D R A F T

City of Copperas Cove

NOTICE OF MEETING
OF THE
GOVERNING BODY OF
COPPERAS COVE, TEXAS

An agenda information packet is available for public inspection in the Copperas Cove Public Library, City Hall and on the City's Web Page, www.ci.copperas-cove.tx.us

Notice is hereby given that a **Workshop Council Meeting** of the City of Copperas Cove, Texas, will be held on **November 16, 2010** at **6:00 p.m.** in the City Hall Council Chambers at 507 South Main Street, Copperas Cove, Texas 76522, at which time the following subjects will be discussed:

A. CALL TO ORDER

B. ROLL CALL

C. WORKSHOP ITEMS

1. Presentation and discussion on Chapter 3 Code of Ordinances - Animals and Fowl. ***Andrea M. Gardner, City Manager***

2. Provide direction to the City Manger for item C-1 above. ***Andrea M. Gardner, City Manager***

3. Update on the 2010 Texas Municipal League Conference. ***Danny Palmer, Council Member***

4. Provide direction to the City Manger for item C-3 above. ***Andrea M. Gardner, City Manager***

D. ADJOURNMENT

The City Council reserves the right to adjourn into Executive Session at any time regarding any issue on this agenda for which it is legally permissible.

City Hall is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to the meeting. Please contact the City Secretary at (254) 547-4221, (254) 547-6063 TTY, or FAX (254) 542-8927 for information or assistance.

I, the undersigned authority, do hereby certify that the above Notice of Meeting of the Governing Body of

the City of Copperas Cove was posted at _____, November 12, 2010 on the glass front door of City Hall, a place convenient and readily accessible to the general public at all times.

_____
Jane Lees, TRMC, CMC
City Secretary

City of Copperas Cove

NOTICE OF MEETING
OF THE
GOVERNING BODY OF
COPPERAS COVE, TEXAS

An agenda information packet is available for public inspection in the Copperas Cove Public Library, City Hall and on the City's Web Page, www.ci.copperas-cove.tx.us

Notice is hereby given that a **Regular Council Meeting** of the City of Copperas Cove, Texas, will be held on **November 16, 2010** at **7:00 p.m.** in the City Hall Council Chambers at 507 South Main Street, Copperas Cove, Texas 76522, at which time the following subjects will be discussed:

A. **CALL TO ORDER**

B. **INVOCATION AND PLEDGE OF ALLEGIANCE**

C. **ROLL CALL**

D. **ANNOUNCEMENTS**

E. **PUBLIC RECOGNITION**

F. **CITIZENS FORUM** – At this time, citizens will be allowed to speak for a length of time not to exceed five minutes per person. Thirty minutes total has been allotted for this section. Pursuant to §551.042 of the Texas Open Meetings Act, any deliberation or decision about the subject of inquiry shall be limited to a proposal to place the subject on the agenda for a subsequent meeting.

G. **CONSENT AGENDA** – All matters listed under this item are considered to be routine by the City Council and will be enacted by one motion. There will not be separate discussion of these items. If discussion is desired, that item will be removed from the consent agenda and considered separately.

1. Consideration and action on approving the minutes from the workshop council meeting of November 2, 2010. ***Stefanie Brown, Deputy City Secretary***

2. Consideration and action on approving the minutes from the regular council meeting of November 2, 2010. ***Stefanie Brown, Deputy City Secretary***

3. Consideration and action on a resolution approving the attached General Legislative Policy of the City of Copperas Cove. ***Andrea M. Gardner, City Manager***

4. Consideration and action authorizing the City Manager to execute an agreement with Coryell County to provide fire protection services in portions of the unincorporated area of Coryell County as defined by the Coryell County Fire Chiefs Association. ***Mike Baker, Fire Chief***

5. Consideration and action on a resolution, authorizing and supporting the City Manager to enter into, reject, alter or terminate an agreement with the Texas Department of Transportation (TXDOT) for the Police Department to be a testing and evaluation site for the proposed state wide crash reporting and analysis for safer highways (CRASH) system. ***Eddie Wilson, Police Department Lieutenant***

6. Notice of receipt of the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year Ending September 30, 2009. ***Andrea M. Gardner, City Manager***

H. **PUBLIC HEARINGS/ACTION**

1. Public hearing, consideration and action on updating the City's Subdivision Ordinance to allow drainage easement encroachments. ***Wesley Wright, P.E., City Engineer***

2. Public hearing and action on a Drainage Easement Encroachment Agreement for 1505 Vista Circle. ***Wesley Wright, P.E., Projects Director/City Engineer***

I. **ACTION ITEMS**

1. Consideration and action on an ordinance of the City of Copperas Cove, Texas, authorizing the issuance and sale of City of Copperas Cove, Texas, Limited Tax Notes, Series 2010A, in the aggregate principal amount of $1,915,000; awarding the sale of said notes; levying a tax in payment thereof; prescribing the form of said notes; and enacting other provisions relating to the subject. ***Andrea M. Gardner, City Manager***

2. Consideration and action on approving an ordinance of the City of Copperas Cove, Texas, authorizing the issuance and sale of City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010, in the aggregate principal amount of $6,045,000; levying a tax in payment thereof; authorizing the execution and delivery of a paying agent/registrar agreement and an escrow agreement; calling certain bonds for redemption; approving the official statement; finding and determining that the meeting at which this ordinance is passed is open to the public as required by law; and enacting other provisions relating thereto. ***Andrea M. Gardner, City Manager***

3. Discussion on determining future date(s) for Strategic Planning with the Governing Body and City Administration. ***Andrea M. Gardner, City Manager***

4. Consideration and action on approving a resolution authorizing the Cities Aggregation Power Project, Inc. (CAPP) to negotiate an extension to the current electric supply and necessary related services agreement with Next Era for a fixed price per kWh that is lower than contract rates for 2011-2013, said extension to continue until December 31, 2018; approving CAPP contracting with Next Era and authorizing the City Manager to sign a contract with CAPP for the City's electricity needs for the period beginning January 1, 2011 or as soon after finalization of a contract as possible and extending up to December 31, 2018; committing to budget for energy purchases and to honor the City's commitments to purchase power through CAPP for its electrical needs through December 31, 2018. ***Andrea M. Gardner, City Manager***

5. Consideration and action on appointing two Council Members to participate in the "Development Review Process" and select from available dates for the interview portion of the process. ***Andrea M. Gardner, City Manager***

6. Discussion on Public Affairs and Legislative Consulting Services for the City of Copperas Cove. ***Andrea M. Gardner, City Manager***

7. Discussion on Dr. Kevin Kruse's resignation from the Copperas Cove Animal Control Advisory Committee. ***Kenn Smith, Council Member Place 5***

J. **REPORTS FROM OUTSIDE ENTITIES, ADVISORY COMMITTEES AND BOARDS**

1. Chamber of Commerce 3rd Quarter Report for 2010. ***Marty Smith, President, Copperas Cove Chamber of Commerce***

K. **ITEMS FOR FUTURE AGENDAS**

L. **EXECUTIVE SESSION**

1. Pursuant to §551.072 of the Open Meetings Act, Tex. Gov't Code, Council will meet in Executive Session to deliberate the purchase, exchange, lease, or value of real property.

2. Pursuant to §551.071 of the Open Meetings Act, Tex. Gov't Code, Council will meet in Executive Session to consult with the the City Attorney regarding transfer of animals.

M. **RECONVENE INTO OPEN SESSION FOR POSSIBLE ACTION RESULTING FROM ANY ITEMS POSTED AND LEGALLY DISCUSSED IN EXECUTIVE SESSION**

N. **ADJOURNMENT**

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I, the undersigned authority, do hereby certify that the above Notice of Meeting of the Governing Body of the City of Copperas Cove was posted at _____, November 12, 2010 on the glass front door of City Hall, a place convenient and readily accessible to the general public at all times.

_____
Jane Lees, TRMC, CMC
City Secretary

City Council Regular **Item #: G. 1.**

Date: 11/16/2010

Information

SUBJECT

Consideration and action on approving the minutes from the workshop council meeting of November 2, 2010. ***Stefanie Brown, Deputy City Secretary***

BACKGROUND/HISTORY

FINDINGS/CURRENT ACTIVITY

ACTION OPTIONS/RECOMMENDATION

Attachments

Link: Workshop Minutes 11/2/10

Link: Effluent presentation

CITY OF COPPERAS COVE
CITY COUNCIL WORKSHOP MEETING MINUTES
November 2, 2010 – 6:00 P.M.

A CALL TO ORDER

B **ROLL CALL**

Present:	John Hull
	Cheryl L. Meredith
	Charlie D. Youngs
	Gary L. Kent
	Danny Palmer
	Kenn Smith
	Frank Seffrood
Absent:	Jim Schmitz
Attendees:	Andrea Gardner
	Stefanie Brown

C WORKSHOP ITEMS

1 Presentation and discussion on Golf Course Effluent Project. ***Ken Wilson, Division Head of Parks and Leisure Services***

Trey Taylor, with Bury and Partners, gave an overview and presentation, which is attached and made a part of these minutes.

2 Provide direction to the City Manager regarding agenda item C-1. Andrea M. Gardner, City Manager

Consensus was given by the City Council for the City Manager to proceed with the pond. Council Member Youngs requested an analysis for the pond and storage tank for the project.

D **ADJOURNMENT**

There being no further business, Mayor Hull adjourned the meeting at 6:48 p.m.

_____
John Hull, Mayor

ATTEST:

_____
Stefanie Brown, Deputy City Secretary

CITY of COPPERAS COVE

Golf Course Reclaimed Water System Optimization Project

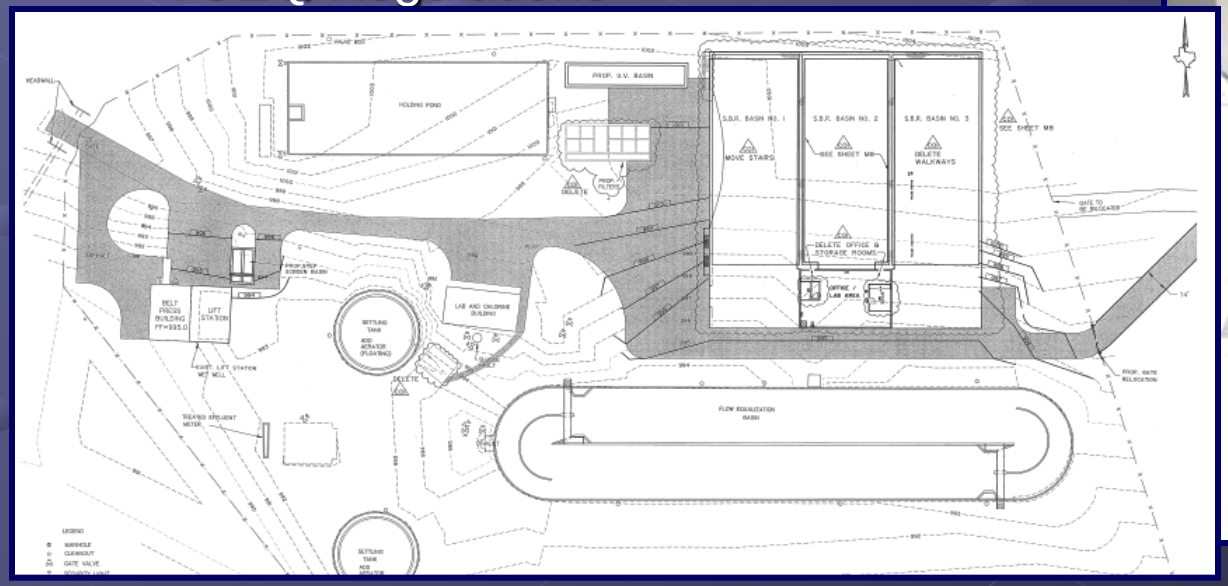
HILLS OF COVE
GOLF COURSE

Issues To Be Evaluated

- Water Quality
  - Source Water
  - Filtration
- Water Availability
  - Storage
  - Volume
    - Effluent has to be stored during the day and used for irrigation at night
- Operations and Maintenance
  - Irrigation System Repairs
  - Cost

