582</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>\$ 11,111,947</u>	<u>\$ (645,753)</u>	<u>\$ 0</u>	<u>\$ 10,466,194</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 13,375
Public Safety	378
Public Works	<u>778,303</u>
<b>TOTAL DEPRECIATION EXPENSE</b>	<u>\$ 792,056</u>

# TOWN OF COPPER CANYON

## NOTES TO THE FINANCIAL STATEMENTS

**September 30, 2013**

### **NOTE 5: 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.

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	\$ 1,805,000	\$ 0	\$ 110,000	\$ 1,695,000	\$ 75,000
<b>TOTAL BONDS</b>	<u>1,805,000</u>	<u>0</u>	<u>110,000</u>	<u>1,695,000</u>	<u>75,000</u>
Compensated Absences	<u>6,761</u>	<u>8,185</u>	<u>6,118</u>	<u>8,828</u>	<u>0</u>
<b>TOTAL GOVERNMENTAL</b>	<u>\$ 1,811,761</u>	<u>\$ 8,185</u>	<u>\$ 116,118</u>	<u>\$ 1,703,828</u>	<u>\$ 75,000</u>

Future debt maturities are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
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	85,000	52,836	137,836
2019-2023	465,000	220,299	685,299
2024-2028	570,000	120,339	690,339
2029- 2030	260,000	11,635	271,635
<b>TOTALS</b>	<u>\$ 1,695,000</u>	<u>\$ 636,261</u>	<u>\$ 2,331,261</u>

## TOWN OF COPPER CANYON

### NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

#### NOTE 6: 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. During 2013 the Town entered into a developer agreement for the construction of wastewater improvements for the "Town Center" development. As part of the agreement the Town received \$610,000 from the developer to be used for engineering and construction of the wastewater improvements. Expenditures on the project through September 30, 2013 totaled \$82,194 and the remaining funds were held in CIP fund bank accounts to be expended in the 2014 fiscal year.

The CIP fund also expended \$104,989 during 2013 for various road maintenance and road improvement projects. These expenditures were funded using funds committed by the Town Council for road improvements in prior years. The CIP fund balance at September 30, 2013 represents funds committed by the Town Council to road maintenance and improvements, \$383,719, and the unspent wastewater improvement project funds of \$527,985.

#### 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](http://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 2012	Plan Year 2013
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

# TOWN OF COPPER CANYON

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

### 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:

Fiscal Year	2011	2012	2013
Annual required contribution rate	7.00%	7.00%	7.00%
Annual required contribution (ARC)	\$ 10,724	\$ 7,746	\$ 5,201
Interest on net pension obligation	\$ 0	\$ 0	\$ 0
Adjustment to the ARC	\$ 0	\$ 0	\$ 0
Annual pension cost	\$ 10,724	\$ 7,746	\$ 5,201
Contributions funded	\$ 10,724	\$ 7,746	\$ 5,201
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

The required contributions rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012 are as follows:

Actuarial valuation date	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012
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	10.6-yr closed period	8.6-yr closed period	7.8-yr closed period
Amortization period for new gains/losses	8 years	8 years	8 years
Asset valuation method	10 year smoothed market	10 year smoothed market	10 year smoothed market
Actuarial assumptions:			
Investment rate of return	7.00%	7.00%	7.00%
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%

## TOWN OF COPPER CANYON

### NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

The funding status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

		<u>Dec. 31, 2012</u>
Actuarial valuation of assets	\$	199,759
Actuarial accrued liability	\$	244,817
Funded ratio		81.60%
Unfunded (overfunded) actuarial accrued liability	\$	45,058
Annual covered payroll	\$	143,951
UAAL as percentage of covered payroll		31.3%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarial determined amounts are subject to continual revision as actuarial results are compared to past expectations and new estimates are made about the future.

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.

