

TOWN OF COPPER CANYON

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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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 funds of the Town of Copper Canyon, Texas as of and for the year ended September 30, 2014, 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, 2014, 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, 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.

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 is not a part of the basic financial statements.

The schedule of property taxes is the responsibility of management and was 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 is 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

April 13, 2015

TOWN OF COPPER CANYON

CITY OFFICIALS

September 30, 2014

MAYOR	Sue Tejml
MAYOR PRO TEM	Jeff Mangum
DEPUTY MAYOR PRO TEM	Steven Hill
COUNCIL MEMBERS	Valerie Pearson Cannaday
	Charlie Nicholas
	Darrin Peterson
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, 2014.

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, 2014 by \$9,862,153, a decrease of \$525,352 from the prior year.
- At September 30, 2014 the Town's governmental funds reported combined fund balances of \$1,428,074, a decrease of \$189,495 from the prior year.
- The Town's capital assets, reported at cost less accumulated depreciation, total \$10,052,236 at September 30, 2014 while the Town's long-term debt totaled \$1,620,000 at September 30, 2014.

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 10) 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 11) 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 12) and the Statement of Revenues, Expenditures and Changes in Fund Balance (page 13) 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 14.

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			
	2014	2013	CHANGE
Current and Other Assets	\$ 1,582,906	\$ 1,775,156	\$ (192,250)
Capital Assets	<u>10,052,236</u>	<u>10,466,194</u>	<u>(413,958)</u>
Total Assets	<u>11,635,142</u>	<u>12,241,350</u>	<u>(606,208)</u>
Liabilities	<u>(1,772,989)</u>	<u>(1,853,845)</u>	<u>80,856</u>
Net Position:			
Invested in Capital Assets, net			
of debt	8,592,299	9,320,560	(728,261)
Restricted for Debt Service	45,664	19,648	26,016
Unrestricted	<u>1,224,190</u>	<u>1,047,297</u>	<u>176,893</u>
Total Net Position	<u>\$ 9,862,153</u>	<u>\$ 10,387,505</u>	<u>\$ (525,352)</u>

The Town's net position decreased \$525,352 from September 30, 2013 to September 30, 2014. The largest portion (87%) 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, 2014 the Town had expended \$450,447 of the developer funds with the expectation of completing the project during fiscal year 2015.

Analysis of Town's Operations

A summary of the Town's operations for the years ended September 30, 2014 & 2013 are as follows:

CHANGES IN NET POSITION			
	2014	2013	CHANGE
REVENUES			
Program Revenues:			
Charges for Services	\$ 268,804	\$ 223,242	\$ 45,562
Capital Grants & Reimbursements	0	610,000	(610,000)
Operating Grants & Donations	5,546	5,132	414
General Revenues:			
Property Taxes	529,816	536,520	(6,704)
Sales Taxes	69,016	49,616	19,400
Franchise Fees	132,386	125,582	6,804
Interest Income	886	979	(93)
Total Revenues	\$ <u>1,006,454</u>	\$ <u>1,551,071</u>	\$ <u>(544,617)</u>
PROGRAM EXPENSES			
General Government	\$ 366,635	\$ 311,392	\$ 55,243
Public Safety	275,788	265,630	10,158
Parks-Trails	0	149	(149)
Public Works	829,066	851,386	(22,320)
Interest on Long-Term Debts	<u>60,317</u>	<u>62,923</u>	<u>(2,606)</u>
Total Expenses	<u>1,531,806</u>	<u>1,491,480</u>	<u>40,326</u>
Increase (Decrease) in			
Net Position	\$ <u>(525,352)</u>	\$ <u>59,591</u>	\$ <u>(584,943)</u>

Charges for services revenues includes permit revenues and municipal court fines. Permit revenues increased 85% during 2014 primarily due to the Town issuing several commercial building permits. Municipal court fines decreased 12% during 2014. Sales tax revenues continued to grow, increasing 39%, due to increased sales for retail business in the Town.

The Town decreased the property tax rate by 4.2 cents per hundred dollars of valuation which resulted in property tax revenues decreasing \$6,704.