Water Quality

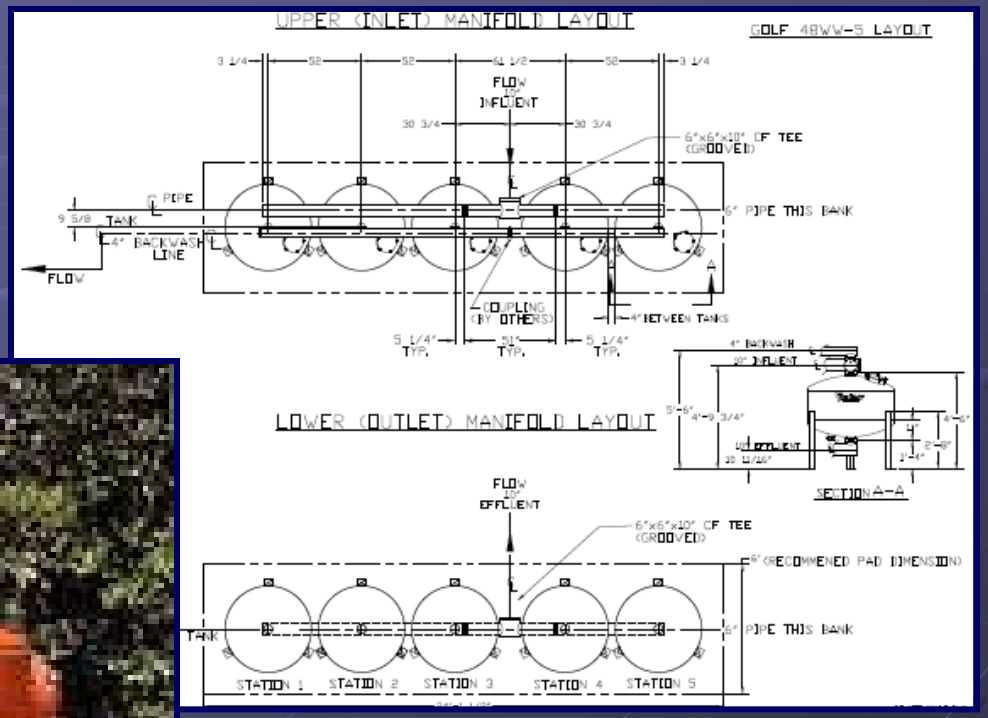
- Source Water
  - Northeast WWTP
  - Holding Pond
    - Chlorination at pond would reduce Algae growth
    - De-chlorination would be required for at discharge to creek
  - UV Disinfection -vs- Chemical
  - TCEQ Regulations



Water Quality

- Filtration
  - Existing Basket Screen (Difficult to operate and maintain)
  - Multi-Stage Cartridge Filters or Sand Pressure Filters (Options)

Water Quality



Water Availability

- Storage
  - Existing Storm Water Equalization Basin (Used for holding Effluent)
  - Future Storage Facilities (Tank or Pond Options)

Water Availability

- Volume
  - Northeast WWTP Daily Production
    - Little operational flexibility at WWTP with the added constraint of storing Effluent for Irrigation
  - Treatment Plant Operational Reliability
    - Normal maintenance and operational issues at the WWTP also reduce Effluent availability for Irrigation
  - Golf Course Usage Needs
    - Approximately 800,000 gallons per day required by the Golf Course

Operations & Maintenance

- Irrigation System Repairs
  - Algae and solids clogging Irrigation Heads
  - Pressure on Lines
    - Causes breaks in piping
  - Health and Safety
    - Could be improved for personnel
- Cost
  - Reduced System Repairs
  - Manpower Utilization

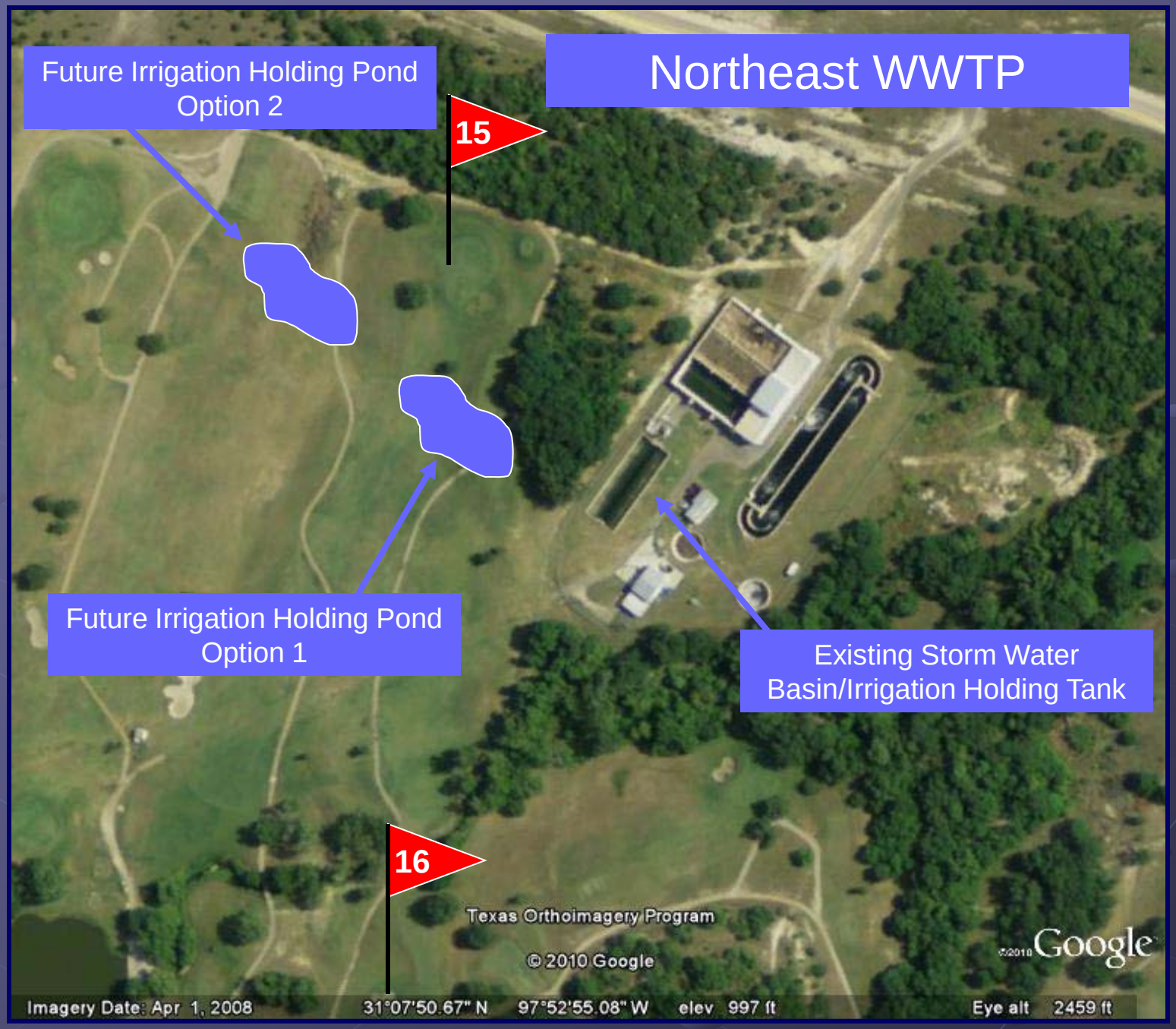
Bury's Tasks

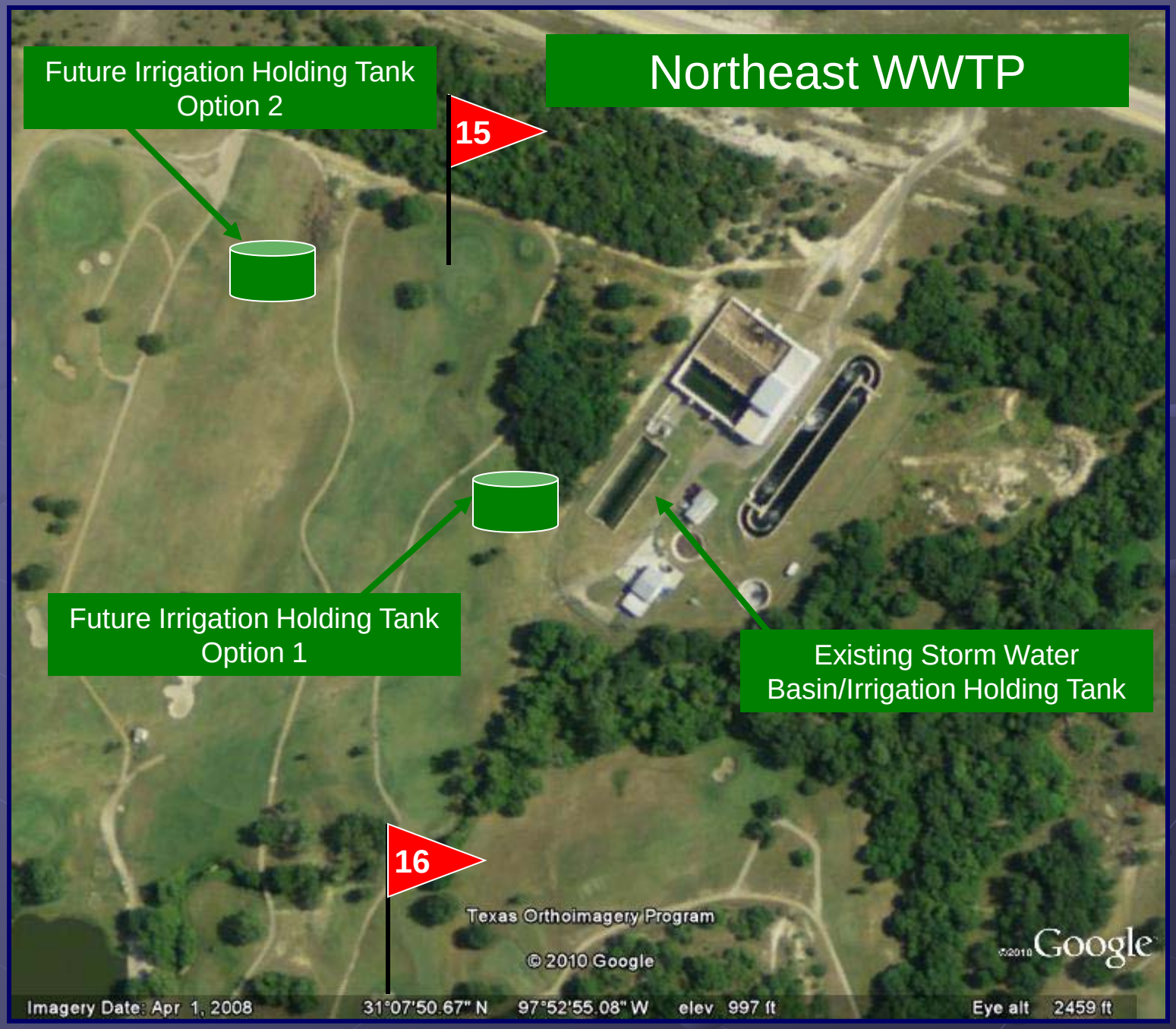
- Preliminary Engineering Report
  - Define type of Filtration System
  - Define type of Storage Facility
  - Define Cost Comparisons
- Final Design
  - Produce approved Plans and Specifications
  - Attain Regulatory Approval on Project
- Bidding Phase Services
  - Deal with all Contractor Questions
  - Recommendation to the City for Project Award
- Construction Phase Services
  - On-Site Inspection
  - Liaison between the City and the Contractor

Project Schedule

- Preliminary Engineering Report – 30 Days
- City Review Period – 14 Days
- Final Design – 60 Days
- City Review Period – 14 Days
- Bidding Phase – 60 Days
- Construction – 180 Days

Northeast WWTP




Northeast WWTP
Future Irrigation Holding Tank Option 2
15
Future Irrigation Holding Tank Option 1
Existing Storm Water Basin/Irrigation Holding Tank
16
Texas Orthoimagery Program
© 2010 Google
Google
Imagery Date: Apr 1, 2008
31°07'50.67" N 97°52'55.08" W elev 997 ft
Eye alt 2459 ft

City Council Regular **Item #: G. 2.**

Date: 11/16/2010

Information

SUBJECT

Consideration and action on approving the minutes from the regular council meeting of November 2, 2010. ***Stefanie Brown, Deputy City Secretary***

BACKGROUND/HISTORY

FINDINGS/CURRENT ACTIVITY

ACTION OPTIONS/RECOMMENDATION

Attachments

Link: Regular Minutes 11/2/10

CITY OF COPPERAS COVE
CITY COUNCIL REGULAR MEETING MINUTES
November 2, 2010 – 7:00 P.M.

A **CALL TO ORDER**

B **INVOCATION AND PLEDGE OF ALLEGIANCE**

C **ROLL CALL**

Present:	Cheryl L. Meredith
	Charlie D. Youngs
	Gary L. Kent
	Danny Palmer
	Kenn Smith
	Frank Seffrood
	John Hull
Absent:	Jim Schmitz
Attendees:	Andrea M. Gardner
	Charles E. Zech
	Stefanie Brown

D **ANNOUNCEMENTS**

Council Member Seffrood announced the trip to the 2010 AUSA Convention in Washington D.C. was a success.

Council Member Kent encouraged citizens to come to council meetings.

Mayor Hull announced that Saturday, October 30, 2010 Downtown Safe Trick or Treat event was a success and many citizens attended.

Ms. Gardner announced that Keep Copperas Cove Beautiful (KCCB) is hosting the Eco Harvest 2010 Building a Sustainable Community on November 20, 2010 from 9:00 a.m. to 2 p.m. at the Copperas Cove Civic Center.

Mayor Hull announced that Wednseday, November 3, 2010 at 5:30 p.m. there is a Meet and Greet with Senator Brian Birdwell at the Allin House.

