

TOWN OF COPPER CANYON

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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Certified Public Accountants
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Independent Auditor's Report

DRAFT

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, 2016, 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, 2016, 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

December 12, 2016

TOWN OF COPPER CANYON

CITY OFFICIALS

September 30, 2016

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, 2016.

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, 2016 by \$8,562,941, a decrease of \$676,865 from the prior year.
- At September 30, 2016, the Town's governmental funds reported combined fund balances of \$1,540,655, an increase of \$34,657 from the prior year.
- The Town's capital assets, reported at cost less accumulated depreciation, total \$8,476,449 at September 30, 2016 while the Town's long-term debt totaled \$1,460,000 at September 30, 2016.

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 four governmental funds, the General Fund, Debt Service Fund, the Capital Improvement Projects Fund and the Town of Copper Canyon Crime Control and Prevention District. 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 is as follows:

	2016	2015	CHANGE
Current and Other Assets	\$ 1,704,954	\$ 1,742,101	\$ (37,147)
Capital Assets	<u>8,476,449</u>	<u>9,265,856</u>	<u>(789,407)</u>
Total Assets	<u>10,181,403</u>	<u>11,007,957</u>	<u>(826,554)</u>
Liabilities	<u>(1,618,462)</u>	<u>(1,768,151)</u>	<u>149,689</u>
Net Position:			
Invested in Capital Assets, net			
of debt	7,016,449	7,887,973	(871,524)
Restricted for Debt Service	100,248	78,891	21,357
Unrestricted	<u>1,446,244</u>	<u>1,272,942</u>	<u>173,302</u>
Total Net Position	\$ <u>8,562,941</u>	\$ <u>9,239,806</u>	\$ <u>(676,865)</u>

The Town's net position decreased \$676,865 from September 30, 2015 to September 30, 2016. The largest portion (83%) 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, 2016 the Town had expended \$496,676 of the developer funds. The project was completed during 2016 and \$114,117 of unused developer funds were returned to the developer.

Analysis of Town's Operations

A summary of the Town's operations for the years ended September 30, 2016 & 2015 are as follows:

	CHANGES IN NET POSITION		
	2016	2015	CHANGE
REVENUES			
Program Revenues:			
Charges for Services	\$ 208,691	\$ 203,642	\$ 5,049
Capital Grants & Reimbursements	0	0	0
Operating Grants & Donations	5,888	3,215	2,673
General Revenues:			
Property Taxes	619,227	569,460	49,767
Sales Taxes	190,113	119,684	70,429
Franchise Fees	119,255	134,697	(15,442)
Interest Income	4,150	499	3,651
Total Revenues	\$ 1,147,324	\$ 1,031,197	\$ 116,127
PROGRAM EXPENSES			
General Government	\$ 455,736	\$ 438,350	\$ 17,386
Public Safety	304,334	287,257	17,077
Parks-Trails	0	0	0
Public Works	1,007,169	871,463	135,706
Interest on Long-Term Debts	56,960	58,858	(1,898)
Total Expenses	1,824,199	1,655,928	168,271
Increase (Decrease) in Net Position	\$ (676,875)	\$ (624,731)	\$ (52,144)

Charges for services revenues includes permit revenues and municipal court fines. Permit revenues increased \$19,017 (22%) during 2016 primarily due an increase in residential permits issued in fiscal year 2016. Municipal court fines decreased \$14,560 (12.5%) during 2016.

The Town maintained its property tax rate the same in 2016 as in 2015 but property tax revenues increased due an \$16,223,434 (8.6%) increase in the assessed value of property in the Town.

At the November 2015 election, the citizens of the Town voted to establish a crime control and prevention district to be funded by a one percent (1.00%) local sales tax. The crime control district began collecting the additional sales tax in April 2016 and received a total of \$56,549 in sales tax revenues during fiscal year 2016. This newly created local sale tax accounts for 80% of the Town's increase in sales tax revenues when compared to 2015.