#### **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 March 10, 2014 (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, 2013*

	<b>BUDGET AMOUNTS</b>	<b>ACTUAL AMOUNTS</b>	<b>VARIANCE</b>
<b>RESOURCES (INFLOWS)</b>			
Property Taxes	\$ 355,147	\$ 357,417	\$ 2,270
Sales Taxes	43,000	49,616	6,616
Franchise Fees	136,340	125,582	(10,758)
Permits & Fees	44,400	81,294	36,894
Municipal Court	119,965	132,260	12,295
Donation Revenues	0	5,132	5,132
Miscellaneous Revenues	150	9,688	9,538
Interest Income	5,700	491	(5,209)
<b>TOTAL RESOURCES</b>	<b>704,702</b>	<b>761,480</b>	<b>56,778</b>

**CHARGES TO APPROPRIATIONS (OUTFLOWS)**

General Government:

Wages	117,600	117,600	0
Contract Labor-Office	3,000	3,716	(716)
Payroll Taxes	9,517	9,015	502
Retirement	5,200	5,201	(1)
Health Insurance	12,000	12,000	0
Employee Vehicle Expenses	2,575	2,795	(220)
Accounting & Auditing Services	4,200	4,250	(50)
Appraisal & Tax Collection Services	6,500	6,133	367
Engineering Services	6,000	20,630	(14,630)
Legal Services	40,000	44,731	(4,731)
Codification	1,000	975	25
Impact Fee Study	7,920	0	7,920
MS-4 Permit	13,000	0	13,000
Town Clean-Up Day	9,000	9,062	(62)
Town Cookbook and Directory	0	6,431	(6,431)
Building & Equipment Maintenance	10,500	16,309	(5,809)
Dues, Subscriptions & Public Notices	4,020	6,115	(2,095)
Election Costs	3,000	50	2,950
Insurance	6,500	5,015	1,485
Computer Maint. & Tech Support	4,000	1,054	2,946
Website	1,500	730	770
Neighborhood Watch	1,000	150	850
Office Supplies	3,200	3,396	(196)
Other Expenses	1,550	2,557	(1,007)
Volunteer Appreciation & Events	2,500	1,918	582
Travel & Training	4,300	2,930	1,370
Utilities	14,100	13,187	913
<b>Total General Government</b>	<b>293,682</b>	<b>295,950</b>	<b>(2,268)</b>



**TOWN OF COPPER CANYON**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

*For the Year Ended September 30, 2013*

	<b>BUDGET AMOUNTS</b>	<b>ACTUAL AMOUNTS</b>	<b>VARIANCE</b>
<b>Public Safety:</b>			
Wages - Court	37,760	37,600	160
Payroll Taxes - Court	3,150	2,885	265
Retirement - Court	1,670	1,663	7
Health Insurance - Court	6,000	6,000	0
Travel & Training - Court	300	197	103
Law Enforcement Contract Services	178,348	182,568	(4,220)
Municipal Court Judge Services	2,300	1,950	350
Legal Fees - Municipal Court	5,200	2,290	2,910
Municipal Court Technology & Security	0	5,755	(5,755)
Child Safety	1,400	2,113	(713)
Building Inspection	16,000	19,561	(3,561)
Code Enforcement	1,500	0	1,500
Animal Control	2,500	2,670	(170)
<b>Total Public Safety</b>	<b>256,128</b>	<b>265,252</b>	<b>(9,124)</b>
<b>Parks &amp; Recreation:</b>			
Equestrian Trail	1,000	149	851
<b>Public Works:</b>			
Street Signs	1,000	430	570
Mowing	18,000	18,000	0
<b>Total Public Works</b>	<b>19,000</b>	<b>18,430</b>	<b>570</b>
<b>Capital Additions:</b>			
Administration	6,000	10,473	(4,473)
Court	0	3,300	(3,300)
<b>Total Capital Outlay</b>	<b>6,000</b>	<b>13,773</b>	<b>(7,773)</b>
<b>TOTAL APPROPRIATION BEEFORE BEFORE TRANSFERS</b>	<b>575,810</b>	<b>593,554</b>	<b>(17,744)</b>
<b>EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS BEFORE TRANSFERS</b>	<b>128,892</b>	<b>167,926</b>	<b>39,034</b>
<b>Transfers Out:</b>			
To CIP Fund	0	(186,391)	186,391
<b>EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS AFTER TRANSFERS</b>	<b>128,892</b>	<b>(18,465)</b>	<b>\$ (147,357)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>704,682</b>	<b>704,682</b>	
<b>FUND BALANCE - ENDING</b>	<b>\$ 833,574</b>	<b>\$ 686,217</b>	