E **PUBLIC RECOGNITION**

1 Employee Service Awards - November 2010. ***Andrea M. Gardner, City Manager***

- Desiree Mundell, Human Resources Coordinator - 5 years
- Greg Hernandez, Golf Course Laborer - 10 years

2 Proclamation: America Recycles Day. ***John Hull, Mayor***

Mayor Hull read the proclamation and presented it to Silvia Rhoads, Executive Director for Keep Copperas Cove Beautiful (KCCB). Ms. Rhoads thanked the Council for the proclamation. She informed the Council and citizens KCCB is hosting the 2010 Eco Harvest on November 20, 2010 from 9:00 a.m. to 2:00 p.m. at the Copperas Cove Civic Center.

F **CITIZENS FORUM** – None.

G **CONSENT AGENDA**

1 Consideration and action on approving the minutes from the workshop council meeting of October 19, 2010. ***Jane Lees, City Secretary***

2 Consideration and action on approving the minutes from the regular council meeting on October 19, 2010. ***Jane Lees, City Secretary***

3 Consideration and action on authorizing the City Manager to enter into an agreement with Central Counties Center for MHMR (Mental Health and Mental Retardation) Services to occupy a designated area of the Human Resource Center for a period of two years with an option to renew one additional year. ***Brian Hawkins, Recreation Specialist/Administrative Assistant of Parks and Recreation***

4 Consideration and action on authorizing the City Manager to execute a Sales Contract between the City of Copperas Cove and Dailey-Wells Communications, Inc. for the purpose of renewing a maintenance contract and renewing a software contract for the City's 800 MHz EDACS Radio Trunking System manufactured by M/A-Com. ***Gary Young, Deputy Fire Chief***

Consent Agenda Vote:

Motion by Council Member Gary L. Kent Seconded by Council Member Kenn Smith

AYE: Council Member Cheryl L. Meredith
Council Member Charlie D. Youngs
Council Member Gary L. Kent
Council Member Danny Palmer
Council Member Kenn Smith
Council Member Frank Seffrood

Passed

H **PUBLIC HEARINGS/ACTION**

1 Public hearing, consideration and action on the adoption of a landscape irrigation ordinance. ***Mike Morton, Chief Building Official***

Mayor Hull opened the public hearing at 7:20 p.m.

Speaking for: None.

Speaking against: None.

Mayor Hull closed the public hearing at 7:27 p.m.

Motion made to approve Ordinance 2010-48 as presented.

ORDINANCE NO. 2010-48

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF COPPERAS COVE, TEXAS, AMENDING THE CITY'S CODE OF ORDINANCES TO PROVIDE FOR LANDSCAPE IRRIGATION SYSTEMS REGULATION; PROVIDING A SAVINGS CLAUSE AND FOR THE REPEAL OF ALL OTHER ORDINANCES IN CONFLICT HEREWITH; PROVIDING FOR SEVERABILITY; PROVIDING A PENALTY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

Motion by Council Member Frank Seffrood Seconded by Council Member Cheryl L. Meredith

AYE: Council Member Cheryl L. Meredith
Council Member Charlie D. Youngs
Council Member Gary L. Kent
Council Member Kenn Smith
Council Member Frank Seffrood
NAY: Council Member Danny Palmer
Passed

2 Public hearing and action on an ordinance amending the 2009-10 fiscal year budget for the City of Copperas Cove. ***Andrea M. Gardner, City Manager***

Mayor Hull opened the public hearing at 7:29 p.m.

Speaking for: None.

Speaking against: None.

Mayor Hull closed the public hearing at 7:31 p.m.

Motion made to approve an ordinance amending Fiscal Year 2010 Budget as presented with the following changes; Weir Gate amendment to $38,353 and Avenue F Reconstruction amendment to $413,097.

ORDINANCE NO. 2010-49

AN ORDINANCE APPROVING AND ADOPTING AN AMENDMENT TO THE BUDGET FOR OPERATING THE MUNICIPAL GOVERNMENT OF THE CITY OF COPPERAS COVE FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2009, AND ENDING ON SEPTEMBER 30, 2010; REPEALING ALL ORDINANCES AND APPROPRIATIONS IN CONFLICT WITH THE PROVISIONS OF THIS ORDINANCE; AND ESTABLISHING A SAVINGS CLAUSE AND AN EFFECTIVE DATE.

Motion by Council Member Gary L. Kent Seconded by Council Member Danny Palmer

AYE: Council Member Cheryl L. Meredith
Council Member Charlie D. Youngs
Council Member Gary L. Kent

Council Member Danny Palmer
Council Member Kenn Smith
Council Member Frank Seffrood

Passed

I **ACTION ITEMS**

1 Consideration and action on authorizing the City Manager to execute a contract with Matous Construction for replacement of Weir/Butterfly Gates at the Northwest Wastewater Treatment Plant. ***Robert McKinnon, Public Works Director.***

Motion made to authorize the City Manager to execute a contract with Matous Construction for replacement of Weir/Butterfly Gates at the Northwest Wastewater Treatment Plant in the amount of $141,500.

Motion by Council Member Cheryl L. Meredith Seconded by Council Member Gary L. Kent

AYE: Council Member Cheryl L. Meredith
Council Member Charlie D. Youngs
Council Member Gary L. Kent
Council Member Danny Palmer
Council Member Kenn Smith
Council Member Frank Seffrood

Passed

2 Consideration and possible action on authorizing the City Manager to execute an agreement for professional services with Bury and Partners Engineering Solutions for the golf course effluent project. ***Danny Zincke, Director of Parks and Recreation***

Motion made to approve the contract as presented.

Motion by Council Member Charlie D. Youngs Seconded by Council Member Danny Palmer

AYE: Council Member Cheryl L. Meredith
Council Member Charlie D. Youngs
Council Member Gary L. Kent
Council Member Danny Palmer
Council Member Kenn Smith
Council Member Frank Seffrood

Passed

3 Consideration and action on appointments to the City of Copperas Cove TIRZ Number One (Valley at Great Hills) Board Member Positions One through Four. ***Andrea M. Gardner, City Manager***

Motion made by Council Member Gary Kent to reappoint Dan Yancy to Position One (Chair) for the unexpired term ending on June 17, 2011. Second by Council Member Danny Palmer, and with a unanimous vote, motion passed.

Motion made by Council Member Frank Seffrood to reappoint Frank Somera, Jr. to Position Two for the unexpired term ending on June 17, 2011. Second by Council Member Gary Kent, and with a unanimous vote, motion passed.

Motion made by Council Member Kenn Smith to reappoint Gene Dane to Position Three for the unexpired term ending on June 17, 2012. Second by Council Member Danny Palmer, and with a unanimous vote, motion passed.

Motion made by Council Member Gary Kent to reappoint Jack Smith to Position Four for the unexpired term ending on June 17, 2011. Second by Council Member Danny Palmer, and with a unanimous vote, motion passed.

4 Consideration and action on a resolution to authorize intervention at the Railroad Commission in Atmos Pipeline - Texas' request to increase rates for City-Gate and Pipeline Transportation Gas Service. ***Andrea M. Gardner, City Manager.***

Motion made to approve Resolution 2010-42 as presented.

RESOLUTION NO. 2010-42

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COPPERAS COVE, TEXAS (CITY) AUTHORIZING THE INTERVENTION AT THE RAILROAD COMMISSION OF TEXAS CONCERNING THE FILING FOR AN INCREASE IN RATES BY ATMOS PIPELINE – TEXAS; REQUIRING ATMOS PIPELINE TO REIMBURSE REASONABLE RATE CASE EXPENSES; AUTHORIZING THE RETENTION OF COUNSEL AND RATE CONSULTANTS; FINDING THAT THE MEETING AT WHICH THIS RESOLUTION WAS APPROVED COMPLIED WITH THE OPEN MEETINGS ACT; MAKING SUCH OTHER FINDINGS AND OTHER PROVISIONS RELATED TO THE SUBJECT; AND PROVIDINGT FOR AN EFFECTIVE DATE.

Motion by Council Member Kenn Smith Seconded by Council Member Danny Palmer

AYE: Council Member Cheryl L. Meredith
Council Member Charlie D. Youngs
Council Member Gary L. Kent
Council Member Danny Palmer
Council Member Kenn Smith
Council Member Frank Seffrood

Passed

5 Consideration and action on 2011 Texas Coalition for Affordable Power (TCAP) Board Nominations. ***Andrea M. Gardner, City Manager.***

Motion made not to nominate any individuals for the 2011 Texas Caolition for Affordable Power (TCAP) Board Nominations.

Motion by Council Member Danny Palmer Seconded by Council Member Gary L. Kent

AYE: Council Member Cheryl L. Meredith
Council Member Charlie D. Youngs
Council Member Gary L. Kent
Council Member Danny Palmer

Council Member Kenn Smith
Council Member Frank Seffrood
Passed

J **REPORTS FROM OUTSIDE ENTITIES, ADVISORY COMMITTEES AND BOARDS**

1 Presentation on Economic Development Projects by the Copperas Cove Economic Development Corporation. ***Polo Enriquez, Executive Director***

Polo Enriquez, Executive Director of the Copperas Cove Economic Development Corporation (CCEDC) gave a presentation on the Economic Development Projects for FY 2010-11.

K **ITEMS FOR FUTURE AGENDAS**

Council Member Youngs requested a workshop on January 18, 2011 on the funding options for the Southeast bypass.

Council Member Kent would like a workshop on events the City could hold for the youth of this community.

Council Member Palmer would like a workshop on the 2010 TML conference he attended.

Council Member Seffrood would like to add an executive session item on Real Property.

L **EXECUTIVE SESSION**

M **RECONVENE INTO OPEN SESSION FOR POSSIBLE ACTION RESULTING FROM ANY ITEMS POSTED AND LEGALLY DISCUSSED IN EXECUTIVE SESSION**

N **ADJOURNMENT**

There being no further business, Mayor Hull adjourned the meeting at 8:07 p.m.

ATTEST:

_____
John Hull, Mayor

_____
Stefanie Brown, Deputy City Secretary

City Council Regular **Item #: G. 3.**

Date: 11/16/2010

Information

SUBJECT

Consideration and action on a resolution approving the attached General Legislative Policy of the City of Copperas Cove. ***Andrea M. Gardner, City Manager***

BACKGROUND/HISTORY

During each State Legislative Session, multiple pieces of legislation are introduced to the Texas Legislature. The 81st Legislative Session set a record for bill filings, thus generating the need for staff tracking and action on various bills filed for consideration by the Texas Legislature.

FINDINGS/CURRENT ACTIVITY

On September 17, 2010, the City Manager attended a workshop presented by TML Region X/TCMA Region VII on "Developing Your City's Legislative Agenda." A copy of the Final Summary of Actions Taken for TML's Legislative Policy Committees on Municipal Revenue and Finance, Eminent Domain and Regulation of Development, Utilities and Transportation and General Government is attached for Council review along with a "Dates of Interest" for the 82nd Texas Legislative Session.

Since, it is important to protect the interest of the citizens of Copperas Cove and City staff is most knowledgeable on the impacts legislation may have on the City, the attached General Legislative Policy was created to provide the guidelines for City staff for providing testimony and written position statements. Furthermore, most bills requiring testimony or written position statements do not allow sufficient time for the governing body of the City to meet and vote to authorize staff testimony and/or provide written position statement(s).

ACTION OPTIONS/RECOMMENDATION

City staff recommends the City Council adopt a resolution approving the attached General Legislative Policy of the City of Copperas Cove.

Attachments

Link: Legis Policy Res No 2010-43

Link: Legislative Policy

Link: 82nd Legislature Dates of Interest

Link: TML Final Summary

RESOLUTION NO. 2010-43

A RESOLUTION OF THE CITY OF COPPERAS COVE, TEXAS, APPROVING THE ATTACHED GENERAL LEGISLATIVE POLICY OF THE CITY OF COPPERAS COVE.

WHEREAS, The 82nd Texas Legislative Session convenes on January 11, 2011 per Texas Government Code, Sec. 301.001; and

WHEREAS, The City of Copperas Cove, Texas has taken a position on legislation relating to legislation affecting or potentially affecting the City and the City participates in the Texas Municipal League's legislative program; and

WHEREAS, the nature of the legislative process in Texas, including the frequent short notice of the consideration of bills that would be detrimental or beneficial to cities, makes it unreasonable for the governing body of the City of Copperas Cove, Texas to meet and vote to authorize staff testimony and/or written position statement(s) in individual cases or on individual bills; and

WHEREAS, the city staff are often the most knowledgeable people with regard to how a bill would benefit or harm the City; and

WHEREAS, testimony from city officials often is the only way to prevent detrimental legislation from moving forward in the legislative process; and

WHEREAS, similarly, testimony from city officials often is the only way to assist beneficial legislation to move forward in the legislative process; and

WHEREAS, the governing body of the City of Copperas Cove, Texas finds that it is to the advantage of the City to pass this resolution.