Total program expenses increased \$168,271 (10%) in 2016 from 2015 primarily due to the refund of the unused wastewater developer funds of \$114,117 noted above. This refund is included in public works expenses. General government expenses increased \$17,386 primarily due to increases in engineering services incurred by the Town in 2016 when compared to engineering expenses incurred in 2015. Public safety expenses increased \$17,077 during 2016 primarily due to increases in court personnel costs (\$3,119) and law enforcement contract services (\$9,422).

Interest on long-term debts relates to the interest payments on the 2010 general obligation bonds. As principle payments are made to reduce the debt each year the annual interest expenses will also decrease annually.

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:

	2016	2015	% CHANGE
REVENUES			
Property Taxes	\$ 610,431	\$ 567,414	7.58%
Sales Taxes	190,113	119,684	58.85%
Franchise Fees	119,255	134,697	-11.46%
Permits & Fees	105,892	86,875	21.89%
Municipal Court	102,207	116,767	-12.47%
Donations	5,888	3,215	83.14%
Miscellaneous Revenues	592	0	0.00%
Interest Income	4,150	499	731.66%
TOTAL REVENUES	\$ 1,138,528	\$ 1,029,151	10.63%

Fund basis revenues increased \$109,377 (10.6%) with property taxes increasing due to increases in the assessed values of property in the Town and sales tax revenues increasing due to the creation of the crime control and prevention district and due to the increase in commercial businesses in the Town. With an increase in building permits being issued in 2016 compared to 2015 the Town's permit and fee revenues increased over 21% during 2016.

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

	2016	2015	% CHANGE
EXPENDITURES			
General Government	\$ 428,229	\$ 420,289	1.89%
Public Safety	301,702	287,942	4.78%
Public Works-Roads & Drainage	228,866	93,160	145.67%
Debt Service	137,312	139,053	-1.25%
Capital Outlay	7,762	10,783	-28.02%
TOTAL EXPENDITURES	\$ 1,103,871	\$ 951,227	16.05%

Total governmental fund expenditures increased \$152,644 during 2016 primarily due to the expenditures related to the wastewater project which was completed during 2016. \$29,989 of wastewater project funds were expended for engineering and maintenance of the wastewater system and remaining unused developer funds of \$114,117 were returned to developer once the project was completed.

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 \$44,654 greater than budgeted revenues primarily due to favorable variances in sales tax and permit revenues as discussed above.

Franchise fee and property tax revenues were under budgeted revenues \$16,635 and \$1,931 respectively and municipal court revenues were \$1,007 over budgeted revenues.

Total actual 2016 general fund expenditures, excluding transfers, exceeded budgeted general fund expenditures by \$52,729. General government expenditures were \$49,956 (13%) over budget primarily due to actual engineering services and legal services being over budget \$28,065 and \$23,050 respectively.

There were no budget amendments during fiscal year 2016.

CAPITAL ASSETS

The Town's investment in capital assets as of September 30, 2016, amounts to \$8,476,449 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure.

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

	2016	2015	CHANGE
Land-Town Hall	\$ 132,184	\$ 132,184	0
Buildings-Town Hall	159,225	172,287	(13,062)
Office Equipment	13,986	12,027	1,959
Infrastructure-Roads & Drainage	7,661,877	8,440,181	(778,304)
Construction in Progress	509,177	509,177	0
TOTAL	\$ <u>8,476,449</u>	\$ <u>9,265,856</u>	<u>(789,407)</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:

	2016	2015
General Obligation Bonds	\$ <u>1,460,000</u>	\$ <u>1,540,000</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 2017 are \$1,020,508. These revenues include maintenance and operation property tax revenues of \$473,218, based on a tax rate of .235080 per \$100 of valuation, an increase of .014702 per \$100 of valuation. Budgeted sales tax, franchise fees, municipal court and permit/inspection/development revenues were budgeted at levels comparative to the 2016 actual revenues. Budgeted revenues include transfers of \$95,000 from the newly created crime control and prevention district.

Budgeted 2017 general fund expenditures are \$927,836. Budgeted personnel expenditures are \$260,959, an increase of \$15,325 (6.24%) over 2016 budgeted expenditures. Professional fee expenditures are budgeted to total \$160,200, an increase of \$19,050 over 2016 budgeted expenditures but are \$41,187 less than 2016 actual expenditures. Law enforcement budgeted expenditures were increased \$112,311 as the Town plans to add an officer to its contract with the Denton County Sheriff's office. This increase in law enforcement expense will be funded from funds provided by the crime control and prevention district.