During 2013 the Town received \$610,000 in developer capital grants for the construction of wastewater improvement in the "Town Hall" development. There were no similar capital grant revenues in 2014.

Total program expenses increased \$40,326 in 2014 from 2013 primarily due to an increase in general government expenses. Personnel costs (\$9,000), legal fees (\$26,000), MS-4 permit (\$13,000) and economic planning (5,000) expenses all increased over the prior year.

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:

	2014	2013	% CHANGE
REVENUES			
Property Taxes	\$ 525,499	\$ 534,401	-1.67%
Sales Taxes	69,016	49,616	39.10%
Franchise Fees	132,386	125,582	5.42%
Permits & Fees	150,309	81,294	84.90%
Municipal Court	116,298	132,260	-12.07%
Grants & Intergovernmental	0	615,132	-100.00%
Donations	5,546	5,132	8.07%
Miscellaneous Revenues	2,197	9,688	-77.32%
Interest Income	886	979	-9.50%
TOTAL REVENUES	\$ 1,002,137	\$ 1,554,084	-35.52%

Fund basis revenues decreased significantly due to the Town receiving \$610,000 of developer grant funds in 2013 related to the "Town Hall" wastewater project. There were no similar revenues in 2014.

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

	2014	2013	% CHANGE
EXPENDITURES			
General Government	\$ 349,753	\$ 295,950	18.18%
Public Safety	275,627	265,252	3.91%
Parks-Trails	0	149	-100.00%
Public Works-Roads & Drainage	50,763	73,083	-30.54%
Debt Service	135,392	171,818	-21.20%
Capital Outlay	380,097	146,303	159.80%
TOTAL EXPENDITURES	\$ 1,191,632	\$ 952,555	25.10%

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. 2014 capital outlay expenditures include \$368,253 for the “Town Hall” wastewater project. These project expenditures were paid from developer capital grants received by the Town in 2013.

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 \$133,529 greater than budgeted revenues primarily due to favorable variances in actual permit and fees revenues (\$104,259 actual revenues over budgeted revenues) and sales tax revenues (\$19,216 actual revenues over budgeted revenues).

Franchise fee actual revenues were \$7,421 over budgeted revenues and municipal court revenues were \$5,322 less than budgeted revenues.

Total actual 2014 general fund expenditures, excluding transfers, exceeded budgeted general fund expenditures by \$43,733. General government expenditures were \$39,178 (12.6%) over budget and public safety expenditures were \$11,960 (4.54%) over budget.

There were no budget amendments during fiscal year 2014.

CAPITAL ASSETS

The Town’s investment in capital assets as of September 30, 2014 amounts to \$10,843,502 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure.

Major capital additions during the year included \$368,253 for the wastewater improvement project and \$10,044 for road improvement projects. Both of these projects were reported as construction in progress at September 30, 2014.

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

	2014	2013	CHANGE
Land-Town Hall	\$ 132,184	\$ 132,184	0
Buildings-Town Hall	198,308	197,515	793
Office Equipment	7,047	8,829	(1,782)
Infrastructure-Roads & Drainage	9,996,786	9,996,786	0
Construction in Progress	509,177	130,880	378,297
TOTAL	\$ 10,843,502	\$ 10,466,194	377,308

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	2013
General Obligation Bonds	\$ <u>1,620,000</u>	\$ <u>1,695,000</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 2015 are \$854,895. These revenues include maintenance and operation property tax revenues of \$408,960, based on a tax rate of .220378 per \$100 of valuation, the same rate as the prior year. Budgeted sales tax, franchise fees and municipal court revenues were budgeted at levels comparative to the 2014 actual revenues while 2015 permit/inspection/development budgeted revenues of \$82,500 are budgeted at \$68,000 less than 2014 actual permit/inspection/development revenues.

Budgeted 2015 general fund expenditures are \$793,331. Budgeted personnel expenditures are \$232,726, an increase of \$21,553 (10%) over 2014 budgeted expenditures. Public works road maintenance and engineering is budgeted at \$95,000 for 2014.

