

TOWN OF COPPER CANYON

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR'S REPORT	1
CITY OFFICIALS	2
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	3-10
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	14
Notes to Financial Statements	15-29
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	30
Budgetary Comparison Schedule - Debt Service Fund	31
Budgetary Comparison Schedule - CIP Funds	32
Schedule of Changes in Net Pension Liability and Related Ratios	33
Schedule of Pension Contributions	34
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Property Taxes	35

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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, 2015, 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, 2015, 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, the schedule of changes in net pension liability and related ratios and the schedule of pension contributions 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

January 11, 2016

TOWN OF COPPER CANYON

CITY OFFICIALS

September 30, 2015

MAYOR	Sue Tejml
MAYOR PRO TEM	Jeff Mangum
DEPUTY MAYOR PRO TEM	Steven Hill
COUNCIL MEMBERS	Valerie Pearson Cannaday
	Bill Castleman
	Dave Svatik
TOWN ADMINISTRATOR	Donna Welsh
SECRETARY	Sheila 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, 2015.

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, 2015 by \$9,239,806, a decrease of \$624,731 from the prior year.
- At September 30, 2015 the Town's governmental funds reported combined fund balances of \$1,505,998, an increase of \$77,924 from the prior year.
- The Town's capital assets, reported at cost less accumulated depreciation, total \$9,265,856 at September 30, 2015 while the Town's long-term debt totaled \$1,540,000 at September 30, 2015.

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			
	2015	2014	CHANGE
Current and Other Assets	\$ 1,742,101	\$ 1,582,906	\$ 159,195
Capital Assets	9,265,856	10,052,236	(786,380)
Total Assets	11,007,957	11,635,142	(627,185)
Liabilities	(1,768,151)	(1,772,989)	4,838
Net Position:			
Invested in Capital Assets, net			
of debt	7,887,973	8,592,299	(704,326)
Restricted for Debt Service	78,891	45,664	33,227
Unrestricted	1,272,942	1,224,190	48,752
Total Net Position	\$ 9,239,806	\$ 9,862,153	\$ (622,347)

The Town's net position decreased \$624,731 from September 30, 2014 to September 30, 2015. The largest portion (85%) 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, 2015 the Town had expended \$466,687 of the developer funds. The project is currently on hold but the Town anticipates moving forward with the project in fiscal year 2016.

Analysis of Town's Operations

A summary of the Town's operations for the years ended September 30, 2015 & 2014 are as follows:

CHANGES IN NET POSITION			
	2015	2014	CHANGE
REVENUES			
Program Revenues:			
Charges for Services	\$ 203,642	\$ 268,804	\$ (65,162)
Capital Grants & Reimbursements	0	0	0
Operating Grants & Donations	3,215	5,546	(2,331)
General Revenues:			
Property Taxes	569,460	529,816	39,644
Sales Taxes	119,684	69,016	50,668
Franchise Fees	134,697	132,386	2,311
Interest Income	499	886	(387)
Total Revenues	\$ <u>1,031,197</u>	\$ <u>1,006,454</u>	\$ <u>24,743</u>
PROGRAM EXPENSES			
General Government	\$ 438,350	\$ 366,635	\$ 71,715
Public Safety	287,257	275,788	11,469
Parks-Trails	0	0	0
Public Works	871,463	829,066	42,397
Interest on Long-Term Debts	<u>58,858</u>	<u>60,317</u>	<u>(1,459)</u>
Total Expenses	<u>1,655,928</u>	<u>1,531,806</u>	<u>124,122</u>
Increase (Decrease) in			
Net Position	\$ <u>(624,731)</u>	\$ <u>(525,352)</u>	\$ <u>(99,379)</u>

Charges for services revenues includes permit revenues and municipal court fines. Permit revenues decreased \$63,434 (48%) during 2015 primarily due to the Town issuing several commercial building permits in fiscal year 2014 with no comparable permits issued in 2015. Municipal court fines decreased 12% during 2015.

The Town maintained its property tax rate the same in 2015 as 2014 but property tax revenues increased due an increase in the assessed value of property in the Town.