Public works road maintenance and engineering is budgeted at \$89,100 for 2017, an increase of \$14,100 from the 2016 budget.

The 2017 general fund budget results in a projected \$92,673 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, 2016

ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS	
Cash	\$ 704,975
Receivable-Sales & Franchise Taxes	68,568
Receivable-Property Taxes	30,250
TOTAL CURRENT ASSETS	<u>803,793</u>
NONCURRENT ASSETS	
Restricted Cash	<u>864,827</u>
CAPITAL ASSETS	
Land-Town Hall	132,184
Buildings-Town Hall	295,370
Office Equipment	38,038
Infrastructure-Roads & Drainage	12,333,491
Construction in Progress	509,177
Accumulated Depreciation	<u>(4,831,811)</u>
NET CAPITAL ASSETS	<u>8,476,449</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions After Measurement Date	16,023
Difference in Projected and Actual Earnings-Pension	16,026
Difference in Assumption Changes	4,285
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>36,334</u>
TOTAL ASSETS	<u>10,181,403</u>
LIABILITIES	
LIABILITIES	
Accounts Payable	29,652
Accrued Liabilities	74,952
Accrued Compensated Absences	8,045
NONCURRENT LIABILITIES	
Net Pension Liability	45,432
General Obligation Bonds Due Within One Year	80,000
General Obligation Bonds Due in More Than One Year	1,380,000
TOTAL LIABILITIES	<u>1,618,081</u>
DEFERRED INFLOWS OF RESOURCES	
Difference in Expected and Actual Pension Experience	<u>381</u>
NET POSITION	
Invested in Capital Asset, Net of Related Debt	7,016,449
Restricted for Debt Service	100,248
Unrestricted	1,446,244
TOTAL NET POSITION	<u>\$ 8,562,941</u>

TOWN OF COPPER CANYON

**GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & DONATIONS	CAPITAL GRANTS & REIMBURSE- MENTS	NET (EXPENSE) REVENUE
GOVERNMENTAL ACTIVITIES:					
General Government	\$ (455,736)	\$ 106,484	\$ 5,888	\$ 0	\$ (343,364)
Public Safety	(304,334)	102,207	0	0	(202,127)
Parks-Trails	0	0	0	0	0
Public Works-Roads & Drainage	(1,007,169)	0	0	0	(1,007,169)
Interest on Long-Term Debt	(56,950)	0	0	0	(56,950)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (1,824,189)	\$ 208,691	\$ 5,888	\$ 0	\$ (1,609,610)
GENERAL REVENUE					
Property Taxes					619,227
Sales Taxes					190,113
Franchise Fees					119,255
Interest Income					4,150
TOTAL GENERAL REVENUE					932,745
CHANGE IN NET POSITION					(676,865)
NET POSITION - BEGINNING					9,239,806
NET POSITION - ENDING					\$ 8,562,941