The 2015 special projects budget includes \$4,000 for a MS-4 permit, \$40,000 for the Jernigan right turn lane project and \$23,000 for economic development studies. Budgeted 2015 capital outlay expenditures are \$8,000 for office furniture, equipment and Town Hall improvements.

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, 2014

ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS	
Cash	\$ 724,421
Receivable-Sales & Franchise Taxes	45,729
Receivable-Property Taxes	19,408
TOTAL CURRENT ASSETS	<u>789,558</u>
NONCURRENT ASSETS	
Restricted Cash	<u>793,348</u>
CAPITAL ASSETS	
Land-Town Hall	132,184
Buildings-Town Hall	295,370
Office Equipment	31,651
Infrastructure-Roads & Drainage	12,333,491
Construction in Progress	509,177
Accumulated Depreciation	<u>(3,249,637)</u>
NET CAPITAL ASSETS	<u>10,052,236</u>
TOTAL ASSETS	<u>11,635,142</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	68,052
Accrued Liabilities	74,818
Accrued Compensated Absences	10,119
General Obligation Bonds Payable	80,000
TOTAL CURRENT LIABILITIES	<u>232,989</u>
NONCURRENT LIABILITIES	
General Obligation Bonds Payable	<u>1,540,000</u>
TOTAL LIABILITIES	<u>1,772,989</u>
NET POSITION	
Invested in Capital Asset, Net of Related Debt	8,592,299
Restricted for Debt Service	45,664
Unrestricted	1,224,190
TOTAL NET POSITION	<u>\$ 9,862,153</u>

TOWN OF COPPER CANYON

**GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2014

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS & DONATIONS</u>	<u>CAPITAL GRANTS & REIMBURSE- MENTS</u>	<u>NET (EXPENSE) REVENUE</u>
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (366,635)	\$ 152,506	\$ 5,546	\$ 0	\$ (208,583)
Public Safety	(275,788)	116,298	0	0	(159,490)
Parks-Trails	0	0	0	0	0
Public Works-Roads & Drainage	(829,066)	0	0	0	(829,066)
Interest on Long-Term Debt	(60,317)	0	0	0	(60,317)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (1,531,806)	\$ 268,804	\$ 5,546	\$ 0	(1,257,456)
GENERAL REVENUE					
Property Taxes					529,816
Sales Taxes					69,016
Franchise Fees					132,386
Interest Income					886
TOTAL GENERAL REVENUE					732,104
CHANGE IN NET POSITION					(525,352)
NET POSITION - BEGINNING (AS RESTATED, SEE NOTE 9)					10,387,505
NET POSITION - ENDING					\$ 9,862,153

TOWN OF COPPER CANYON

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2014

	GENERAL	DEBT SERVICE	CIP ROAD	CIP WASTE WATER	
ASSETS	FUND	FUND	FUND	FUND	TOTAL
Cash	\$ 724,421	\$ 0	\$ 0	\$ 0	\$ 724,421
Restricted Cash-Debt Service Fund	0	45,664	0	0	45,664
Restricted Cash-CIP Fund	0	0	533,887	181,007	714,894
Restricted Cash-Court Technology & Security	24,242	0	0	0	24,242
Restricted Cash-Cookbook & Directory	8,548	0	0	0	8,548
Receivable-Sales Taxes & Franchise Fees	45,729	0	0	0	45,729
Receivable-Property Taxes	16,059	3,349	0	0	19,408
TOTAL ASSETS	\$ 818,999	\$ 49,013	\$ 533,887	\$ 181,007	\$ 1,582,906
LIABILITIES					
Accounts Payable	\$ 47,108	\$ 0	\$ 0	\$ 20,944	\$ 68,052
Accrued Liabilities	43,372	0	0	0	43,372
Deferred Revenues	16,059	3,349	24,000	0	43,408
TOTAL LIABILITIES	106,539	3,349	24,000	20,944	154,832
FUND BALANCE					
Restricted to Debt Service	0	45,664	0	0	45,664
Committed to Capital Improvements	0	0	509,887	160,063	669,950
Unassigned	712,460	0	0	0	712,460
TOTAL FUND BALANCE	712,460	45,664	509,887	160,063	1,428,074
TOTAL LIABILITIES & FUND EQUITY	\$ 818,999	\$ 49,013	\$ 533,887	\$ 181,007	\$ 1,582,906