**TOWN OF COPPER CANYON**

**BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND**

*For the Year Ended September 30, 2013*

	<b>BUDGET AMOUNTS</b>	<b>ACTUAL AMOUNTS</b>	<b>VARIANCE</b>
<b>RESOURCES (INFLOWS)</b>			
Property Taxes	\$ 175,789	\$ 176,984	\$ 1,195
Interest Income	0	27	27
<b>TOTAL RESOURCES</b>	<b>175,789</b>	<b>177,011</b>	<b>1,222</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Debt Service Principal	110,000	110,000	0
Debt Service Interest	61,593	61,818	(225)
<b>TOTAL EXPENDITURES</b>	<b>171,593</b>	<b>171,818</b>	<b>(225)</b>
<b>EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS</b>	<b>\$ 4,196</b>	<b>\$ 5,193</b>	<b>\$ 997</b>
<b>FUND BALANCE - BEGINNING</b>	<b>14,455</b>	<b>14,455</b>	
<b>FUND BALANCE - ENDING</b>	<b>\$ 18,651</b>	<b>\$ 19,648</b>	

**BUDGETARY COMPARISON SCHEDULE - CIP FUND**

*For the Year Ended September 30, 2013*

	<b>BUDGET AMOUNTS</b>	<b>ACTUAL AMOUNTS</b>	<b>VARIANCE</b>
<b>RESOURCES (INFLOWS)</b>			
Interest Income	\$ 2,400	\$ 461	\$ (1,939)
Developer Contributions	0	610,000	610,000
Transfer from General Fund	0	186,391	186,391
<b>TOTAL RESOURCES</b>	<b>2,400</b>	<b>796,852</b>	<b>794,452</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
<b>Public Works:</b>			
Road Engineering & Maintenance	45,000	54,653	(9,653)
Road & Drainage Improvements	0	50,336	(50,336)
Waste Water Project	0	82,194	(82,194)
<b>TOTAL EXPENDITURES</b>	<b>45,000</b>	<b>187,183</b>	<b>(142,183)</b>
<b>EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS</b>	<b>\$ (42,600)</b>	<b>\$ 609,669</b>	<b>\$ 652,269</b>
<b>FUND BALANCE - BEGINNING</b>	<b>302,035</b>	<b>302,035</b>	
<b>FUND BALANCE - ENDING</b>	<b>\$ 259,435</b>	<b>\$ 911,704</b>	

**TOWN OF COPPER CANYON**

**SCHEDULE OF PENSION PLAN FUNDING PROGRESS**

**For the Year Ended September 30, 2013**

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	12-31-12	12-31-11	12-31-10
Actuarial Value of Assets	\$ 199,759	\$ 170,893	142,006
Actuarial Accrued Liabilities (AAL)	244,817	212,178	197,617
Unfunded (Overfunded) AAL (UAAL)	45,058	41,285	55,611
Funded Ratio	81.6%	80.5%	71.9%
Covered Payroll	143,951	126,134	139,505
UAAL as a Percentage of Covered Payroll	31.3%	32.7%	39.9%

## **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF COPPER CANYON**  
**SCHEDULE OF PROPERTY TAXES**

September 30, 2013

Tax Year	2012	2011	2010	2009
Assessed Value	176,856,645	\$ 172,191,357	\$ 179,536,768	\$ 174,131,765
Tax Rate per \$100 of Assessed Value	0.30171	0.30171	0.30171	0.20171
Total Tax Levy	533,599	\$ 519,524	\$ 541,686	\$ 351,246
Collections During Fiscal Year	528,933	\$ 515,513	\$ 537,455	\$ 346,802
% of Current Taxes Collected	99.13%	99.23%	99.22%	98.73%

**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**

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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, 2013, 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  
March 10, 2014

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

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March 10, 2014

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, 2013, and have issued my report thereon dated March 10, 2014. 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 February 4, 2013. 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 2013. 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 February 3, 2014.

### *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.

### Compliance Communications:

Starting In July 2013 and carrying through the end of the Town's fiscal year the Town was exposed to custodial credit risk related to its bank accounts. Custodial credit risk for bank accounts is the risk that, in the event of the failure of the Town's depository financial institution, the Town would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties. During the time period July 2013 through February 4, 2014 the Town's bank balances exceeded the amount of the federal depository insurance and the collateral pledged by the Town's financial institution. On February 4, 2014 the Town's financial institution pledged additional securities to fully collateralize the Town's deposits.



The Town should establish procedures to monitor the collateralization of its bank balances to insure the safety and preservation of its cash assets as required by its investment policy.

*Other Matters*

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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 PC*

Certified Public Accountants