NOW THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF COPPERAS COVE, TEXAS THAT:

The members of the governing body of the City of Copperas Cove, Texas hereby authorize staff to testify before the Texas Legislature and prepare and provide a written position statement(s) of the City on items relating to the 82nd legislative session affecting or potentially affecting the City and the City participates in the Texas Municipal League's legislative program and to protect the ability of the City of Copperas Cove, Texas to govern its own local affairs, subject to the discretion of the City Manager, regardless of whether the governing body has voted to allow that testimony or written position statement(s) in any specific instance.

Any such staff testimony and written position statements shall be in keeping with the City's or Texas Municipal League's duly adopted legislative program.

PASSED, APPROVED, AND ADOPTED on this 16th day of November 2010, at a regular meeting of the City Council of the City of Copperas Cove, Texas which meeting was held in compliance with the Open Meetings Act, *Tex. Gov't Code*, §551.001, et.seq. at which meeting a quorum was present and voting.

_____
John Hull, Mayor

ATTEST:

_____
Jane Lees, City Secretary

APPROVED AS TO FORM:

_____
Denton, Navarro, Rocha
& Bernal, P.C., City Attorney

Dates of Interest

Tuesday, March 2, 2010
Primary election for legislative and other offices held
[Election Code, Sec. 41.007]

Tuesday, April 6, 2010
Primary runoff election for legislative and other offices is held
[Election Code, Sec. 41.007]

Tuesday, November 2, 2010
General election for legislative and other offices is held
[Election Code, Sec. 41.002]

Monday, November 8, 2010
Prefiling of legislation for the 82nd Legislature begins
[House Rule 8, Sec. 7, and Senate Rule 7.04(a)]

Session Begins

Tuesday, January 11, 2011 (1st day)
82nd Legislature convenes at noon
[Government Code, Sec. 301.001]

Monday, May 30, 2011 (140th day)
Last day of 82nd Regular Session; corrections only in house and senate
[Sec. 24(b), Art. III, Texas Constitution]

Session Ends

Sunday, June 19, 2011 (20th day following final adjournment)
Last day governor can sign or veto bills passed during the regular legislative session
[Sec. 14, Art. IV, Texas Constitution]

Monday, August 29, 2011 (91st day following final adjournment)
Date that bills without specific effective dates (that could not be effective immediately) become law
[Sec. 39, Art. III, Texas Constitution]

Dates of Interest

Tuesday, March 2, 2010
Primary election for legislative and other offices held
[Election Code, Sec. 41.007]

Tuesday, April 6, 2010
Primary runoff election for legislative and other offices is held
[Election Code, Sec. 41.007]

Tuesday, November 2, 2010
General election for legislative and other offices is held
[Election Code, Sec. 41.002]

Monday, November 8, 2010
Prefiling of legislation for the 82nd Legislature begins
[House Rule 8, Sec. 7, and Senate Rule 7.04(a)]

Session Begins

Tuesday, January 11, 2011 (1st day)
82nd Legislature convenes at noon
[Government Code, Sec. 301.001]

Monday, May 30, 2011 (140th day)
Last day of 82nd Regular Session; corrections only in house and senate
[Sec. 24(b), Art. III, Texas Constitution]

Session Ends

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TEXAS MUNICIPAL LEAGUE
LEGISLATIVE POLICY COMMITTEE ON
MUNICIPAL REVENUE AND FINANCE

Final Summary of Actions Taken
May 7 and August 6, 2010

The committee voted to **seek introduction and passage** of legislation that would:

1. convert the sales tax reallocation process from a ministerial process into a more formalized administrative process that would, at a minimum, require prior notice to all affected parties and impose a time limit of three years on the right of a claimant to request a refund.

2. authorize cities—in relation to annexation, planned annexation, voluntary annexation, or negotiated annexation—to replace some or all ESD sales taxes in an area with city sales taxes, provided an ESD's existing sales tax debt is proportionately and reasonably provided for in some manner.

The committee voted to **support** legislation that would:

1. simplify the effective tax rate calculation for notice purposes only, provided the legislation would have no effect on the underlying effective tax rate and rollback tax rate calculations themselves, nor upon the hold harmless exemptions to those rates.

2. clarify that the "Prop 2" pollution control property tax exemption isn't meant to apply to the environmental characteristics of end products.

3. amend Section 11.1825 of the Tax Code by adding a requirement that community housing development organizations (CHODOs) must receive an exemption from taxation from any affected municipality prior to receiving a tax exempt status from the local property tax appraisal district.

4. return appraisals of oil and gas properties to the pre-H.B. 2982 (2007) methodology.

5. create a new council-option city sales tax for property tax relief that may exceed the two-percent local cap.

6. automatically convert existing sales taxes for property tax relief to any newly-created sales tax for property tax relief that would not count against the two-percent local cap.

7. apply hotel occupancy taxes to RV parks, except for stays of longer than 30 days.

8. expand the sales tax base, but only if the city tax base fully benefits from the expansion.

9. increase future local parks funding.

10. permit cities to share tax proceeds with other cities as part of a voluntary Chapter 380 economic development agreement.

11. permit a city, by vote of the citizens, to withdraw from an ESD, provided the city will provide fire service inside the city's limits.

12. permit a municipal development district's (MDD) sales tax, notwithstanding a competing ESD sales tax, to apply in the ETJ, as current law allows, provided an ESD's existing sales tax debt is proportionately and reasonably provided for in some manner.

13. provide for the popular election of ESD boards of directors.

14. authorize the expenditure of hotel occupancy taxes on the costs of conducting audits of potentially delinquent taxpayers.

15. change the eight-percent statutory interest rate on property tax refunds under Tax Code Section 42.43 to the rate of the 3-month treasury bill, as referenced in other portions of that section, as of the date of settlement.

The committee voted to **endorse** legislation that would:

1. require mandatory disclosure of real estate sales prices.

2. modify the Super Freeport property tax exemption statute to match the related constitutional amendment.

The committee voted to **oppose** legislation that would:

1. mandate a reduction in the current ten-percent cap on annual appraisal growth.

2. erode the concept that appraisals must reflect the true market value of property.

3. impose a revenue cap of any type, including a reduced rollback rate, mandatory tax rate ratification elections, lowered rollback petition requirements, limitations on overall city expenditures, or exclusion of the new property adjustment in effective rate and rollback rate calculations.

4. require mailed notice of tax rates.

5. impose new property tax exemptions that substantially erode the tax base.

6. impose a property tax freeze that can be implemented by any mechanism other than council action.

7. remove the authority of a city to collect its own property taxes.

8. extend the "Prop 2" pollution control property tax exemption to processes, facilities, or end products.

9. impose new mandatory homestead exemptions or exemption increases.

10. impose any sales tax exemption that would substantially erode the sales tax base.

11. lengthen or broaden the scope of the current sales tax holiday.

12. impose a requirement that the adoption of a new sales tax for property tax relief shall result in a lower property tax rollback rate for the adopting city.

13. expand the sales tax base without fully benefitting the city tax base.

14. impose destination-based sales tax sourcing.

15. expand an ESD's sales tax authority within city limits.

16. limit the authority of 4A or 4B sales tax corporations.

17. expand election requirements for issuance of any city debt or that would impose a petition/election procedure where none currently exists.

18. prevent a city from applying hotel occupancy taxes on the final cost of the hotel room to the guest, or prohibit a city from suing any entity necessary to collect such hotel occupancy taxes.

19. cut state appropriations for future local parks grant funding.

20. divert sporting goods sales taxes away from use for parks.

21. create earmarks of local parks grant funds.

The committee voted to recommend that TML **take no position** on legislation that would:

1. authorize a council-option reduction in the current ten-percent cap on annual appraisal growth.

2. impose small property tax exemptions that serve some social good.

3. modify the Super Freeport property tax exemption (other than legislation that would match the statute to the constitutional amendment).

4. allow a council-option city homestead exemption of up to 30 percent.

5. expand or contract eligibility for the CHODO property tax exemption (other than legislation relating to municipal approval of CHODO exemptions).

6. broaden the authority of 4A or 4B sales tax corporations.

7. align Texas law with the national Streamlined Sales Tax Project (excepting more specific sales tax-related positions taken elsewhere in this legislative program).

In addition, the committee voted to recommend that TML **support** the adoption of the parks study called for by H.B. 12 (2007), thus binding future legislatures to full local parks funding.

TEXAS MUNICIPAL LEAGUE
LEGISLATIVE POLICY COMMITTEE ON
EMINENT DOMAIN AND REGULATION OF DEVELOPMENT

Final Summary of Actions Taken
May 21, 2010

The committee voted to **seek introduction and passage** of legislation that would allow a city to collect thoroughfare impact fees in the ETJ.

The committee voted to **support** legislation that would:

1. clarify that cities have authority to enforce building codes in the ETJ.

2. grant immunity from liability for certified municipal building inspectors for damages arising from services provided during an emergency.

The committee voted to **endorse** legislation that would grant counties additional land use authority, so long as municipal authority in the ETJ remains superior to that of the county.

The committee voted to **oppose** legislation that would:

1. further erode a city's ability to condemn property for a public purpose, specifically legislation that would: (a) place eminent domain restrictions on cities that are more burdensome than those placed on the state; (b) provide for retroactive application of any eminent domain provisions; (c) erode municipal authority to engage in urban renewal efforts; (d) provide an excessive amount of damages to a property owner whose property is acquired through eminent domain; (e) enact adverse amendments to current law relating to subsequent repurchase of land acquired through eminent domain; or (f) amend the definition of "public use" to include any restriction on traditional public projects.

2. erode current municipal authority to regulate manufactured or industrialized housing.

3. erode municipal annexation authority.

4. erode municipal zoning authority.

5. restrict a city's ability to adopt or amend zoning regulations, or vest or otherwise create a property right in a zoning classification.

6. establish a standard or process for determining economic loss and related compensation resulting from a regulatory action.

7. further erode a city's ability to regulate religious or charitable organizations.

8. enact adverse amendments to the permit vesting statute (Chapter 245 of the Local Government Code).

9. allow special districts to form in the ETJ without a city's permission, or that would impose additional requirements on cities relating to special districts.

10. reduce municipal authority to require exactions related to and required by new development, or that would erode the authority of cities to adopt and enforce minimum development standards.

11. erode a city's ability to make amendments to model building codes.

12. impose additional time restrictions on the issuance of building permits, or that would erode municipal authority regarding building permits in any way.

13. further restrict a city's ability to impose building fees.

14. erode municipal authority in the ETJ.

15. exempt any entity from paying municipal impact fees.

16. require a city to place a disclaimer of any type on a geospatial data product used by the city.

17. erode municipal authority to regulate renewable energy technology and green building initiatives.

In addition, the committee voted to recommend that TML **support** legislation that would assist cities in providing for a greater quality of life and safe neighborhoods, and that TML **oppose** legislation that would unfarily benefit one property owner to the detriment of the citizens at-large.

TEXAS MUNICIPAL LEAGUE
LEGISLATIVE POLICY COMMITTEE ON
UTILITIES AND TRANSPORTATION

Final Summary of Actions Taken
May 14 and August 13, 2010

The committee voted to **seek introduction and passage** of legislation that would:

1. require accurate fiscal notes on rules proposed by state agencies.

2. require an investor-owned utility to refer to right-of-way rental (i.e., franchise) fees as a "fee" rather than a "tax."

The committee voted to **support** legislation that would:

1. allow for greater flexibility by cities to fund local transportation projects; amend or otherwise modify state law to help cities fund transportation projects; or provide municipalities with additional funding options and resources to address transportation needs that the state and federal governments are unable or unwilling to address.

2. discontinue the diversion of transportation revenues to non-transportation purposes and appropriate all revenues from highway user fees and taxes to fund transportation.

3. provide additional funding to the Texas Department of Transportation for transportation projects that would benefit cities, so long as existing funding formulas are followed.

4. increase state authority over air emissions or water quality as those items relate to gas development, so long as municipal authority in those areas is not eroded.

5. grant cities or counties additional authority to regulate gas wells in a city's extraterritorial jurisdiction (ETJ), so long as municipal authority in the ETJ remains superior to that of the county.

The committee voted to **endorse** legislation that would:

1. allow municipal wastewater under a "no discharge" permit to be used for irrigation on land that is owned, leased, or otherwise controlled by the wastewater permittee, or upon land belonging to another person who has agreed to accept and utilize the wastewater in a manner allowed by TCEQ regulations.

2. provide that all electric generators, regardless of size, should be explicitly barred from the unlawful exercise of market power.

3. provide that entities such as cities harmed by wholesale market abuse should be given explicit standing to participate in market power abuse enforcement actions brought by the PUC.

4. increase fines for market abuses in such a way that the PUC can order full restitution to the market, market participants, or parties injured by the violation.

5. prohibit activities defined as market abuse by the Federal Energy Regulatory Commission.

6. modify the statutory purpose of the PUC to require it to harmonize its pursuit of competition with the protection of consumers of electricity.

7. as a condition of conducting business within Texas, require competitive retail electric providers (REPs) to include among their offers one standard electricity package that has PUC-approved terms and conditions.