TOWN OF COPPER CANYON

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

September 30, 2014

Fund Balance Above	\$ 1,428,074
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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.	10,052,236
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Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.	19,408
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet.	(1,637,565)
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NET POSITION OF GOVERNMENTAL ACTIVITIES

	<u><u>\$ 9,862,153</u></u>
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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, 2014

	GENERAL FUND	DEBT SERVICE FUND	CIP ROAD FUND	CIP WASTE WATER FUND	TOTAL
REVENUES					
Property Taxes	\$ 389,117	\$ 136,382	\$ 0	\$ 0	\$ 525,499
Sales Taxes	69,016	0	0	0	69,016
Franchise Fees	132,386	0	0	0	132,386
Permits & Fees	150,309	0	0	0	150,309
Municipal Court	116,298	0	0	0	116,298
Donation Revenues	5,546	0	0	0	5,546
Miscellaneous Revenues	2,197	0	0	0	2,197
Interest Income	315	26	214	331	886
TOTAL REVENUES	<u>865,184</u>	<u>136,408</u>	<u>214</u>	<u>331</u>	<u>1,002,137</u>
EXPENDITURES					
General Government	349,753	0	0	0	349,753
Public Safety	275,627	0	0	0	275,627
Parks-Trails	0	0	0	0	0
Public Works-Roads & Drainage	18,835	0	31,928	0	50,763
Debt Service - Principal	0	75,000	0	0	75,000
Debt Service - Interest	0	60,392	0	0	60,392
Capital Outlay	1,800	0	10,044	368,253	380,097
TOTAL EXPENDITURES	<u>646,015</u>	<u>135,392</u>	<u>41,972</u>	<u>368,253</u>	<u>1,191,632</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>219,169</u>	<u>1,016</u>	<u>(41,758)</u>	<u>(367,922)</u>	<u>(189,495)</u>
OTHER FINANCING SOURCES (USES)					
Transfers	<u>(192,926)</u>	<u>25,000</u>	<u>167,926</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	26,243	26,016	126,168	(367,922)	(189,495)
FUND BALANCE - BEGINNING	686,217	19,648	383,719	527,985	1,617,569
FUND BALANCE - ENDING	<u>\$ 712,460</u>	<u>\$ 45,664</u>	<u>\$ 509,887</u>	<u>\$ 160,063</u>	<u>\$ 1,428,074</u>

TOWN OF COPPER CANYON

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

For the Year Ended September 30, 2014

Net Change in Fund Balance - Governmental Funds	\$ (189,495)
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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	380,097
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Depreciation expense on capital assets	(794,055)
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Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	75,000
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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	4,317
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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:

Compensated absences	(1,291)
Accrued Interest on long-term debts	75

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(525,352)</u>
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TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

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, 2014

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. There are currently two active capital improvements projects; road improvement projects and a waste water project.

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, 2014

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. Effective October 1, 2013 the Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement reclassifies certain items that were previously recorded as assets and liabilities, as deferred outflows or inflows of resources, and recognizes these items as outflows or inflows of resources. 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. 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, 2014

- Statement No.71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68.

The Town is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2015, 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

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. Deferred Outflows/Inflows of resources:

In addition to assets the statement of position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

In addition to liabilities, the statement of net position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Town has only one type of item, which arises only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable property tax revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available

6. Equity Classifications:

Government-wide Statements

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

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

Fund Statements

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

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.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

- 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, 2014 the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Administration	\$39,178
Public Safety	\$11,960

NOTE 2: DEPOSITS:

At September 30, 2014 the carrying amount of the Town's cash accounts were \$1,517,769, made up of petty cash of \$160 and \$1,517,609 held in checking accounts at a local financial institution. The Town did not own any investments at September 30, 2014.

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, 2014 the Town's bank balances (per bank) totaled \$1,518,997. Of the bank balances, \$250,000 was covered by federal depository insurance and \$1,650,000 was secured by collateral held by the pledging Bank's agent in the name of the Town. The Town was not exposed to any custodial credit risk at September 30, 2014.