The Town received an unexpected increase in sales tax revenues during 2015 due to collection from two home based businesses located in the Town.

Total program expenses increased \$124,122 (8%) in 2015 from 2014 primarily due to an increase in general government expenses. Personnel costs (\$19,600), legal fees (\$30,500) and law enforcement contract services (\$6,800). The remaining increase in program expenses is primarily due to increased depreciation expense related to the Town's roads.

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:

	2015	2014	% CHANGE
REVENUES			
Property Taxes	\$ 567,414	\$ 525,499	7.98%
Sales Taxes	119,684	69,016	73.41%
Franchise Fees	134,697	132,386	1.75%
Permits & Fees	86,875	150,309	-42.20%
Municipal Court	116,767	116,298	0.40%
Donations	3,215	5,546	-42.03%
Miscellaneous Revenues	0	2,197	-100.00%
Interest Income	499	886	-43.68%
TOTAL REVENUES	\$ 1,029,151	\$ 1,002,137	2.70%

Fund basis revenues increased \$27,014 (2.7%) with sales tax revenues increasing due to increased commercial sales and permit fees decreased due fewer commercial building permits being issued in 2015 compared to 2014.

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

	2015	2014	% CHANGE
EXPENDITURES			
General Government	\$ 420,289	\$ 349,753	20.17%
Public Safety	287,942	275,627	4.47%
Public Works-Roads & Drainage	93,160	50,763	83.52%
Debt Service	139,053	135,392	2.70%
Capital Outlay	10,783	380,097	-97.16%
TOTAL EXPENDITURES	\$ 951,227	\$ 1,191,632	-20.17%

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 \$67,131 greater than budgeted revenues primarily due to favorable variances in sales tax revenues as discussed above.

Property tax, franchise fee and permit actual revenues were over budgeted revenues and municipal court revenues were \$6,918 less than budgeted revenues.

Total actual 2015 general fund expenditures, excluding transfers, exceeded budgeted general fund expenditures by \$22,658. General government expenditures were \$33,701 (9.1%) over budget and public safety expenditures were \$2,989 (1%) over budget.

There were no budget amendments during fiscal year 2015.

PENSIONS

Pensions continue to receive negative media attention as governments around the nation struggle to fund these commitments. The Town is committed to providing retirement programs that are fair to both employees and taxpayers and that can be sustained over the long term.

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the Town’s pension liabilities to other governments from around the nation. The funding valuation is important as the actuarial methods used included strategies for repaying any unfunded actuarial accrued liabilities combined with the Town’s history of making those contributions provides insights regarding the Town’s commitment to and the effectiveness of its funding strategy. Information contained in the financial statements themselves including the Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation. On a reporting basis, The Town’s financial statements reflect a Net Pension Liability as of September 30, 2015 of \$18,008 which is 10.75% of the Town’s annual covered payroll of \$167,577.

CAPITAL ASSETS

The Town's investment in capital assets as of September 30, 2015 amounts to \$10,843,502 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure.

Capital additions during the year included \$10,783 which were expenditures for new technology at Town Hall.

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

	2015	2014	CHANGE
Land-Town Hall	\$ 132,184	\$ 132,184	0
Buildings-Town Hall	172,287	185,831	(13,544)
Office Equipment	12,027	6,560	5,467
Infrastructure-Roads & Drainage	8,440,181	9,218,484	(778,303)
Construction in Progress	509,177	509,177	0
TOTAL	<u>\$ 9,265,856</u>	<u>\$ 10,052,236</u>	<u>(786,380)</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:

	2015	2014
General Obligation Bonds	\$ <u>1,540,000</u>	\$ <u>1,620,000</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 2016 are \$876,672. These revenues include maintenance and operation property tax revenues of \$453,982, 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 2015 actual revenues while 2016 permit/inspection/development budgeted revenues are budgeted at \$18,075 less than 2015 actual permit/inspection/development revenues.

Budgeted 2015 general fund expenditures are \$760,194. Budgeted personnel expenditures are \$245,634, an increase of \$12,908 (5.6%) over 2015 budgeted expenditures. Public works road maintenance and engineering is budgeted at \$75,000 for 2015.