8. increase the number of consumer representatives on the ERCOT board from three members to six members.

9. assign a seat on the ERCOT board (and on appropriate budget oversight panels within ERCOT) to the state comptroller's office.

10. require the PUC to pre-approve all debt financing by ERCOT.

The committee voted to **oppose** legislation that would:

1. impose mandatory water conservation measures on cities.

2. impose on cities any additional mandates relating to irrigation/sprinklers.

3. impose state "tap fees" or any other type of state charge on municipal water systems.

4. expand the requirements of S.B. 361 (Eightieth Legislature), which relates to emergency water utility generators, to areas outside Harris County.

5. decrease the authority of a city to be adequately compensated for the use of its rights-of-way.

6. erode municipal original jurisdiction relating to the ratemaking authority of electric utilities.

7. negatively affect the provisions of Senate Bill 5 (Seventy-Ninth Legislature, Second Called Session), which relates to cable competition.

8. erode municipal authority to require utility companies to pay the costs of relocating their facilities in a timely manner as required by current law.

9. limit a city's authority to enter into a solid waste franchise.

10. exempt any entity from paying municipal drainage fees.

11. establish the date of payment of a municipal utility bill as a date other than the actual date of receipt of payment by the city.

12. limit current municipal authority relating to the Gas Reliability Infrastructure Program.

13. amend the Gas Reliability Infrastructure Program to allow the recovery of non-capital expenses by a gas utility.

14. apply the Prompt Payment Act to utility bills submitted to a city if the proposed legislation or rules would diminish a city's ability to dispute charges or recover any excess payments, including interest and the cost of recovery.

15. erode municipal authority over billboards or that would place any unfunded mandate on cities relating to billboards.

16. enact any provision of the TxDOT sunset legislation that would be harmful to cities.

17. require cities to act as collection agents for the state or a subdivision of the state, or that would allow the state or a subdivision of the state to usurp municipal revenue.

18. establish model rules relating to municipal regulation of gas wells, gas pipelines, or other gas-related equipment, unless the legislation or rules apply to only county regulation in the unincorporated area of the county.

19. weaken the ability of cities to regulate gas wells, gas pipelines, or other gas-related equipment.

20. with regard to state agency sunset or related legislation, adversely affect the interests of cities, including but not limited to their ability to intervene on matters before the a state commission or a court of law.

In addition, the committee voted to recommend that TML **oppose** any provision of the TCEQ sunset legislation that would be harmful to all cities, but **take no position** on provisions that would benefit some cities while harming others.

REPORT OF THE TML LEGISLATIVE POLICY COMMITTEE ON GENERAL GOVERNMENT

I. **Seek introduction and passage** of legislation that would:

A. Exempt as many cities as possible from any federal collective bargaining legislation that may become law in the future.

B. Create additional, flexible cost-of-living adjustment (COLA) options under the Texas Municipal Retirement System that are not retroactive to a retiree's date of retirement, such options to possibly include one-time increases tied to increases in the consumer price index or flat percentage increases.

C. Repeal the requirement in current law that a city must first offer to remove graffiti free of charge prior to requiring the property owner to remove it.

II. **Support** legislation that would:

A. Clarify the authority of cities to use handheld radar/laser speed enforcement technology.

B. Make beneficial amendments to the "Scofflaw Program" (Chapter 702, Texas Transportation Code), including removing the fine cap in current law; expanding the law to allow general law cities to participate; and requiring a county tax assessor-collector to refuse to register a motor vehicle if the assessor-collector or the Department of Motor Vehicles receives appropriate information from the city.

C. Authorize sobriety checkpoints.

D. Enable the use of electronic notice to the public of bid or proposal opportunities.

E. Increase from $25,000 to $50,000 the dollar amount at which a city council may delegate contract change order approval to an administrative official.

F. Allow a city to mandate that pharmacies located within the city participate in a pseudoephedrine reporting program.

G. Permit local regulations to prohibit the ownership, possession, harboring, maintenance, transportation, or sales of specific breeds of dogs within a local municipality and/or support the repeal of state law that prohibits breed-specific regulations by home rule municipalities and local municipalities.

H. Make the burglary of a motor vehicle a state jail felony with mandatory deferred sentencing for first time juvenile offenders and mandatory jail time for any offender with multiple offenses.

I. Exempt a second-in-command police officer who attends any two-year block in the training program at the Bill Blackwood Law Enforcement Institute of Texas (LEMIT) from any line-level training required by the Texas Occupations Code in the same training block.

J. Combine the Texas Municipal Retirement System's Municipal Accumulation Fund (MAF), the Current Service Annuity Reserve Fund (CSARF), and the Employee Savings Fund (ESF).

K. Allow a city (for purposes of the Texas Municipal Retirement System (TMRS) return-to-work provision) to define "full time" as 1,000; 1,250; or 1,500 hours annually, so long as such a change would not endanger the federal tax status of TMRS.

L. Amend the Texas Public Information Act to except from disclosure an employee's or official's emergency contact information and any reference to the employee's or official's household.

M. Amend the Texas Public Information Act to except from disclosure out-of-state driver's license numbers.

N. Amend the Texas Public Information Act to except from disclosure a copy of an employee's identification badge.

O. Provide that the interest rate on public improvement district bonds is not limited by Section 373.023 of the Texas Local Government Code.

P. Authorize the state fire marshal to investigate all line-of-duty firefighter deaths, including those involving training incidents, fire-based emergency medical service, on-duty motor vehicle collisions, and hazardous materials incidents.

Q. Clarify that peddlers who sell burglar alarm services are not exempt from municipal regulations governing that activity.

III. **Endorse** legislation that would:

A. Clarify the authority of general law cities to enact sex offender residency restrictions.

B. Make the sale of Salvia divinorum or K2 a state criminal offense.

C. Prospectively expand municipal authority relating to interlocal cooperation agreements, so long as such legislation is optional and would not otherwise be detrimental to cities.

D. Provide for a statewide, state-funded, electronic pseudoephedrine database program, so long as cities are not required to participate in the program.

IV. **Oppose** legislation that would:

A. Erode municipal authority in any way, impose an unfunded mandate, or otherwise be detrimental to cities.

B. Repeal or limit red light camera authority generally. (Further, the committee recommends that TML defer to the Texas Red Light Coalition on more detailed matters relating to revisions to red light camera policy.)

C. Erode municipal authority to regulate or abate a nuisance in the city limits or ETJ.

D. Further shift to cities the cost of transporting mental health patients who are under an emergency detention order.

E. Erode existing municipal authority relating to sex offender residency restrictions, or create a state standard that preempts current or future municipal sex offender residency restrictions.

F. Prohibit peace officers from making arrests for any offense.

G. Erode the authority of cities to tow vehicles for no insurance or no driver's license, or exempt motorists from having to pay any vehicle impoundment fee.

H. Mandate jail standards for city jails or mandate any form of certification for city detention officers.

I. Eliminate any of the current uniform election dates.

J. Impose additional state fees or costs on municipal court convictions or require municipal courts to collect fine revenue for the state.

K. Permit the waiver of appearance at a municipal court trial.

L. Give state fees and costs precedence over city fees and costs in municipal court.

M. Substantively change or expand the scope of the current disease presumption law.

N. Expand the current meet-and-confer law.

O. Impose expanded collective bargaining rights.

P. Enact detrimental amendments to the civil service law (Chapter 143 of the Texas Local Government Code).

Q. Impose healthcare or prescription drug mandates or enhancements.

R. Mandate employment benefit enhancements.

S. Mandate city-paid leave for city employees for specific purposes.

T. Specify what and how cities may regulate with regard to cell phones.

U. Repeal existing municipal ordinances relating to cell phone bans or create a state standard that preempts more restrictive current or future municipal cell phone bans.

V. Make the sign-posting provisions of H.B. 55 (2009 – relating to prohibiting cell phone use in a school zone) mandatory for all cities.

W. Erode city sovereign immunity.

X. Restrict or limit indemnification clauses in construction contracts.

Y. Limit or prohibit the authority of city officials to use municipal funds to communicate with legislators.

Z. Limit or prohibit the authority of the Texas Municipal League to use any revenue, however derived, to communicate with legislators.

AA. Require the reporting of lobbying activities beyond the requirements in current law.

BB. Impose a statewide smoking ban that would preempt existing or future municipal smoking bans.

CC. Ban or limit the ability of cities to engage in proprietary functions.

DD. Impose unfunded mandates on cities or city officials related to immigration.

EE. Prohibit a city from following its own policies related to immigration.

V. **Take no position** on legislation that would require a city to grant leave from work for municipal employees provided the leave meets each of the following criteria: (1) it is unpaid; (2) it must be used to address serious family or health issues; and (3) it is of a reasonably short duration.

VI. **Other**

A. The committee recommended that, should legislation be filed that would allow cities to adopt a two-tiered plan (one for current employees and retirees and one for new hires) under the Texas Municipal Retirement System, TML staff seek the

guidance of the TML Executive Committee regarding the League's position on such legislation.

B. The committee recommended that the TML Board and staff carefully monitor any recommendations that may be generated by any legislative committee's study of the Texas Open Meetings Act and that the Board establish legislative positions as appropriate.

City Council Regular **Item #: G. 4.**

Date: 11/16/2010

Contact: Mike Baker, Fire Chief

Information

SUBJECT

Consideration and action authorizing the City Manager to execute an agreement with Coryell County to provide fire protection services in portions of the unincorporated area of Coryell County as defined by the Coryell County Fire Chiefs Association. ***Mike Baker, Fire Chief***

BACKGROUND/HISTORY

The City of Copperas Cove has an existing agreement with Coryell County to provide fire protection services in unincorporated areas of Coryell County as defined by the Coryell County Fire Cheif's Association. The unincorporated area of the County is approximately 86.8 square miles. The agreement requires annual renewal for the Copperas Cove Fire Department to continue providing the services requested.

FINDINGS/CURRENT ACTIVITY

Coryell County requested renewal of the agreement with the City of Copperas Cove for the provision of fire protection services in certain unincorporated areas of the County. The agreement provides for payment to the City for services provided and allows for the City to invoice for certain services provided based upon the City's adopted fee schedule.

The attached agreement contains new language requiring performance measures for training, record keeping and reporting and NIMS compliance. The City of Copperas Cove Fire Department exceeds the requirements found in Article VI and VII of the agreement.

ACTION OPTIONS/RECOMMENDATION

City staff recommends the City Council authorize the City Manager to execute the agreement between the City of Copperas Cove and Coryell County titled "Fire Fighting Agreement."

Fiscal Impact

Funds available Y/N?: Yes

FINANCIAL IMPACT:

The City will be entitled to receive compensation for services rendered under the attached agreement. The maximum amount as defined in Article VIII of the agreement for FY 2011 is $48,488.28. The formula used to determine the amount is based upon the square miles of unincorporated area and the number of calls received and responded to by jurisdiction.

Attachments

Link: Fire Fighting Agreement

FIRE FIGHTING AGREEMENT

STATE OF TEXAS
COUNTY OF CORYELL

THIS AGREEMENT, made and entered into by and between Coryell County, a body corporate and politic under the laws of the State of Texas, hereinafter sometimes called "County," acting herein by and through its County Judge duly authorized to so act by an Order of the Commissioners' Court of Coryell County, Texas, and City of Copperas Cove existing under the laws of the State of Texas, hereinafter sometimes called "City" acting by and through its duly authorized officer.

WITNESSETH:

WHEREAS, Coryell County desires to provide fire fighting and fire protection services to certain unincorporated areas of Coryell County hereinafter designated to preserve the property of the County and to preserve and protect the public health of the citizens of the County; and

WHEREAS, the "City" is willing to furnish fire fighting and fire protection services to these unincorporated areas of Coryell County for the considerations provided here; and

FURTHERMORE, in consideration of the fact that "City" has previously provided such fire fighting and fire protection services;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: That in consideration of the mutual covenants, agreements, and benefits to both parties, it is **AGREED** as follows:

I.

During the term of this agreement, the "City" agrees to furnish fire fighting and fire department protection services to unincorporated areas of Coryell County, in accordance with the agreements previously entered into by the Coryell County Fire Chiefs Association. It is specifically agreed and understood that the "City's" jurisdictional limits and areas of operation are to be determined solely by the mutual agreements entered into by the various members of the Coryell County Fire Chiefs Association and not by Coryell County. The "City" is further authorized by Coryell County and agrees to make Fire Safety and Health inspections for day care, foster care and adoption homes in the agreed upon unincorporated areas of Coryell County. The "City" is authorized under this agreement to charge a fee to the recipients for these inspections per the "City's" adopted Fee Schedule. The "City" is further authorized by Coryell County and agrees to conduct origin and cause fire investigations in the agreed upon unincorporated areas of Coryell County for all fires. Coryell County agrees to provide investigative support through the Coryell County Sheriff's Office if necessary and when requested by "City".

II.