Securities pledged by the Town's depository institution at September 30, 2014 are as follows:

SECURITY	PAR	FMV
FHLB-letter of credit	\$1,300,000	\$1,300,000
FHLB-letter of credit	\$ 350,000	\$ 350,000

(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, therefore, is not exposed to credit risk.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

(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: 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, 2014 is as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	TRANSFERS & DELETIONS	ENDING
Land	\$ 132,184	\$ 0	\$ 0	\$ 132,184
Building & Improvements	293,570	1,800	0	295,370
Equipment	31,651	0	0	31,651
Infrastructure	12,333,491	0	0	12,333,491
Construction in Progress	130,880	378,297	0	509,177
TOTAL AT HISTORICAL COST	<u>12,921,776</u>	<u>380,097</u>	<u>0</u>	<u>13,301,873</u>
LESS ACCUMULATED DEPRECIATION				
Land	0	0	0	0
Building & Improvements	83,579	13,483	0	97,062
Equipment	22,335	2,269	0	24,604
Infrastructure	1,558,402	778,303	0	2,336,705
Construction in Progress	0	0	0	0
TOTAL ACCUMULATED DEPRECIATION	<u>1,664,316</u>	<u>794,055</u>	<u>0</u>	<u>2,458,371</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 11,257,460</u>	<u>\$ (413,958)</u>	<u>\$ 0</u>	<u>\$ 10,843,502</u>

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 15,591
Public Safety	161
Public Works	<u>778,303</u>
TOTAL DEPRECIATION EXPENSE	\$ <u>794,055</u>

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	\$ 1,695,000	\$ 0	\$ 75,000	\$ 1,620,000	\$ 75,000
TOTAL BONDS	<u>1,695,000</u>	<u>0</u>	<u>75,000</u>	<u>1,620,000</u>	<u>75,000</u>
Compensated Absences	<u>8,828</u>	<u>1,291</u>	<u>0</u>	<u>10,119</u>	<u>0</u>
TOTAL GOVERNMENTAL	\$ <u>1,703,828</u>	\$ <u>1,291</u>	\$ <u>75,000</u>	\$ <u>1,630,119</u>	\$ <u>75,000</u>

Future debt maturities are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
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	85,000	50,307	135,307
2020-2024	485,000	203,301	688,301
2025-2029	595,000	95,740	690,740
2030	130,000	2,925	132,925
TOTALS	<u>\$ 1,620,000</u>	<u>\$ 576,093</u>	<u>\$ 2,196,093</u>

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

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, 2014 totaled \$450,447 and the remaining funds were held in CIP fund bank accounts to be expended in the 2014 fiscal year.

The CIP fund also expended \$41,972 during 2014 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, 2014 represents funds committed by the Town Council to road maintenance and improvements, \$509,887, and the unspent wastewater improvement project funds of \$160,063.

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.

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 2013	Plan Year 2014
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, 2014

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating 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 (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

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

Fiscal Year	2012	2013	2014
Annual required contribution rate	7.00%	7.00%	7.00%
Annual required contribution (ARC)	\$ 7,746	\$ 6,864	\$ 8,121
Interest on net pension obligation	\$ 0	\$ 0	\$ 0
Adjustment to the ARC	\$ 0	\$ 0	\$ 0
Annual pension cost	\$ 7,746	\$ 6,864	\$ 8,121
Contributions funded	\$ 7,746	\$ 5,201	\$ 8,121
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 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

Additional information as of the latest actuarial valuation, December 31, 2013 are as follows:

Actuarial valuation date	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2013</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
GASB 25 equivalent single amortization period	8.6-yr closed period	7.8-yr closed period	30-yr closed period
Amortization period for new gains/losses	8 years	8 years	22 years
	10 year smoothed market	10 year smoothed market	10 year smoothed market
Asset valuation method			
Actuarial assumptions:			
Investment rate of return	7.00%	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%

Funding Status and Funding Progress:

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Age Entry Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annual Purchase Rate factors, and (C) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Financial Report (CAFR).