The 2016 general fund budget results in a projected \$116,478 surplus. The Town Council intends to transfer this excess to the Capital Improvement Fund to be used for future road projects.

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, 2015

ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS	
Cash	\$ 632,129
Receivable-Sales & Franchise Taxes	43,379
Receivable-Property Taxes	21,454
TOTAL CURRENT ASSETS	<u>696,962</u>
NONCURRENT ASSETS	
Restricted Cash	<u>1,023,323</u>
CAPITAL ASSETS	
Land-Town Hall	132,184
Buildings-Town Hall	295,370
Office Equipment	30,276
Infrastructure-Roads & Drainage	12,333,491
Construction in Progress	509,177
Accumulated Depreciation	<u>(4,034,642)</u>
NET CAPITAL ASSETS	<u>9,265,856</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions After Measurement Date	17,295
Difference in Projected and Actual Earnings-Pension	2,163
Difference in Expected and Actual Pension Experience	2,358
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>21,816</u>
TOTAL ASSETS	<u>11,007,957</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	122,093
Accrued Liabilities	77,991
Accrued Compensated Absences	10,059
General Obligation Bonds Payable	80,000
Net Pension Liability	18,008
TOTAL CURRENT LIABILITIES	<u>308,151</u>
NONCURRENT LIABILITIES	
General Obligation Bonds Payable	<u>1,460,000</u>
TOTAL LIABILITIES	<u>1,768,151</u>
NET POSITION	
Invested in Capital Asset, Net of Related Debt	7,887,973
Restricted for Debt Service	78,891
Unrestricted	1,272,942
TOTAL NET POSITION	<u>\$ 9,239,806</u>

TOWN OF COPPER CANYON

**GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2015

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	\$ (438,350)	\$ 86,875	\$ 3,215	\$ 0	\$ (348,260)
Public Safety	(287,257)	116,767	0	0	(170,490)
Parks-Trails	0	0	0	0	0
Public Works-Roads & Drainage	(871,463)	0	0	0	(871,463)
Interest on Long-Term Debt	(58,858)	0	0	0	(58,858)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (1,655,928)	\$ 203,642	\$ 3,215	\$ 0	(1,449,071)
GENERAL REVENUE					
Property Taxes					569,460
Sales Taxes					119,684
Franchise Fees					134,697
Interest Income					499
TOTAL GENERAL REVENUE					824,340
CHANGE IN NET POSITION					(624,731)
NET POSITION - BEGINNING (AS RESTATED, SEE NOTE 10)					9,864,537
NET POSITION - ENDING					\$ 9,239,806

TOWN OF COPPER CANYON

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2015

	GENERAL FUND	DEBT SERVICE FUND	CIP ROAD FUND	CIP WASTE WATER FUND	TOTAL
ASSETS					
Cash	\$ 632,129	\$ 0	\$ 0	\$ 0	\$ 632,129
Restricted Cash-Debt Service Fund	0	78,891	0	0	78,891
Restricted Cash-CIP Fund	0	0	753,156	162,117	915,273
Restricted Cash-Court Technology & Security	22,082	0	0	0	22,082
Restricted Cash-Cookbook & Directory	7,077	0	0	0	7,077
Receivable-Sales Taxes & Franchise Fees	43,379	0	0	0	43,379
Receivable-Property Taxes	17,578	3,876	0	0	21,454
TOTAL ASSETS	\$ 722,245	\$ 82,767	\$ 753,156	\$ 162,117	\$ 1,720,285
LIABILITIES					
Accounts Payable	\$ 43,814	\$ 0	\$ 60,061	\$ 18,218	\$ 122,093
Accrued Liabilities	46,740	0	0	0	46,740
Deferred Revenues	0	0	24,000	0	24,000
TOTAL LIABILITIES	90,554	0	84,061	18,218	192,833
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue-Property Taxes	17,578	3,876	0	0	21,454
FUND BALANCE					
Restricted to Debt Service	0	78,891	0	0	78,891
Committed to Capital Improvements	0	0	669,095	143,899	812,994
Unassigned	614,113	0	0	0	614,113
TOTAL FUND BALANCE	614,113	78,891	669,095	143,899	1,505,998
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND LIABILITIES	\$ 722,245	\$ 82,767	\$ 753,156	\$ 162,117	\$ 1,720,285