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF COPPER CANYON

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2016

ASSETS	GENERAL FUND	DEBT SERVICE FUND	CIP ROAD FUND	CRIME CONTROL & PREVENTION		TOTAL
				DISTRICT	DISTRICT	
Cash	\$ 704,975	\$ 0	\$ 0	\$ 0	\$ 0	\$ 704,975
Restricted Cash-Debt Service Fund	0	100,248	0	0	0	100,248
Restricted Cash-Crime Control & Prevention	0	0	0	40,240	0	40,240
Restricted Cash-CIP Fund	0	0	690,774	0	0	690,774
Restricted Cash-Court Technology & Security	26,072	0	0	0	0	26,072
Restricted Cash-Scholarship Fund	7,493	0	0	0	0	7,493
Receivable-Sales Taxes & Franchise Fees	52,278	0	0	16,290	0	68,568
Receivable-Property Taxes	24,032	6,218	0	0	0	30,250
TOTAL ASSETS	\$ 814,850	\$ 106,466	\$ 690,774	\$ 56,530	\$ 56,530	\$ 1,668,620
LIABILITIES						
Accounts Payable	\$ 29,420	\$ 0	\$ 232	\$ 0	\$ 0	\$ 29,652
Accrued Liabilities	44,063	0	0	0	0	44,063
Deferred Revenues	0	0	24,000	0	0	24,000
TOTAL LIABILITIES	73,483	0	24,232	0	0	97,715
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue-Property Taxes	24,032	6,218	0	0	0	30,250
FUND BALANCE						
Restricted to Debt Service	0	100,248	0	0	0	100,248
Restricted to Crime Control & Prevention	0	0	0	56,530	0	56,530
Committed to Capital Improvements	0	0	666,542	0	0	666,542
Unassigned	717,335	0	0	0	0	717,335
TOTAL FUND BALANCE	717,335	100,248	666,542	56,530	56,530	1,540,655
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND LIABILITIES						
	\$ 814,850	\$ 106,466	\$ 690,774	\$ 56,530	\$ 56,530	\$ 1,668,620

TOWN OF COPPER CANYON

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

September 30, 2016

Fund Balance Above

\$ 1,540,655

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.

8,476,449

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

30,250

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

(1,474,934)

Net Pension Liability and related Deferred Outflows of Resources

(9,479)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 8,562,941

TOWN OF COPPER CANYON

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

For the Year Ended September 30, 2016

	GENERAL FUND	DEBT SERVICE FUND	CIP ROAD FUND	CIP WASTE WATER & PREVENTION FUND	CRIME CONTROL DISTRICT	TOTAL
REVENUES						
Property Taxes	\$ 452,051	\$ 158,380	\$ 0	\$ 0	\$ 0	\$ 610,431
Sales Taxes	133,564	0	0	0	56,549	190,113
Franchise Fees	119,255	0	0	0	0	119,255
Permits & Fees	105,892	0	0	0	0	105,892
Municipal Court	102,207	0	0	0	0	102,207
Donation Revenues	5,888	0	0	0	0	5,888
Miscellaneous Revenues	592	0	0	0	0	592
Interest Income	1,577	289	2,046	232	6	4,150
TOTAL REVENUES	<u>921,026</u>	<u>158,669</u>	<u>2,046</u>	<u>232</u>	<u>56,555</u>	<u>1,138,528</u>
EXPENDITURES						
General Government	428,229	0	0	0	0	428,229
Public Safety	301,677	0	0	0	25	301,702
Parks-Trails	0	0	0	0	0	0
Public Works-Roads & Drainage	18,255	0	66,505	144,106	0	228,866
Debt Service - Principal	0	80,000	0	0	0	80,000
Debt Service - Interest	0	57,312	0	0	0	57,312
Capital Outlay	7,762	0	0	0	0	7,762
TOTAL EXPENDITURES	<u>755,923</u>	<u>137,312</u>	<u>66,505</u>	<u>144,106</u>	<u>25</u>	<u>1,103,871</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>165,103</u>	<u>21,357</u>	<u>(64,459)</u>	<u>(143,874)</u>	<u>56,530</u>	<u>34,657</u>
OTHER FINANCING SOURCES (USES)						
Transfers	(61,881)	0	61,906	(25)	0	0
NET CHANGE IN FUND BALANCES	<u>103,222</u>	<u>21,357</u>	<u>(2,553)</u>	<u>(143,899)</u>	<u>56,530</u>	<u>34,657</u>
FUND BALANCE - BEGINNING	<u>614,113</u>	<u>78,891</u>	<u>669,095</u>	<u>143,899</u>	<u>0</u>	<u>1,505,998</u>
FUND BALANCE - ENDING	<u>\$ 717,335</u>	<u>\$ 100,248</u>	<u>\$ 666,542</u>	<u>\$ 0</u>	<u>\$ 56,530</u>	<u>\$ 1,540,655</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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, 2016

Net Change in Fund Balance - Governmental Funds	\$ 34,657
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	7,762
Depreciation expense on capital assets	(797,169)
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	8,796
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	2,014
Accrued Interest on long-term debts	362
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 2015):	(13,287)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(676,865)</u>

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

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

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Town of Copper Canyon (the primary government) and its component units. The following component units are included in the Town's reporting entity because of their operational and financial relationship with the Town.