Coryell County agrees to pay to the "City" an amount to be determined annually by a formula of apportionment determined by the Coryell County Fire Chiefs Association for such fire fighting and fire protection services to the unincorporated areas of Coryell County heretofore designated by the Coryell County Fire Chiefs Association herein after known as "Association". The "County" agrees that this sum is to be paid in quarterly installments to the "City."

III.

The term of this agreement shall be for a period of twelve months beginning October 1, 2010, and ending September 30, 2011. The compensation to be paid by "County" to the "City" must be provided for in the budget of "County" in the current year before disbursement. If, for any reason, budgetary constraints cause "County" to be unable to fund the monies due under this agreement, "County" shall have the right to terminate this agreement on ten days notice to the "City."

IV.

It is hereby agreed and understood that the fire fighting and fire protection services to be furnished by the "City" under this agreement shall include but not be limited to, the following: Answering all calls for help and assistance in extinguishing fires in the area designated in Paragraph I of this agreement; furnishing fire fighting personnel, equipment, and supplies to fight all fires within the area; and answering all calls and furnishing fire fighting personnel, equipment and supplies to protect persons and property within the area that are endangered by fires in adjacent areas; provided that the above-described personnel, equipment and supplies are not otherwise engaged in fire fighting or other emergency services within the "City."

V.

The "City" shall observe and comply with all federal, state, and local laws, rules, ordinance, and regulations in any manner affecting the conduct of the services herein provided and performance of all obligations under taken by this agreement.

VI.

The "City" that receives funds from the "County" for the purpose of providing firefighting and rescue services will be subject to the following requirements.

A. Must have a Training Officer that is certified by the Texas Commission on Fire Protection or the Texas State Fireman and Fire Marshal Association and must have a training program under one of those agencies. The minimum number of hours required for in house

training each month is four (4) with a total of 48 hours per calendar year, January through December.

B. Must meet the NIMS requirements that are in effect for that calendar year. Officers must be certified at the level that their rank or duties require. The "City" will have no less than 80 percent of active firefighters NIMS certified at all times.

C. Must send to TEXFIRS a monthly report, unless authorized by Texas State Fire Marshal Office to report quarterly.

D. Must send via email to the Coryell County Judge and/or his appointed assistant a monthly report by the 10th of each month that list the alarms responded to in the preceding month in Coryell County. The report will list the following information about each alarm: Date, Time, Address, and Type.

VII.

The President of the "Association" will appoint at the end of the January meeting a committee of three (3) Fire Chiefs who will review the records of the "City" receiving "County" funds. In this first year 2010, the committee will be appointed in October 2010 and will audit "City's" records no later than December 31, 2010. The committee appointed in January 2011 and each year thereafter will conduct their audits twice a year, in May and again in November. At least two committee members must be present for an audit to take place.

An audit will consist of the following:

A. Active roll
B. Certified Training Officer
C. Training records and reporting to the Certified Program of that department
D. TEXFIRS Reporting
E. Judge's report
F. NIMS Compliance

The penalty for noncompliance:

County funds will be withheld on the schedule below for each of the five (5) # B-F audit areas. Funds will be paid less a 5% penalty if the "City" comes into compliance within 90 days. The "City" that does not come into compliance within 90 days will forfeit their quarterly payment as follows:

A penalty of 20% for each of the five (5) audit areas (#B-F above) will be withheld from the "City's" quarterly payment for noncompliance exceeding 90 days.

The upcoming audit that will be done by December 31, 2010, will be done with no penalty for infractions. This is so that the "City" with questions concerning the audits may have them addressed with no infraction to their department. The audits to be done in the following

years will be done in May and November. The committee will recommend to the "Association" the funds to be withheld. The President of the "Association" will provide the Coryell County Auditor with a schedule of funds to be withheld due to noncompliance for each department.

An appeal of the audit committee's findings may be made to the "Association". A ruling by the majority of Chiefs present at the appeals meeting is final.

VIII.

It is expressly understood that the "County" has the maximum sum of $48,488.28 as determined under the apportionment agreement calculated and determined by the "Association", to discharge fully its obligations under this agreement and it is expressly understood that in no event shall "County" be obligated to pay the "City" more than the amount determined by "Association" under its apportionment agreement. "County" specifically acknowledges that it will not be liable for any other funds to "City" and will deny any bills or debts presented by "City" for payment to "County". The quarterly disbursements issued to "City" under the terms of this agreement are the only funds to be paid by "County" for fire fighting services.

IX.

It is further agreed that in the performance of all obligations undertaken by this agreement, the "City" has the right to supervise, manage, control and direct the performance of fire fighting and fire protection services; the County shall look to the "City" for results only and the "County" shall have no right at any time to direct or supervise the "City" or its agents or employees in the performance of these services or as to the manner, means or method in which the services are performed.

X.

It is expressly agreed and understood by the parties hereto that "City" is an independent contractor in performing fire fighting activities pursuant to the terms of this contract and none of its actions are to be interpreted as governed by "County". Furthermore, "City" agrees to indemnify and hold "County" harmless for any of its acts or omissions, either negligent, or intentional and "County" further refuses to accept any responsibility for the negligence of "City", its personnel, or any third parties under its direction.

XI.

If either party refuses or fails to timely perform any one or more of the undertakings and obligations that are to be performed, then and in that event, the other party shall have the right to terminate this Agreement upon 10 days written notice to the defaulting party.

XII.

Any notice required or permitted to be given by "County" to the "City" herein under may be given by certified or registered United States mail, postage prepaid, return receipt requested,

and addressed to:

City of Copperas Cove
ATTN: City Manager
507 South Main Street
Copperas Cove, Texas 76522

Any notice required or permitted to given by "City" to "County" herein under may be given by certified or registered United States mail, postage prepaid, return receipt requested, and addressed to:

Coryell County Courthouse
ATTN: Coryell County Auditor
620 E. Main Street
Gatesville, Texas 76528

Any notice shall be considered given and complete upon deposit in the United States Mail.

XIII.

Neither the County nor the "City" shall sell, assign, or transfer any of its rights or obligations under this Agreement in whole or in part without written consent of the other party.

XIV.

This instrument constitutes the entire agreement between the parties and supersedes any and all agreements previously entered into by these same parties pertaining to fire fighting services insofar as it covers the term above specified.

EXECUTED this the _____ day of _____, 2010.

APPROVED AS TO FORM:

Brandon S. Belt
County Attorney

_____

CORYELL COUNTY

_____
By: County Judge

CITY OF COPPERAS COVE

_____
By: City Manager

City Council Regular **Item #: G. 5.**

Date: 11/16/2010

Contact: Eddie Wilson, Patrol Lieutenant

Information

SUBJECT

Consideration and action on a resolution, authorizing and supporting the City Manager to enter into, reject, alter or terminate an agreement with the Texas Department of Transportation (TXDOT) for the Police Department to be a testing and evaluation site for the proposed state wide crash reporting and analysis for safer highways (CRASH) system. ***Eddie Wilson, Police Department Lieutenant***

BACKGROUND/HISTORY

The Texas Department of Transportation (TXDOT) is testing and evaluating the proposed state wide crash reporting and analysis for safer highways (CRASH) system.

FINDINGS/CURRENT ACTIVITY

The Copperas Cove Police Department seeks to be a testing and evaluation site for the proposed CRASH system. The CRASH system will provide the following benefits to the citizens and Police Department.

• Allow the Police Department to enter and submit electronic traffic accident reporting information directly to TxDOT via a secure public internet connection thereby alleviating the need and costs associated with submitting paper crash reports.
• Provide a convenient way to make online purchases of the traffic accident reports, thus eliminating the need to visit the Police Department for a paper copy.
• Personnel cost savings as a result of eliminating police officers to complete a paper report in the field, data entry personnel to type the information into the Police Department database and customer service personnel to photocopy and mail the reports to TxDOT and for completion of open record requests as is currently being done.
• Allow the Police Department to retain complete access to the accident database in order to print copies for citizens without internet service and to continue the analysis used to deploy the City's traffic enforcement resources where most needed.

ACTION OPTIONS/RECOMMENDATION

City staff recommends the City Council approve a resolution authorizing and supporting the City Manager to enter into, reject, alter or terminate an agreement with the Texas Department of Transportation (TXDOT) for the Police Department to be a testing and evaluation site for the proposed state wide crash reporting and analysis for safer highways (CRASH) system.

Fiscal Impact

FINANCIAL IMPACT:

None.

Attachments

Link: Res 2010-44 TxDOT Crash

Link: TXDOT CRASH Agrmt

RESOLUTION NO. 2010-44

A RESOLUTION OF THE CITY OF COPPERAS COVE, TEXAS, AUTHORIZING AND SUPPORTING THE CITY MANAGER TO ENTER INTO, REJECT, ALTER OR TERMINATE AN AGREEMENT WITH THE TEXAS DEPARTMENT OF TRANSPORTATION (TXDOT) FOR THE POLICE DEPARTMENT TO BE A TESTING AND EVALUATION SITE FOR THE PROPOSED STATE WIDE CRASH REPORTING AND ANALYSIS FOR SAFER HIGHWAYS (CRASH) SYSTEM AT NO COST TO THE CITY.

WHEREAS, the City Council of the City of Copperas Cove finds it in the best interest of the citizens of Copperas Cove that the Police Department be authorized to access the CRASH system to enter and submit electronic traffic accident reporting information directly to TXDOT via a secure public internet connection thereby alleviating the need and costs associated with submitting paper crash reports; and

WHEREAS, the City Council of the City of Copperas finds that the citizens of Copperas Cove will receive a direct benefit by conveniently being able to make online purchases of the traffic accident report without having to go in person to the Police Department for a paper copy; and

WHEREAS, the City Council of the City of Copperas Cove finds that citizens of Copperas Cove will receive additional benefits from the savings in personnel costs as a result of not having police officers complete a paper report in the field and then having data entry personnel type the information into the Police Department database and then having customer service personnel make copies to mail the reports to TXDOT and to fill open record requests as is currently being done; and

WHEREAS, the City Council of the City of Copperas finds that the Police Department will retain complete access to the accident database in order to print copies for those without internet service and to continue the analysis used to deploy the City's traffic enforcement resources where they are most needed; and

WHEREAS, the City Council of the City of Copperas designates the City Manager of the City of Copperas Cove as the authorized official. The authorized official is given the power to enter into, reject, alter or terminate the agreement on behalf of the City of Copperas Cove; and

NOW, THEREFORE, BE IT RESOLVED AND ORDERED BY THE CITY COUNCIL OF THE CITY OF COPPERAS COVE, TEXAS:

SECTION 1.

That the City Council of the City of Copperas Cove, Texas, authorizes and supports the City Manager to enter into an agreement with TXDOT to enable the Police Department to test and evaluate the state wide CRASH system.

SECTION 2.

That this resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, AND ADOPTED on this 16th day of November 2010 at a regular meeting of the City Council of the City of Copperas Cove, Texas which meeting was held in compliance with the Open Meetings Act, *Tex. Gov't Code*, §551.001, et.seq. at which meeting a quorum was present and voting.

_____
John Hull, Mayor

ATTEST:

_____
Jane Lees, City Secretary

APPROVED AS TO FORM:

_____
Denton, Navarro, Rocha
& Bernal, P.C., City Attorney

Contract No. _____

Contract Services Transmittal Form
Interlocal Agreement

TRF	Tony Small	512-486-5701
District / Division / Office & Number	D/D/O Contact	Contact Phone #

City of Copperas Cove	$0.00
Other Agency or University	Maximum Amount Payable

Purpose of Contract

Access to Crash Reporting and Analysis for Safer Highways (CRASH) System

Are any federal funds used in this contract? If yes, what kind of Federal Funds?	**No**
Is the other party to this contract a county?	**No**
Was the standard Interlocal or amendment format modified? If modified, insert the date of Contract Services approval	**No** Date:
Modifications made are as follows:	
Notes:	

Contract No. _____

THE STATE OF TEXAS §

THE COUNTY OF TRAVIS §

INTERLOCAL AGREEMENT

THIS CONTRACT is entered into by the Contracting Parties under Government Code, Chapter 791.

I CONTRACTING PARTIES:

Texas Department of Transportation TxDOT

Copperas Cove Police Department Local Government

II. PURPOSE: Access to the Crash Reporting and Analysis for Safer Highways (CRASH) System..

III. STATEMENT OF SERVICES TO BE PERFORMED: The Local Government will undertake and carry out services described in **Attachment A**, Scope of Services.

IV. CONTRACT PAYMENT: The total amount of this contract shall not exceed $0.00.

V. TERM OF CONTRACT: This contract begins when fully executed by both parties and terminates on September 1, 2015, or when otherwise terminated as provided in this Agreement.

VI. LEGAL AUTHORITY:

THE PARTIES certify that the services provided under this contract are services that are properly within the legal authority of the Contracting Parties.

The governing body, by resolution or ordinance, dated 11/16/2010, has authorized the Local Government to provide the scope of services.

This contract incorporates the provisions of **Attachment A,** Scope of Services**, Attachment B, General** Terms and Conditions, and **Attachment C,** Resolution or Ordinance.