TOWN OF COPPER CANYON

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

September 30, 2015

Fund Balance Above	\$ 1,505,998
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.	9,265,856
Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the Fund Balance Sheet.	21,454
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet.	(1,575,318)
Net Pension Liability and related Deferred Outflows of Resources	(1,424)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>9,216,566</u>

TOWN OF COPPER CANYON

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

For the Year Ended September 30, 2015

	GENERAL FUND	DEBT SERVICE FUND	CIP ROAD FUND	CIP WASTE WATER FUND	TOTAL
REVENUES					
Property Taxes	\$ 420,154	\$ 147,260	\$ 0	\$ 0	\$ 567,414
Sales Taxes	119,684	0	0	0	119,684
Franchise Fees	134,697	0	0	0	134,697
Permits & Fees	86,875	0	0	0	86,875
Municipal Court	116,767	0	0	0	116,767
Donation Revenues	3,215	0	0	0	3,215
Miscellaneous Revenues	0	0	0	0	0
Interest Income	234	20	199	46	499
TOTAL REVENUES	<u>881,626</u>	<u>147,280</u>	<u>199</u>	<u>46</u>	<u>1,029,151</u>
EXPENDITURES					
General Government	404,079	0	0	16,210	420,289
Public Safety	287,942	0	0	0	287,942
Parks-Trails	0	0	0	0	0
Public Works-Roads & Drainage	18,000	0	75,160	0	93,160
Debt Service - Principal	0	80,000	0	0	80,000
Debt Service - Interest	0	59,053	0	0	59,053
Capital Outlay	10,783	0	0	0	10,783
TOTAL EXPENDITURES	<u>720,804</u>	<u>139,053</u>	<u>75,160</u>	<u>16,210</u>	<u>951,227</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>160,822</u>	<u>8,227</u>	<u>(74,961)</u>	<u>(16,164)</u>	<u>77,924</u>
OTHER FINANCING SOURCES (USES)					
Transfers	<u>(259,169)</u>	<u>25,000</u>	<u>234,169</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	<u>(98,347)</u>	<u>33,227</u>	<u>159,208</u>	<u>(16,164)</u>	<u>77,924</u>
FUND BALANCE - BEGINNING	712,460	45,664	509,887	160,063	1,428,074
FUND BALANCE - ENDING	<u>\$ 614,113</u>	<u>\$ 78,891</u>	<u>\$ 669,095</u>	<u>\$ 143,899</u>	<u>\$ 1,505,998</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, 2015

Net Change in Fund Balance - Governmental Funds	\$ 77,924
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	10,783
Depreciation expense on capital assets	(797,163)
Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	80,000
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	2,046
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	60
Accrued Interest on long-term debts	195
Governmental funds report pension expense as it paid into the retirement plan during the fiscal year. However, in the statement of activities pension expense reflects the change in net pension liability during the plan fiscal year (calendar year 2014):	1,424
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(624,731)</u>

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

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, 2015

The net costs (by function) are normally covered by general revenue (property, sales, and 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, 2015

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

2. Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Measurable" means the amount of the transaction can be determined and "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (typical within 60 days after year end). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized only when payment is due.

3. Revenue Recognition:

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

4. Use of Estimates:

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

5: New Accounting Principles:

The Town has adopted all current GASB pronouncements that are applicable to its operations and activities. Effective October 1, 2014 the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement made significant modifications to reporting of employee pension benefits. 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. 72, *Technical Corrections - amendment of GASB no. 10 and No. 62*. This statement will not affect the Town.
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*. This statement will not affect the Town.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

- *Statement No.74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans.* This statement will not affect the Town.
- *Statement No.75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* This statement will not affect the Town.