The funding status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

	<u>Dec. 31, 2013</u>
Actuarial valuation of assets	\$ 217,996
Actuarial accrued liability	\$ 234,461
Funded ratio	92.98%
Unfunded (overfunded) actuarial accrued liability	\$ 16,465
Annual covered payroll	\$ 156,365
UAAL as percentage of covered payroll	10.5%

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.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

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: PRIOR PERIOD ADJUSTMENT:

The Town has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective with these financial statements. In accordance with this statement, the Town has written off all previously capitalized debt issue costs and adjusted the impact through beginning net position as shown on the Statement of Activities. These costs totaled \$21,382 in the governmental activities. All future debt issue costs will be expensed in the period incurred.

NOTE 10: SUBSEQUENT EVENTS

The Town has evaluated all events and transactions that occurred after September 30, 2014 through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2014

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Property Taxes	\$ 388,470	\$ 389,117	\$ 647
Sales Taxes	49,800	69,016	19,216
Franchise Fees	124,965	132,386	7,421
Permits & Fees	46,050	150,309	104,259
Municipal Court	121,620	116,298	(5,322)
Donation Revenues	0	5,546	5,546
Miscellaneous Revenues	250	2,197	1,947
Interest Income	500	315	(185)
TOTAL RESOURCES	731,655	865,184	133,529

CHARGES TO APPROPRIATIONS (OUTFLOWS)

General Government:

Wages	121,128	121,128	0
Contract Labor-Office	3,000	3,635	(635)
Payroll Taxes	9,285	9,795	(510)
Retirement	6,153	6,154	(1)
Health Insurance	16,000	16,000	0
Employee Vehicle Expenses	2,700	2,789	(89)
Accounting & Auditing Services	4,250	4,250	0
Appraisal & Tax Collection Services	7,000	5,755	1,245
Engineering Services	10,000	20,388	(10,388)
Legal Services	50,000	71,376	(21,376)
Codification	1,500	1,689	(189)
Impact Fee Study	0	1,950	(1,950)
MS-4 Permit	13,000	13,080	(80)
Town Center Economic Planning	0	5,242	(5,242)
Town Clean-Up Day	9,000	7,027	1,973
Town Cookbook and Directory	0	6,089	(6,089)
Building & Equipment Maintenance	11,500	12,537	(1,037)
Dues, Subscriptions & Public Notices	4,249	5,837	(1,588)
Election Costs	3,000	293	2,707
Insurance	6,500	5,932	568
Computer Maint. & Tech Support	4,000	5,672	(1,672)
Website	1,500	1,100	400
Neighborhood Watch	1,500	900	600
Office Supplies	3,300	3,160	140
Other Expenses	1,510	460	1,050
Volunteer Appreciation & Events	3,000	3,701	(701)
Travel & Training	4,000	1,857	2,143
Utilities	13,500	11,957	1,543
Total General Government	310,575	349,753	(39,178)

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2014

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
Public Safety:			
Wages - Court	38,728	38,728	0
Payroll Taxes - Court	2,972	3,170	(198)
Retirement - Court	1,967	1,967	0
Health Insurance - Court	8,000	8,000	0
Travel & Training - Court	200	131	69
Law Enforcement Contract Services	184,000	189,887	(5,887)
Municipal Court Judge Services	2,300	1,800	500
Legal Fees - Municipal Court	3,500	4,997	(1,497)
Municipal Court Technology & Security	0	3,794	(3,794)
Child Safety	2,000	2,068	(68)
Building Inspection	16,000	17,790	(1,790)
Code Enforcement	1,500	675	825
Animal Control	2,500	2,620	(120)
Total Public Safety	263,667	275,627	(11,960)
Parks & Recreation:			
Equestrian Trail	1,000	0	1,000
Public Works:			
Street Signs	1,000	835	165
Mowing	18,000	18,000	0
Total Public Works	19,000	18,835	165
Capital Additions:			
Administration	8,000	1,800	6,200
Total Capital Outlay	8,000	1,800	6,200
TOTAL APPROPRIATION BEEFORE BEFORE TRANSFERS	602,242	646,015	(43,773)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS BEFORE TRANSFERS	129,413	219,169	89,756
Transfers Out:			
To CIP Fund	0	(167,926)	167,926
To Debt Service Fund	(25,000)	(25,000)	0
Total Transfers Out	(25,000)	(192,926)	167,926
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS AFTER TRANSFERS	104,413	26,243	\$ (78,170)
FUND BALANCE - BEGINNING	686,217	686,217	
FUND BALANCE - ENDING	\$ 790,630	\$ 712,460	