Copperas Cove Police Department

By _____ Date _____

AUTHORIZED SIGNATURE

Andrea Gardner, City Manager

TYPED OR PRINTED NAME AND TITLE

FOR THE STATE OF TEXAS

Executed for the Executive Director and approved for the Texas Transportation Commission for the purpose and effect of activating and/or carrying out the orders, established policies or work programs heretofore approved and authorized by the Texas Transportation Commission

By _____ Date _____

Janice Mullenix
Director, Contract Services Section

ATTACHMENT A

Scope of Services

TxDOT will provide access to the Crash Reporting and Analysis for Safer Highways (CRASH) System and Search components for use by the Local Government. The CRASH component allows the Local Government to enter crash reports via a secure public internet; alleviating the need to submit paper crash reports.

TxDOT has purchased a site license from Trancite Logic Systems for Easy Street Draw software and will purchase the annual maintenance for this software for the life of this agreement.

For each crash report submitted to TxDOT via CRASH, TxDOT will make available to the Local Government the data associated with that crash in a Extensive Markup Language (XML) document format. The transport mechanism for the Local Government to receive the data will be file transfer protocol (FTP). One month prior to the Local Government using CRASH, the Local Government will coordinate with TxDOT to ensure that it is able to receive the data .

TxDOT will provide a CRASH phased, rollout schedule for the Local Government. The TxDOT phased, rollout schedule will include the number of users allowed access CRASH and the date when user access will be available.

TxDOT will provide a CRASH training schedule for the Local Government. The TxDOT CRASH training schedule will include the Local Government name, date, time, location and number of users allowed for each training session available.

TxDOT will provide user management technical documentation to each Local Government accessing CRASH.

TxDOT will provide level 1 Help Desk support for CRASH users. The TxDOT help desk support will not include the following:

- Problems related to the Local Government network
- User ID and password issues, since the Local Government is responsible for user management

The Local Government shall:

- Provide proof that the Local Government has downloaded the Shibboleth open source or SAML 2 compliant user management software to comply with CRASH user management requirements.
- Provide the total number of users by rollout phase.
- Adhere to the TxDOT rollout phase schedule.
- Attend TxDOT CRASH training per the TxDOT training schedule.
- Use Trancite Logic Systems Easy Street Draw (version four or higher) software to meet the diagramming tool requirement within CRASH.
- Submit crash reports via a secure public internet using the CRASH component.
- Provide the number of users allowed to access CRIS authorization for each CRASH user within one month prior to using CRASH in production.
- Provide proof the authorization has been tested and that TxDOT can authenticate the CRASH users.
- Review and accept the data sharing format approved by TxDOT.
- Use the Shibboleth user management software within one month prior to using CRASH in production.
- Download a new version of Shibboleth upon TxDOT notification to ensure that TxDOT and the Local Government are in sync from a Shibboleth software perspective.

ATTACHMENT B

General Terms and Conditions

Article 1. Additional Work

A. If the Local Government is of the opinion that any assigned work is beyond the scope of this contract and constitutes additional work, it shall promptly notify TxDOT in writing. The written notice shall present the relevant facts and show how the work constitutes additional work.

B. If TxDOT in its sole discretion finds that the work does constitute additional work, TxDOT shall so advise the Local Government and a written amendment will be executed. The Local Government shall not perform any proposed additional work or incur any additional costs before the execution of an amendment.

C. TxDOT shall not be responsible for actions by the Local Government or for any costs incurred by the Local Government relating to additional work that is performed before an amendment is executed or that is outside the scope of the contract, as amended.

Article 2. Amendments

This contract may only be amended by written agreement executed by both parties before the contract is terminated.

Article 3. Notice to Proceed

If Attachment A requires a notice to proceed, the Local Government shall not proceed with any work or incur any costs until TxDOT issues a written notice to the Local Government authorizing work to begin. Any costs incurred by the Local Government before receiving the notice are not eligible for reimbursement.

Article 4. Conflicts Between Agreements

If the terms of this contract conflict with the terms of any other contract between the parties, the most recent contract shall prevail.

Article 5. Nonconforming Work

If the Local Government submits work that does not comply with the terms of this contract, TxDOT shall instruct the Local Government to make any revisions that are necessary to bring the work into compliance with the contract. No additional compensation shall be paid for this work.

Article 6. Termination

This contract terminates at the end of the contract term, when all services and obligations contained in this contract have been satisfactorily completed, by mutual written agreement, or 30 days after either party gives notice to the other party, whichever occurs first. TxDOT shall compensate the Local Government only for those eligible expenses that are incurred during this contract and that are directly attributable to the completed portion of the work covered by this contract and only if the work has been completed in a manner satisfactory and acceptable to TxDOT. The Local Government shall neither incur nor be reimbursed for any new obligations after the date of termination.

Article 7. Funding (NOT APPLICABLE)

TxDOT shall pay for services from appropriation items or accounts from which like expenditures would normally be paid. Payments received by the Local Government shall be credited to the current appropriation items or accounts from which expenditures of that character were originally made. If for any reason subcontractors and suppliers, if any, are not paid before TxDOT reimburses the Local Government for their services, the Local Government shall pay the subcontractors and suppliers all undisputed amounts due for work no more than 10 days after the Local Government receives payment for the work unless a different time is specified by law. This requirement also applies to all lower-tier subcontractors and suppliers and must be incorporated in all subcontracts. If the Local Government fails to comply with this Article, TxDOT may withhold payments and suspend work until the subcontractors and suppliers are paid. The Local Government is authorized to submit requests for reimbursement no more frequently than monthly and no later than ninety (90) days after costs are incurred.

Article 8. Basis for Calculating Reimbursement Costs (NOT APPLICABLE)

TxDOT will reimburse the Local Government for actual costs incurred in carrying out the services authorized in Attachment A, Scope of Services, subject to the cost categories and estimated costs set forth in Attachment B, Budget. TxDOT shall compensate the Local Government for only those eligible expenses incurred during this contract that are directly attributable to the completed portion of the work covered by this contract, provided that the work has been completed in a manner satisfactory and acceptable to TxDOT. The Local Government shall not incur or be reimbursed for any new obligations after the effective date of termination. The Local Government shall bill TxDOT for actual travel expenses, not to exceed the limits reimbursable under state law. Out-of-state or out-of-country travel by the Local Government requires prior approval by TxDOT.

Article 9. Gratuities

Any person who is doing business with or who reasonably speaking may do business with TxDOT under this contract may not make any offer of benefits, gifts, or favors to employees of TxDOT. The only exceptions allowed are ordinary business lunches and items that have received the advanced written approval of the Executive Director of the Texas Department of Transportation.

Article 10. Conflict of Interest

The Local Government shall not assign an employee to a project if the employee:

A. owns an interest in or is an officer or employee of a business entity that has or may have a contract with the state relating to the project;
B. has a direct or indirect financial interest in the outcome of the project;
C. has performed services regarding the subject matter of the project for an entity that has a direct or indirect financial interest in the outcome of the project or that has or may have a contract with TxDOT; or
D. is a current part-time or full-time employee of TxDOT.

Article 11. Local Government Resources

All employees of the Local Government shall have adequate knowledge and experience to enable them to perform the duties assigned to them. The Local Government certifies that it currently has adequate qualified personnel in its employment to perform the work required under this contract or will be able to obtain adequate qualified personnel from sources other than TxDOT. On receipt of written notice from TxDOT detailing supporting factors and evidence, the Local Government shall remove from the project any employee of the Local Government who is incompetent or whose conduct becomes detrimental to the work. Unless otherwise specified, the Local Government shall furnish all equipment, materials, supplies, and other resources required to perform the work.

Article 12. Assignment Subcontracts (NOT APPLICABLE)

A subcontract may not be executed by the Local Government without prior written authorization by TxDOT. Subcontracts in excess of $25,000 shall contain all applicable terms and conditions of this contract. No subcontract will relieve the Local Government of its responsibility under this contract. Neither party shall assign any interest in this agreement.

Article 13. Responsibilities of the Parties

Each party acknowledges that it is not an agent, servant, or employee of the other party. Each party is responsible for its own acts and deeds and for those of its agents, servants, or employees.

Article 14. Disputes

The Local Government shall be responsible for the settlement of all contractual and administrative issues arising out of procurements entered in support of contract services. TxDOT shall be responsible for the settlement of any dispute concerning this contract unless the dispute involves a subcontract.

Article 15. Records and Ownership

A. The Local Government agrees to maintain all books, documents, papers, accounting records, and other evidence pertaining to costs at its office during the contract period and for four years from the date of final payment under the contract. These materials shall be made available for inspection and copying by TxDOT, by the State Auditor's Office, and by their authorized representatives. If the contract is

federally funded, these materials shall also be made available for inspection and copying by the U.S. Department of Transportation and by the Office of the Inspector General.

B. After completion or termination of this contract, all documents prepared by the Local Government or furnished to the Local Government by TxDOT shall be delivered to and become the property of TxDOT. All sketches, photographs, calculations, and other data prepared under this contract shall be made available, on request, to TxDOT without restriction or limitation of further use.

C. TxDOT shall own all title to, all interests in, all rights to, and all intellectual property (including copyrights, trade and service marks, trade secrets, and patentable devices or methods) arising from or developed under this contract.

D. Except to the extent that a specific provision of this contract states to the contrary, all equipment purchased by the Local Government or its subcontractors under this contract shall be owned by TxDOT and will be delivered to TxDOT at the time the contract is completed or terminated.

E. The State Auditor may conduct an audit or investigation of any entity receiving funds from TxDOT directly under the contract or indirectly through a subcontract under the contract. Acceptance of funds directly under the contract or indirectly through a subcontract under this contract acts as acceptance of the authority of the State Auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. An entity that is the subject of an audit or investigation must provide the State Auditor with access to any information the State Auditor considers relevant to the investigation or audit.

Article 16. Reference to Costs Principles and Circulars (NOT APPLICABLE)

Reimbursement with state or federal funds will be limited to costs determined to be reasonable and allowable under cost principles establish in OMB Circular A-21, "Cost Principles for Educational Institutions," or OMB Circular A-87, "Cost Principles for State and Local Governments." The parties shall comply with the requirements of the Single Audit Act of 1984, P.L. 98-502, ensuring that the single audit report includes the coverage stipulated in OMB Circular A-133.

Article 17. Equal Employment Opportunity

The Local Government agrees to comply with Executive Order 11246, entitled “Equal Employment Opportunity,” as amended by Executive Order 11375 and as supplemented by Department of Labor regulations, 41 CFR Part 60. The Local Government agrees to consider minority universities for subcontracts when the opportunity exists. The Local Government warrants that it has developed and has on file appropriate affirmative action programs as required by applicable rules and regulations of the Secretary of Labor.

Article 18. Nondiscrimination

A. The Local Government shall comply with the regulations of the U.S. Department of Transportation relating to nondiscrimination in federally-assisted programs, including 49 CFR, Part 21; 23 CFR, Subchapter C; and 41 CFR, Part 60-74 (the Regulations).

B. The Local Government, with regard to the work performed during this agreement, shall not discriminate on the basis of race, color, sex, national origin, age, religion, or disability in the selection and retention of subcontractors, including procurements of materials and leases of equipment.

C. In all solicitations either by competitive bidding or negotiation made by the Local Government for work to be performed under a subcontract, including procurements of materials and leases of equipment, but not including routine purchase orders, each potential subcontractor or supplier shall be notified by the Local Government of the Local Government’s obligations under this agreement and the Regulations.

D. The Local Government shall provide all information and reports required by the Regulations and directives issued under the Regulations and shall permit access to its books, records, accounts, other sources of information, and facilities as may be determined by the Texas Department of Transportation or the U.S. Department of Transportation to be pertinent to ascertain compliance with the Regulations or directives. If any information required of the Local Government is in the exclusive possession of another who fails or refuses to furnish this information, the Local Government shall so certify to the Texas Department of Transportation or the U.S. Department of Transportation, whichever is appropriate, and shall set forth what efforts the Local Government has made to obtain the requested information.

E. In the event of the Local Government's noncompliance with the nondiscrimination provision of this agreement, the Texas Department of Transportation shall impose such sanctions as it or the U.S. Department of Transportation may determine to be appropriate.
F. The Local Government shall include the provisions of paragraphs A through E in every subcontract, including procurements of materials and leases of equipment, except routine purchase orders, unless exempt by the Regulations or directives. The Local Government shall take such lawful action with respect to any subcontract or procurement as the Texas Department of Transportation may direct as a means of enforcing these provisions, including sanctions for noncompliance. In the event the Local Government becomes involved in or is threatened with litigation with a subcontractor or supplier as a result of directions given by TxDOT, the Local Government may request the Texas Department of Transportation to enter into the litigation to protect the interests of the State. In addition, the Local Government may request the United States to enter into litigation to protect the interests of the United States.

Article 19. Compliance with Laws

The parties shall comply with all federal, state, and local laws, statutes, ordinances, rules, and regulations and with the orders and decrees of any courts or administrative bodies or tribunals in any manner affecting the performance of this agreement. After receiving a written request from TxDOT, the Local Government shall furnish TxDOT with satisfactory proof of its compliance with this Article.