The Town is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2016, 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 asset 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 of Resources:

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statement include (1) a deferred outflow of resources for

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

contributions made to the Town's retirement plan between the measurement date of the net pension liabilities from the plan and the end of the Town's fiscal year end (2) deferred outflows of resources related to differences between the plans' projected and actual earnings and (3) deferred outflows related to differences between actuarial assumptions for demographic factor. amount will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan.

The deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to differences between projected and actual plan earnings will be amortized to pension expense over a total of five years, including the current fiscal year. The deferred outflows related to differences between actuarial assumptions for demographic factors will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan.

No deferred outflows of resources affect the governmental funds financial statements in the current year.

6. Deferred Inflows of resources:

The Town reports increases in net assets that relate to future periods as deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements include (1) a deferred inflow of resources for revenues that are not considered available. The Town will not recognize the related revenues until they are available (collected no later than 60 days after the end of the Town's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as deferred inflows of resources.

7. 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.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

- 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).
- 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, 2015 the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Administration	\$33,701
Public Safety	\$ 2,989

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

NOTE 2: DEPOSITS:

At September 30, 2015 the carrying amount of the Town's cash accounts were \$1,655,452, made up of petty cash of \$160 and \$1,655,292 held in checking accounts at a local financial institution. The Town did not own any investments at September 30, 2015.

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, 2015 the Town's bank balances (per bank) totaled \$1,687,716. Of the bank balances, \$250,000 was covered by federal depository insurance and \$1,680,170 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, 2015.

Securities pledged by the Town's depository institution at September 30, 2015 are as follows:

SECURITY	PAR	FMV
FHLB-letter of credit	\$1,300,000	\$1,300,000
School District Bond	\$ 350,000	\$ 380,170

(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.

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

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

NOTE 3: PROPERTY TAX:

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

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

NOTE 4: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2015 is as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	TRANSFERS & DELETIONS	ENDING
Land	\$ 132,184	\$ 0	\$ 0	\$ 132,184
Building & Improvements	295,370	0	0	295,370
Equipment	31,651	10,783	(12,158)	30,276
Infrastructure	12,333,491	0	0	12,333,491
Construction in Progress	509,177	0	0	509,177
TOTAL AT HISTORICAL COST	<u>13,301,873</u>	<u>10,783</u>	<u>(12,158)</u>	<u>13,300,498</u>
LESS ACCUMULATED DEPRECIATION				
Land	0	0	0	0
Building & Improvements	109,539	13,544	0	123,083
Equipment	25,091	5,316	12,158	18,249
Infrastructure	3,115,007	778,303	0	3,893,310
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ACCUMULATED DEPRECIATION	<u>3,249,637</u>	<u>797,163</u>	<u>12,158</u>	<u>4,034,642</u>
TOTAL CAPITAL ASSETS, NET	\$ <u>10,052,236</u>	\$ <u>(786,380)</u>	\$ <u>0</u>	\$ <u>9,265,856</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 18,574
Public Safety	286
Public Works	<u>778,303</u>
TOTAL DEPRECIATION EXPENSE	\$ <u>797,163</u>

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

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	\$ 1,620,000	\$ 0	\$ 80,000	\$ 1,540,000	\$ 80,000
TOTAL BONDS	<u>1,620,000</u>	<u>0</u>	<u>80,000</u>	<u>1,540,000</u>	<u>80,000</u>
Compensated Absences	<u>10,119</u>	<u>0</u>	<u>60</u>	<u>10,059</u>	<u>0</u>
TOTAL GOVERNMENTAL	<u>\$ 1,630,119</u>	<u>\$ 0</u>	<u>\$ 80,060</u>	<u>\$ 1,550,059</u>	<u>\$ 80,000</u>

Future debt maturities are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
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	90,000	47,482	137,482
2021-2025	505,000	184,799	689,799
2026-2030	<u>615,000</u>	<u>69,685</u>	<u>684,685</u>
TOTALS	<u>\$ 1,540,000</u>	<u>\$ 517,305</u>	<u>\$ 2,057,305</u>

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

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, 2015 totaled \$466,687 and the remaining funds were held in CIP fund bank accounts to be expended in the 2015 fiscal year.