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND

For the Year Ended September 30, 2014

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Property Taxes	\$ 135,168	\$ 136,382	\$ 1,214
Interest Income	0	26	26
Transfer from General Fund	25,000	25,000	0
TOTAL RESOURCES	160,168	161,408	1,240
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Debt Service Principal - Series 2010	75,000	75,000	0
Debt Service Interest - Series 2010	60,167	60,392	(225)
Debt Service Principal - Series 2013	20,188	0	20,188
TOTAL EXPENDITURES	155,355	135,392	19,963
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 4,813	\$ 26,016	\$ 21,203
FUND BALANCE - BEGINNING	19,648	19,648	
FUND BALANCE - ENDING	\$ 24,461	\$ 45,664	

BUDGETARY COMPARISON SCHEDULE - CIP ROAD FUND

For the Year Ended September 30, 2014

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Interest Income	\$ 300	\$ 214	\$ (86)
Transfer from General Fund	0	167,926	167,926
TOTAL RESOURCES	300	168,140	167,840
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public Works:			
Road Engineering & Maintenance	58,000	31,928	26,072
Road & Drainage Improvements	0	10,044	(10,044)
TOTAL EXPENDITURES	58,000	41,972	16,028
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ (57,700)	\$ 126,168	\$ 183,868
FUND BALANCE - BEGINNING	383,719	383,719	
FUND BALANCE - ENDING	\$ 326,019	\$ 509,887	

BUDGETARY COMPARISON SCHEDULE - CIP WASTE WATER FUND

For the Year Ended September 30, 2014

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Interest Income	\$ 0	\$ 331	\$ 331
Developer Contributions	0	0	0
TOTAL RESOURCES	0	331	331
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public Works:			
Waste Water Project	0	368,253	(368,253)
TOTAL EXPENDITURES	0	368,253	(368,253)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 0	\$ (367,922)	\$ (367,922)
FUND BALANCE - BEGINNING	527,985	527,985	
FUND BALANCE - ENDING	\$ 527,985	\$ 160,063	

TOWN OF COPPER CANYON

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

For the Year Ended September 30, 2014

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	12-31-13	12-31-12	12-31-11
Actuarial Value of Assets	\$ 217,996	\$ 199,759	170,893
Actuarial Accrued Liabilities (AAL)	234,461	244,817	212,178
Unfunded (Overfunded) AAL (UAAL)	16,465	45,058	41,285
Funded Ratio	93.0%	81.6%	80.5%
Covered Payroll	156,365	143,951	126,134
UAAL as a Percentage of Covered Payroll	10.5%	31.3%	32.7%

OTHER SUPPLEMENTARY INFORMATION

TOWN OF COPPER CANYON
SCHEDULE OF PROPERTY TAXES

September 30, 2014

Tax Year	2013	2012	2011	2010
Assessed Value	176,666,077	\$ 176,856,645	\$ 172,191,357	\$ 179,536,768
Tax Rate per \$100 of Assessed Value	0.29751	0.30171	0.30171	0.30171
Total Tax Levy	525,590	\$ 533,599	\$ 519,524	\$ 541,686
Collections During Fiscal Year	520,289	\$ 528,933	\$ 515,513	\$ 537,455
% of Current Taxes Collected	98.99%	99.13%	99.23%	99.22%

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

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, 2014, 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
April 13, 2015

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

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, 2014, 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 March 5, 2014. 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. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was adopted during the fiscal year and the application of existing policies was not changed during 2014. 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 April 13, 2015.

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.

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.

William C. Spore PC

Certified Public Accountants