Blended component units:

At its November 2015 election, the citizens of the Town of Copper Canyon approved the creation of the Town of Copper Canyon Crime Control and Prevention District (the C.C.P.D.) and adopted a local sales and use tax of one percent (.25%) to fund the C.C.P.D. The District is governed by a board of directors, all of whom are appointed by the Town Council of the Town of Copper Canyon. The purpose of the C.C.P.D. is to enhance the police department staffing levels to provide a higher level of crime prevention and crime control in the District. The C.C.P.D. began collecting sales tax revenues in April 2016.

Individual audited financial statements of the component unit are not issued. Management issued financial statements can be obtained from the Town's administrative offices.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

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.

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.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

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 is currently one active capital improvements projects, a road improvement 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.

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.

TOWN OF COPPER CANYON
NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

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. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and / or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the Town of Copper Canyon.

- Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement will not affect the Town.
- Statement No. 77, *Tax Abatement Disclosures*. This statement will not affect the Town.
- Statement No. 78, *Pension Provided Through Certain Multi-Employer Defined Benefit Pension Plan*. This statement will not affect the Town.
- Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement will not affect the Town.
- Statement No. 80, *Blending Requirements for Certain Component Units*. This statement will not affect the Town.

New pronouncements not yet in effect as of September 30, 2016, are not expected to have any significant impact on the Town's financial position, results of operations, or cash flows. The Town is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2017, 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.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

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) for 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) differences between the plans' projected and actual earnings on pension assets and (3) differences between actuarial assumptions for demographic factors.

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 amortized 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.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

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 and (2) the difference between expected and actual pension experience.

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. Deferred inflows related differences between expected and actual pension experience will be amortized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan.

7. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. 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, 2016

- 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, 2016 the following departments had expenditures that exceeded appropriations:

	<u>Amount</u>
Administration	\$49,953
Public Safety	\$ 2,756
Public Works	\$ 255
Capital Additions	\$ 765

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

NOTE 2: DEPOSITS:

At September 30, 2016, the carrying amount of the Town's cash accounts were \$1,569,802, made up of petty cash of \$160 and \$1,569,642 held in checking accounts at a local financial institution. The Town did not own any investments at September 30, 2016.

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, 2016, the Town's bank balances (per bank) totaled \$1,634,503. Of the bank balances, \$250,000 was covered by federal depository insurance and \$1,384,503 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, 2016.

Securities pledged by the Town's depository institution at September 30, 2016 are as follows:

SECURITY	PAR	FMV
FHLB-letter of credit	\$1,300,000	\$1,300,000
School District Bond	\$ 350,000	\$ 375,288
US Treasury Note	\$ 450,000	\$ 457,861

(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, 2016

NOTE 4: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2016 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	30,276	7,762	0	38,038
Infrastructure	12,333,491	0	0	12,333,491
Construction in Progress	509,177	0	0	509,177
TOTAL AT HISTORICAL COST	<u>13,300,498</u>	<u>7,762</u>	<u>0</u>	<u>13,308,260</u>
LESS ACCUMULATED DEPRECIATION				
Land	0	0	0	0
Building & Improvements	123,083	13,063	0	136,146
Equipment	18,249	5,803	0	24,052
Infrastructure	3,893,310	778,303	0	4,671,613
Construction in Progress	0	0	0	0
TOTAL ACCUMULATED DEPRECIATION	<u>4,034,642</u>	<u>797,169</u>	<u>0</u>	<u>4,831,811</u>
TOTAL CAPITAL ASSETS, NET	\$ <u>9,265,856</u>	\$ <u>(789,407)</u>	\$ <u>0</u>	\$ <u>8,476,449</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

General Government	\$ 18,866
Public Safety	0
Public Works	<u>778,303</u>
TOTAL DEPRECIATION EXPENSE	\$ <u>797,169</u>