The CIP fund also expended \$75,160 during 2015 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, 2015 represents funds committed by the Town Council to road maintenance and improvements, \$669,095, and the unspent wastewater improvement project funds of \$143,899.

NOTE 7: RETIREMENT PLAN:

A. Plan Description

The Town participates as one of 860 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) can be obtained at www.TMRS.com.

All eligible employees of the Town are required to participate in TMRS.

B. Benefits provided

TMRS provides retirement, disability and death benefits. Benefits are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Town-financed monetary credits with interest were used to purchase an annuity. Members choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

The Town has adopted the following plan provisions:

	Plan Year 2014	Plan Year 2015
Employee deposit rate	7.00%	7.00%
Matching ratio (Town 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

At the December 31, 2014 valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>3</u>
	8

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each Town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 12.09% and 5.32% for the calendar years 2015 and 2014 respectively. The Town's contributions to TMRS for the fiscal year ended September 30, 2015 were \$19,831 and were equal to the required contributions.

D. Net Pension Liability or Assets

The Town's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For additional conservatism lower termination rates are used, with maximum multipliers of 75%, and the life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15. These rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2013	\$ 234,461	\$ 230,467	\$ 3,994
Service Cost	25,302		25,302
Interest	17,181		17,181
Differences between expected and actual results	4,489		4,489
Contributions - employer		8,192	(8,192)
Contributions - employee		11,730	(11,730)
Net investment income		13,185	(13,185)
Benefit Payments, including refunds of employee contributions	(3,328)	(3,328)	0
Administrative expense		(138)	138
Other		(11)	11
Net Changes	43,644	29,630	14,014
Balance at December 31, 2014	\$ 278,105	\$ 260,097	\$ 18,008

TOWN OF COPPER CANYON
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the Town, calculated using the discount rate of 7.0%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6%)	Discount Rate (7%)	1% Increase in Discount Rate (8%)
Town's Net Pension Liability	\$ <u>50,308</u>	\$ <u>18,008</u>	\$ <u>(9,077)</u>

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

E: Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2015 the Town recognized pension expense of \$18,408.

At September 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual economic experience	\$ 2,358	\$ 0	\$ 2,358
Differences between projected and actual investment earnings	<u>2,163</u>	<u>0</u>	<u>2,163</u>
To be recognized in the future	4,521	0	\$ <u>4,521</u>
Contributions subsequent to the measurement date	17,295	0	
Total	\$ <u>21,816</u>	\$ <u>0</u>	

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

\$17,295 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,		
2015	\$	2,753
2016		590
2017		590
2018		588
	\$	<u>4,521</u>

NOTE 8: RELATED PARTIES:

During the fiscal year a member of the Town's Council provided professional services to the Town related to development of the Town's website. The services provided by the Councilman totaled \$4,389 during the fiscal year and there no amounts due to the Councilman at September 30, 2015. The Councilman was elected to office in May 2015 and \$3,114 of the payments for services occurred prior to the Councilman taking office.

NOTE 9: 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 10: ADOPTION OF GASB 68

The Town has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* affective with these financial statements. In accordance with this statement, the Town has restated its September 30, 2014 government-wide unrestricted net positions to reflect the amount of net pension liability and the related deferred outflows of resources for contributions (Town contributions made after December 31, 2013, the measurement date for fiscal year September 30, 2014 fiscal year pension reporting, through September 30, 2014) as of September 30, 2014. The amount of the required restatements is as follows:

	Deferred Outflows Contributions	Net Pension Liability	Increase in Unrestricted Net Position
Governmental Activities	\$ 6,378	\$3,994	\$2,384

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2015

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Property Taxes	\$ 412,160	\$ 420,154	\$ 7,994
Sales Taxes	62,700	119,684	56,984
Franchise Fees	133,050	134,697	1,647
Permits & Fees	82,500	86,875	4,375
Municipal Court	123,685	116,767	(6,918)
Donation Revenues	0	3,215	3,215
Miscellaneous Revenues	0	0	0
Interest Income	400	234	(166)
TOTAL RESOURCES	814,495	881,626	67,131