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

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	\$ 1,540,000	\$ 0	\$ 80,000	\$ 1,460,000	\$ 80,000
TOTAL BONDS	<u>1,540,000</u>	<u>0</u>	<u>80,000</u>	<u>1,460,000</u>	<u>80,000</u>
Compensated Absences	<u>10,059</u>	<u>0</u>	<u>2,014</u>	<u>8,045</u>	<u>0</u>
TOTAL GOVERNMENTAL	<u>\$ 1,550,059</u>	<u>\$ 0</u>	<u>\$ 82,014</u>	<u>\$ 1,468,045</u>	<u>\$ 80,000</u>

Future debt maturities are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
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	95,000	44,312	139,312
2022-2026	525,000	164,797	689,797
2027-2030	500,000	45,375	545,375
TOTALS	<u>\$ 1,460,000</u>	<u>\$ 460,217</u>	<u>\$ 1,920,217</u>

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

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. These projects include funds for wastewater improvements and road maintenance and improvements.

Wastewater project - 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. The project was completed during 2016 and the wastewater system is available to go on-line when "Town Center" developer is ready to use it. Unused funds of \$114,117 were returned to the developer during 2016 and wastewater project banks accounts were closed.

Road maintenance and improvement projects - the CIP fund expended \$66,505 during 2016 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 road fund balance at September 30, 2016 totals \$666,542. These funds have been committed by the Town Council for future road maintenance and improvement projects.

NOTE 7: RETIREMENT PLAN:

A. Plan Description

The Town participates as one of 866 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

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

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.

The Town has adopted the following plan provisions:

	Plan Year 2015	Plan Year 2016
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

At the December 31, 2015 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 13.04% and 12.9% for the calendar years 2016 and 2015 respectively. The Town's contributions to TMRS for the fiscal year ended September 30, 2016 were \$121,964 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, 2015, 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, 2016

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, 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 Combined Healthy Mortality tables with Blue Collar Adjustment are used with males multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

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%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. 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, 2014	\$ 278,105	\$ 260,097	\$ 18,008
Service Cost	34,518		34,518
Interest	20,559		20,559
Differences between expected and actual results	(804)		(804)
Change of assumptions	9,046		9,046
Contributions - employer		22,304	(22,304)
Contributions - employee		13,453	(13,453)
Net investment income		384	(384)
Benefit Payments, including refunds of employee contributions	(3,328)	(3,328)	0
Administrative expense		(234)	234
Other		(12)	12
Net Changes	59,991	32,567	27,424
Balance at December 31, 2015	\$ 338,096	\$ 292,664	\$ 45,432

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's Net Pension Liability	\$ <u>84,211</u>	\$ <u>45,432</u>	\$ <u>12,774</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, 2016 the Town recognized pension expense of \$35,251.

At September 30, 2016, 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	\$ 0	\$ 381	\$ (381)
Differences in assumptions	4,285	0	4,285
Differences between projected and actual investment earnings	<u>16,026</u>	<u>0</u>	<u>16,026</u>
To be recognized in the future	20,311	381	\$ <u>19,930</u>
Contributions subsequent to the measurement date	16,023	0	
Total	\$ <u>36,334</u>	\$ <u>381</u>	

TOWN OF COPPER CANYON

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

The \$16,023 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,	
2016	\$ 8,059
2017	4,155
2018	4,153
2019	3,563
	<u>\$ 19,930</u>

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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2016

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Property Taxes	\$ 453,982	\$ 452,051	\$ (1,931)
Sales Taxes	117,000	133,564	16,564
Franchise Fees	135,890	119,255	(16,635)
Permits & Fees	68,300	105,892	37,592
Municipal Court	101,200	102,207	1,007
Scholarship Program	0	5,888	5,888
Miscellaneous Revenues	0	592	592
Interest Income	0	1,577	1,577
TOTAL RESOURCES	876,372	921,026	44,654

CHARGES TO APPROPRIATIONS (OUTFLOWS)

General Government:

Wages	129,331	129,331	0
Payroll Taxes	11,737	11,552	185
Retirement	18,605	18,605	0
Health Insurance	16,000	16,000	0
Employee Vehicle Expenses	2,750	2,504	246
Accounting & Auditing Services	4,500	4,500	0
Appraisal & Tax Collection Services	6,000	5,795	205
Engineering Services	20,000	48,065	(28,065)
Legal Services	80,000	103,050	(23,050)
Codification	1,000	875	125
Other Professional Services	0	223	(223)
MS-4 Permit	4,000	3,450	550
Town Map	1,000	0	1,000
Town Clean-Up Day	9,000	7,000	2,000
Scholarship Program	0	5,398	(5,398)
Building & Equipment Maintenance	15,000	10,427	4,573
Dues, Subscriptions & Public Notices	5,400	7,300	(1,900)
Election Costs	3,000	4,007	(1,007)
Insurance	6,000	6,387	(387)
Computer Maint. & Tech Support	10,650	9,376	1,274
Website	1,000	1,451	(451)
Neighborhood Watch	2,500	968	1,532
Office Supplies	5,200	8,007	(2,807)
Other Expenses	4,300	3,973	327
Volunteer Appreciation & Events	3,500	4,055	(555)
Travel & Training	5,500	4,715	785
Utilities	12,300	11,215	1,085
Total General Government	378,273	428,229	(49,956)

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2016

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
Public Safety:			
Wages - Court	43,231	39,636	3,595
Payroll Taxes - Court	3,921	3,847	74
Retirement - Court	6,559	3,358	3,201
Health Insurance - Court	8,000	4,166	3,834
Contract Labor-Court	3,000	11,112	(8,112)
Law Enforcement Contract Services	204,500	206,076	(1,576)
Municipal Court Judge Services	2,300	5,200	(2,900)
Legal Fees - Municipal Court	4,000	2,800	1,200
Municipal Court Technology & Security	2,510	4,543	(2,033)
Child Safety	2,200	2,341	(141)
Building Inspection	14,000	15,004	(1,004)
Code Enforcement	2,000	1,314	686
Animal Control	2,700	2,280	420
Total Public Safety	298,921	301,677	(2,756)
Parks & Recreation:			
Equestrian Trail	1,000	0	1,000
Public Works:			
Mowing & Street Signs	18,000	18,255	(255)
Total Public Works	18,000	18,255	(255)
Capital Additions:			
Administration	7,000	7,762	(762)
Total Capital Outlay	7,000	7,762	(762)
TOTAL APPROPRIATION BEFORE BEFORE TRANSFERS	703,194	755,923	(52,729)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS BEFORE TRANSFERS	173,178	165,103	(8,075)
Transfers Out:			
To CIP Fund	0	(61,881)	61,881
Total Transfers Out	0	(61,881)	61,881
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS AFTER TRANSFERS	173,178	103,222	\$ (69,956)
FUND BALANCE - BEGINNING	614,113	614,113	
FUND BALANCE - ENDING	\$ 787,291	\$ 717,335	

TOWN OF COPPER CANYON
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
For the Year Ended September 30, 2016

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Property Taxes	\$ 159,193	\$ 158,380	\$ (813)
Interest Income	0	289	289
TOTAL RESOURCES	159,193	158,669	(524)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Debt Service Principal - Series 2010	80,000	80,000	0
Debt Service Interest - Series 2010	57,088	57,312	(224)
TOTAL EXPENDITURES	137,088	137,312	(224)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 22,105	\$ 21,357	\$ (748)
FUND BALANCE - BEGINNING	78,891	78,891	
FUND BALANCE - ENDING	\$ 100,996	\$ 100,248	

TOWN OF COPPER CANYON

BUDGETARY COMPARISON SCHEDULE - CIP ROAD FUND

For the Year Ended September 30, 2016

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Interest Income	\$ 300	\$ 2,046	\$ 1,746
Transfer from General Fund	0	61,881	61,881
Transfer from Waste Water Fund	0	25	25
Water Fund	300	63,952	63,652
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public Works:			
Road Engineering & Maintenance	57,000	66,505	(9,505)
Road & Drainage Improvements	0	0	0
TOTAL EXPENDITURES	57,000	66,505	(9,505)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ (56,700)	\$ (2,553)	\$ 54,147
FUND BALANCE - BEGINNING	669,095	669,095	
FUND BALANCE - ENDING	\$ 612,395	\$ 666,542	