CHARGES TO APPROPRIATIONS (OUTFLOWS)

General Government:

Wages	124,761	124,761	0
Contract Labor-Office	3,000	2,890	110
Payroll Taxes	11,211	10,908	303
Retirement	14,636	14,636	0
Health Insurance	16,000	16,000	0
Employee Vehicle Expenses	2,750	2,469	281
Accounting & Auditing Services	4,250	4,400	(150)
Appraisal & Tax Collection Services	7,000	5,627	1,373
Engineering Services	20,000	22,385	(2,385)
Legal Services	60,000	101,852	(41,852)
Codification	1,500	1,500	0
Other Professional Services	10,000	5,164	4,836
MS-4 Permit	4,000	659	3,341
Town Map	2,500	1,586	914
Town Clean-Up Day	9,000	7,442	1,558
Town Cookbook and Directory	0	4,698	(4,698)
Town Center Economic Plan	13,500	9,210	4,290
Building & Equipment Maintenance	17,300	19,909	(2,609)
Dues, Subscriptions & Public Notices	5,670	5,990	(320)
Election Costs	3,000	2,757	243
Insurance	6,000	5,794	206
Computer Maint. & Tech Support	4,000	7,782	(3,782)
Website	3,000	5,261	(2,261)
Neighborhood Watch	2,500	775	1,725
Office Supplies	3,100	2,568	532
Other Expenses	1,000	0	1,000
Volunteer Appreciation & Events	3,500	1,706	1,794
Travel & Training	3,700	3,511	189
Utilities	13,500	11,839	1,661
Total General Government	370,378	404,079	(33,701)

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2015

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
Public Safety:			
Wages - Court	41,972	41,972	0
Payroll Taxes - Court	4,000	3,832	168
Retirement - Court	5,196	5,196	0
Health Insurance - Court	8,000	8,000	0
Travel & Training - Court	500	486	14
Law Enforcement Contract Services	194,900	196,654	(1,754)
Municipal Court Judge Services	2,300	1,650	650
Legal Fees - Municipal Court	4,000	3,518	482
Municipal Court Technology & Security	2,510	1,858	652
Child Safety	2,075	2,123	(48)
Building Inspection	16,000	16,775	(775)
Code Enforcement	1,000	3,103	(2,103)
Animal Control	2,500	2,775	(275)
Total Public Safety	284,953	287,942	(2,989)
Parks & Recreation:			
Equestrian Trail	1,000	0	1,000
Public Works:			
Mowing	18,000	18,000	0
Total Public Works	18,000	18,000	0
Capital Additions:			
Administration	2,000	10,783	(8,783)
Total Capital Outlay	2,000	10,783	(8,783)
TOTAL APPROPRIATION BEEFORE BEFORE TRANSFERS	676,331	720,804	(44,473)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS BEFORE TRANSFERS	138,164	160,822	22,658
Transfers Out:			
To CIP Fund	(40,000)	(234,169)	194,169
To Debt Service Fund	(25,000)	(25,000)	0
Total Transfers Out	(65,000)	(259,169)	194,169
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS AFTER TRANSFERS	73,164	(98,347)	\$ (171,511)
FUND BALANCE - BEGINNING	790,630	712,460	
FUND BALANCE - ENDING	\$ 863,794	\$ 614,113	

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND

For the Year Ended September 30, 2015

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Property Taxes	\$ 143,126	\$ 147,260	\$ 4,134
Interest Income	0	20	20
Transfer from General Fund	25,000	25,000	0
TOTAL RESOURCES	168,126	172,280	4,154
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Debt Service Principal - Series 2010	80,000	80,000	0
Debt Service Interest - Series 2010	58,787	59,053	(266)
TOTAL EXPENDITURES	138,787	139,053	(266)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 29,339	\$ 33,227	\$ 3,888
FUND BALANCE - BEGINNING	45,664	45,664	
FUND BALANCE - ENDING	\$ 75,003	\$ 78,891	