BUDGETARY COMPARISON SCHEDULE - CIP WASTE WATER FUND

For the Year Ended September 30, 2016

	BUDGET AMOUNTS	ACTUAL AMOUNTS	VARIANCE
RESOURCES (INFLOWS)			
Interest Income	\$ 0	\$ 232	\$ 232
Developer Contributions	0	0	0
TOTAL RESOURCES	0	232	232
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public Works:			
Waste Water Project	0	29,989	(29,989)
Refund to Developer	0	114,117	(114,117)
Transfer to Road Fund	0	25	(25)
TOTAL EXPENDITURES	0	144,131	(144,131)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	\$ 0	\$ (143,899)	\$ (143,899)
FUND BALANCE - BEGINNING	143,899	143,899	
FUND BALANCE - ENDING	\$ 143,899	\$ 0	

TOWN OF COPPER CANYON

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2016

Plan Year	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service Cost	\$ 34,518	\$ 25,302
Interest (on the Total Pension Liability)	20,559	17,181
Changes in benefit terms	0	0
Difference between expected and actual experience	(804)	4,489
Change of assumptions	9,046	0
Benefit payments, including refunds of employee contributions	<u>(3,328)</u>	<u>(3,328)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	59,991	43,644
TOTAL PENSION LIABILITY - BEGINNING	<u>278,105</u>	<u>234,461</u>
TOTAL PENSION LIABILITY - ENDING (a)	\$ <u><u>338,096</u></u>	\$ <u><u>278,105</u></u>
 PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 22,304	\$ 8,192
Contributions - Employee	13,453	11,730
Net investment income	384	13,185
Benefit payments, including refunds of employee contributions	(3,328)	(3,328)
Administrative expense	(234)	(138)
Other	<u>(12)</u>	<u>(11)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	32,567	29,630
PLAN NET FIDUCIARY POSITION - BEGINNING	<u>260,097</u>	<u>230,467</u>
PLAN NET FIDUCIARY POSITION - ENDING (b)	\$ <u><u>292,664</u></u>	\$ <u><u>260,097</u></u>
 NET PENSION LIABILITY (a) - (b)	\$ <u><u>45,432</u></u>	\$ <u><u>18,008</u></u>
 Plan Fiduciary Net Position as a percentage of Total Pension Liability	86.56%	93.52%
 Covered employee payroll	\$ 192,192	\$ 167,577
Net Pension Liability as a percentage of covered payroll	23.64%	10.75%

TOWN OF COPPER CANYON

SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2016

	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 21,964	\$ 19,832
Contributions in relation to the actuarially determined contribution	21,964	19,832
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered employee payroll	172,013	190,733
Contributions as a percentage of covered employee payroll	12.77%	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	28 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3%
Salary Increases	3.5% to 10.5%, 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 2015 valuation pursuant to an experience study of the period 2010 - 2014
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, 2016

Tax Year	2015	2014	2013	2012
Assessed Value	205,148,413	\$ 188,924,979	\$ 176,666,077	\$ 176,856,645
Tax Rate per \$100 of Assessed Value	<u>0.297505</u>	<u>0.297505</u>	<u>0.297505</u>	<u>0.301713</u>
Total Tax Levy	<u>610,327</u>	\$ <u>562,061</u>	\$ <u>525,590</u>	\$ <u>533,599</u>
Collections During Fiscal Year	<u>601,308</u>	\$ <u>558,509</u>	\$ <u>520,289</u>	\$ <u>528,933</u>
% of Current Taxes Collected	<u>98.52%</u>	<u>99.37%</u>	<u>98.99%</u>	<u>99.13%</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
200 N. Rufe Snow Dr., Ste 116
Keller, TX 76248
817-421-6619

December 12, 2016

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, 2016, and have issued my report thereon dated December 12, 2016. 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 September 28, 2016. 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. The existing accounting policies used by the Town were not changed during 2016. 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 December 12, 2016.

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

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, 2016, 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
December 12, 2016