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - CIP ROAD FUND

For the Year Ended September 30, 2015

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Interest Income	\$ 300	\$ 199	\$ (101)
Transfer from General Fund	40,000	234,169	194,169
TOTAL RESOURCES	40,300	234,368	194,068
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public Works:			
Road Engineering & Maintenance	52,000	75,160	(23,160)
Road & Drainage Improvements	0	0	0
TOTAL EXPENDITURES	52,000	75,160	(23,160)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ (11,700)	\$ 159,208	\$ 170,908
FUND BALANCE - BEGINNING	209,987	509,887	
FUND BALANCE - ENDING	\$ 198,287	\$ 669,095	

BUDGETARY COMPARISON SCHEDULE - CIP WASTE WATER FUND

For the Year Ended September 30, 2015

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Interest Income	\$ 0	\$ 46	\$ 46
Developer Contributions	0	0	0
TOTAL RESOURCES	0	46	46
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public Works:			
Waste Water Project	0	16,210	(16,210)
TOTAL EXPENDITURES	0	16,210	(16,210)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 0	\$ (16,164)	\$ (16,164)
FUND BALANCE - BEGINNING	160,063	160,063	
FUND BALANCE - ENDING	\$ 160,063	\$ 143,899	

TOWN OF COPPER CANYON

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2015

Plan Year	2014
TOTAL PENSION LIABILITY	
Service Cost	\$ 25,302
Interest (on the Total Pension Liability)	17,181
Changes in benefit terms	0
Difference between expected and actual experience	4,489
Change of assumptions	0
Benefit payments, including refunds of employee contributions	(3,328)
NET CHANGE IN TOTAL PENSION LIABILITY	43,644
TOTAL PENSION LIABILITY - BEGINNING	234,461
TOTAL PENSION LIABILITY - ENDING (a)	\$ 278,105
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 8,192
Contributions - Employee	11,730
Net investment income	13,185
Benefit payments, including refunds of employee contributions	(3,328)
Administrative expense	(138)
Other	(11)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	29,630
PLAN NET FIDUCIARY POSITION - BEGINNING	230,467
PLAN NET FIDUCIARY POSITION - ENDING (b)	\$ 260,097
NET PENSION LIABILITY (a) - (b)	\$ 18,008
Plan Fiduciary Net Position as a percentage of Total Pension Liability	93.52%
Covered employee payroll	\$ 167,577
Net Pension Liability as a percentage of covered payroll	10.75%

TOWN OF COPPER CANYON

SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2015

Actuarially Determined Contribution	\$ 19,832
Contributions in relation to the actuarially determined contribution	19,832
Contribution deficiency (excess)	<u>0</u>
Covered employee payroll	190,733
Contributions as a percentage of covered employee payroll	10.40%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3%
Salary Increases	3.5% to 12%, including inflation
Investment Rate of Return	7%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male multiplied by 109% and female multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year

OTHER SUPPLEMENTARY INFORMATION

TOWN OF COPPER CANYON
SCHEDULE OF PROPERTY TAXES

September 30, 2015

Tax Year	2014	2013	2012	2011
Assessed Value	188,924,979	\$ 176,666,077	\$ 176,856,645	\$ 172,191,357
Tax Rate per \$100 of Assessed Value	<u>0.297505</u>	<u>0.297505</u>	<u>0.301713</u>	<u>0.301713</u>
Total Tax Levy	<u>562,061</u>	\$ <u>525,590</u>	\$ <u>533,599</u>	\$ <u>519,524</u>
Collections During Fiscal Year	<u>558,509</u>	\$ <u>520,289</u>	\$ <u>528,933</u>	\$ <u>515,513</u>
% of Current Taxes Collected	<u>99.37%</u>	<u>98.99%</u>	<u>99.13%</u>	<u>99.23%</u>

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
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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, 2015, in accordance with auditing standards generally accepted in the United States of America, I considered the Town of Copper Canyon' internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A materiel weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness.

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

William C. Spore, PC
Certified Public Accountants
January 11, 2016