Article 20. Signatory Warranty

Each signatory warrants that the signatory has necessary authority to execute this agreement on behalf of the entity represented.

ATTACHMENT C

Resolution or Ordinance

(Resolution or ordinance is attached and made a part of this agreement.)

City Council Regular **Item #: G. 6.**

Date: 11/16/2010

Information

SUBJECT

Notice of receipt of the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year Ending September 30, 2009. ***Andrea M. Gardner, City Manager***

BACKGROUND/HISTORY

The City submitted the Fiscal Year 2008-09 Comprehensive Annual Financial Report (CAFR) to GFOA in March 2010. The CAFR must meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate the entity's financial story and motivate potential users and user groups to read the CAFR. The document must be rated "proficient" in all categories to receive the award.

FINDINGS/CURRENT ACTIVITY

The City of Copperas Cove was awarded the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ending September 30, 2009. The City received the award for the twentieth consecutive year and will continue to strive to improve the CAFR in future years.

ACTION OPTIONS/RECOMMENDATION

None.

Attachments

Link: 2009 CAFR Award

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Copperas Cove
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

City Council Regular **Item #: H. 1.**

Date: 11/16/2010

Contact: Wesley Wright, Projects Director/City Engineer

Information

SUBJECT

Public hearing, consideration and action on updating the City's Subdivision Ordinance to allow drainage easement encroachments. ***Wesley Wright, P.E., City Engineer***

BACKGROUND/HISTORY

Currently, Section 17.5-111(g) prohibits fence encroachments into drainage easements.

FINDINGS/CURRENT ACTIVITY

Occasionally, situations arise where a fence would not necessarily be detrimental to the functionality of a drainage easement.

The proposed change would add the following paragraph to Section 17.5-111(g):

"Fences may cross drainage easements with underground facilities, but may not run parallel. Fences may not cross or run parallel within drainage easements designed for surface flow. Fence encroachment into drainage easements may be permitted on a case-by-case basis through an encroachment agreement approved by City Council."

All future encroachment agreements would be brought before Council individually for consideration.

ACTION OPTIONS/RECOMMENDATION

City staff recommends that Council adopt an ordinance modifying Section 17.5-111(g) to allow consideration of drainage easement encroachment agreements.

Attachments

Link: Ord No 2010-50

ORDINANCE NO. 2010-50

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COPPERAS COVE, TEXAS AMMENDING SECTION 17.5-111(G); REPEALING ALL ORDINANCES IN CONFLICT WITH THIS AMENDMENT; PROVIDING A SAVINGS CLAUSE; DECLARING AN EFFECTIVE DATE.

WHEREAS, the City of Copperas Cove is home rule municipal corporation organized under the constitution and the general laws of the State of Texas; and

WHEREAS, in the exercise of its lawful authority, the City of Copperas Cove may enact police power ordinances to promote and protect the health, safety and welfare of the public; and;

WHEREAS, the City may, pursuant to Chapter 212 of the Texas Local Government Code ("Chapter 212") after a public hearing thereon, establish by ordinance general rules and regulations governing subdivision plats and development of land with its corporate limits and area of extraterritorial jurisdiction in order to promote the health, safety, morals or general welfare of the City, and to promote the safe, orderly and healthful development of the City; and

WHEREAS, the City has adopted Chapter 17.5 of its code of ordinances regulating subdivisions; and

WHEREAS, the City, held a public hearing on November 16, 2010 on the encroachment of easements; and

WHEREAS, the City Council hereby finds and determines that allowing certain encroachments into various City easements promotes the health, safety, morals or general welfare of the City, and promotes the safe, orderly and healthful development of the City.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COPPERAS COVE, TEXAS:

SECTION 1.

That the City's Code of Ordinances is hereby amended by amending Sec. 17.5-111(g) in its entirety to read as follows:

Sec. 17.5-111 Lots

g. *Construction in easements.* The construction of private improvements within any utility easement shall be limited to landscaping and concrete or asphalt paving for driveways,

parking lots, sidewalks, etc. No structures including accessory buildings, above ground or in ground swimming pools, the overhang of eaves, etc. shall encroach an easement. Fences may be permitted in a utility easement. Any construction within any utility easement is at the sole risk of the owner. It shall not be the city's or a utility company's responsibility to repair, replace, or restore any private improvement including landscaping removed, damaged, or destroyed while constructing or maintaining utilities within easements.

The construction of private improvements within any drainage easement shall be limited to landscaping. Concrete or asphalt paving for driveways, parking lots, sidewalks, etc may be permitted but shall require the approval of the city engineer. Landscaping and paving shall not impede, constrict, divert, or otherwise significantly alter the flow of stormwater runoff as originally designed. No structures including accessory buildings, above ground or in ground swimming pools, the overhang of eaves, fences, etc. shall encroach a drainage easement. Any construction within any drainage easement is at the sole risk of the owner. It shall not be the city's or a utility company's responsibility to repair, replace, or restore any private improvement including landscaping removed, damaged, or destroyed while constructing or maintaining utilities within easements.

Fences may cross drainage easements with underground facilities, but may not run parallel. Fences may not cross or run parallel within drainage easements designed for surface flow. Fence encroachment into drainage easements may be permitted on a case-by-case basis through an encroachment agreement approved by City Council.

SECTION 2.

That all ordinances for which provision has heretofore been made are hereby expressly repealed if in conflict with the provisions of this ordinance.

SECTION 3.

That should any section, clause, or provision of this ordinance be declared by a court of competent jurisdiction to be invalid, the same shall not affect the validity of this ordinance or any other ordinance of the City as a whole or any part thereof, other ordinance of the City as a whole or any part thereof, other than the part so declared to be invalid.

SECTION 4.

That this ordinance shall go into effect on November 16, 2010.

PASSED, APPROVED AND ADOPTED this 16th day of November 2010, at a regular meeting of the City Council of the City of Copperas Cove, Texas, which meeting was held in compliance with the Open Meetings Act, *Tex. Gov't. Code* §551.001, et.seq., at which meeting a quorum was present and voting.

_____
John Hull, Mayor

ATTEST:

_____
Jane Lees, City Secretary

APPROVED AS TO FORM:

_____
Denton, Navarro, Rocha
& Bernal, P.C., City Attorney

City Council Regular **Item #: H. 2.**

Date: 11/16/2010

Contact: Wesley Wright

Information

SUBJECT

Public hearing and action on a Drainage Easement Encroachment Agreement for 1505 Vista Circle. ***Wesley Wright, P.E., Projects Director/City Engineer***

BACKGROUND/HISTORY

On September 21, 2010, Council considered a request to abandon a 10' drainage easement located on the east property line of 1505 Vista Circle. The request was made due to a privacy fence being located within the drainage easement, which is not allowed by ordinance.

During the public hearing, an option was presented where the applicant's fence would be allowed to encroach within the drainage easement and the City of Copperas Cove would maintain its easement rights. Council directed staff to pursue an agreement with the applicant for future consideration.

FINDINGS/CURRENT ACTIVITY

The City Attorney has drafted a Revocable License Agreement to Encroach into Drainage Easement (attached). The applicant has agreed in principle to the agreement.

As currently drafted the agreement only pertains to the existing privacy fence. However, the applicant has requested that an existing storage shed and sprinkler system also be included as an encroachment allowance.

In considering the requested additions of the existing shed and sprinkler system, staff advises Council to consider the nature of those items. Storage sheds often contain valuable personal property and information, and are not easily moved. Also, damaged sprinkler systems can create an unworkable site along with excessive water and repair bills.

ACTION OPTIONS/RECOMMENDATION

City staff recommends the Council conduct a public hearing and take action on approval or disapproval of the subject agreement.

Attachments

Link: Encroachment Agreement Draft

Link: 1505 Vista Circle Boundary Survey

Link: Vista Circle Pictures

Link: Drainage Design for Vista Circle

Revocable License Agreement
to Encroach Into Drainage Easement

THIS REVOCABLE LICENSE AGREEMENT, is entered into this _____ day of _____, 20___, by and between_____ _____("Owner"), whose address is _____ Copperas Cove, Texas, a Texas home-rule city ("City").

WHEREAS, Owner desires permission from the City to encroach upon a drainage easement owned by the City; and

WHEREAS, Owner has requested that the City grant this Non-exclusive Revocable License to utilize that drainage easement for the purposes set forth in this Revocable License Agreement: and

WHEREAS, City is willing to grant Owner this Non-exclusive Revocable License for the purposes set forth herein, subject to certain terms and conditions; and

WHEREAS, in consideration of receipt of this Non-exclusive Revocable License, Owner agrees to be bound by the limiting conditions contained herein.

NOW THEREFORE, the City, for the terms and conditions of this agreement and other good and valuable consideration which is hereby acknowledged, grants and demises to the Owner a Non-Exclusive Revocable License ("Revocable License") to install, operate, and maintain a fence on a _10_ foot by _169.14_ foot area as more fully depicted on the map attached as Exhibit A (the "Property"), subject to the following:

1. **Recitals.** The foregoing Recitals are true and correct and are made a part of this Revocable License Agreement by this reference.

2. **Access.** The City reserves the right at all times to use the Property for drainage utility purposes, including those that involve excavation, trenching, or other activities that affect the Property. The City and the authorized utilities will endeavor to notify the Owner in advance of any construction or maintenance activities, but they make no commitment to do so. In the event the City wishes to obtain ingress and/or egress to this easement for any purposes Owner agrees that it shall, at its sole expense, remove any and all structures, landscaping and other material in the easement. In the event the Owner fails to comply within thirty (30) days written notice, City may remove any and all structures, landscaping and other material in the easement and Owner shall be responsible for all removal costs. Owner bears all risk of loss as to monies expended in furtherance of the use, and City may then lien Owner's property for any and all such expenses incurred. The Owner may terminate this agreement on the basis of any such construction activities.

3. **Costs.** Owner agrees to pay all investigative costs, court costs and reasonable attorney's fees resulting from any successful action taken by City to obtain compliance with the conditions of this Revocable License or removal of the use.

4. **Indemnification.** Owner shall, at all times hereafter, indemnify and hold harmless the City and its officers, agents and employees from and against all claims, damages, losses and expenses, arising out of or relating to this Revocable License or any encroachment on the Property including, but not limited to, claims, damages, losses or expenses resulting from bodily injury, sickness, disease, personal injury or death, or the injury to or destruction of tangible property including the loss of or loss of use resulting therefrom. This obligation expressly includes any alleged or actual negligence by City as to all activities regarding the easement, including enforcement of said conditions. Nothing in the Revocable License shall be construed to limit the rights, privileges or immunities accorded to the City. The provisions of this section shall survive the expiration or earlier termination of this Agreement.

5. **Defense.** Owner agrees to defend the City against any claims brought, or actions filed, against City with respect to the subject of the indemnity contained herein, whether such claims or actions are rightly or wrongfully brought or filed. In case a claim should be brought or an action filed with respect to the subject of indemnity herein, Owner agrees to employ attorneys selected by the City to appear and defend the claim or action on behalf of City, at the expense of Owner.

6. **Successors and Assigns.** The obligations and conditions of this Revocable License Agreement, and the rights and interests created herein, shall be binding upon and inuring to the benefit of the parties hereto and their respective successors and assigns.

7. **Applicable Law and Venue.** This Revocable License shall be construed in accordance with and governed by the laws of the State of Texas. Venue for litigation concerning this Revocable License shall be in Coryell County, Texas.

8. **Term.** This is an annual Revocable License, automatically renewable each year unless terminated pursuant to Section 9 of this License.

9. **Termination.** This Revocable License is only a right to use, and grants no estate or ownership rights in the Property. This Revocable License may be cancelled by the City at any time during the term hereof at its sole discretion. This Revocable License may be terminated by Owner by removing the encroachment, by returning the Property to its original condition and by notifying the City of said removal in writing. Upon confirmation of the foregoing, the City shall provide Owner with a release of this License for Owner to record at Owner's expense.

10. **Use of Property.** Owner shall use and occupy the Property under this Revocable License for a **PRIVACY FENCE**. The Property shall not be used for any other purpose whatsoever without written consent of the City. Owner covenants that Owner will not, without written consent of the City, permit the Property to be used or occupied by any person, firm, entity or corporation other than Owner and Owner's agents. Owner further covenants that no nuisance or hazardous trade or occupation shall be permitted or carried on, in or upon said Property, and no act shall be permitted and nothing shall be kept in or about said Property, which will increase the risk of any hazard, fire or catastrophe, and no waste shall be permitted or committed upon or any damage done to said Property. Owner shall not permit the Property to be used or occupied in any manner which will violate any laws or regulations of any governmental authority.

11. **Alterations and Improvements to Property.** Owner may not make alteration, adjustment, partition, addition or improvement to the Property or any part thereof without first obtaining the written consent of the City. All requests by the Owner shall be in writing and shall contain all pertinent plans and specifications. All alterations, adjustments, partitions, additions or improvements to the Property shall remain the exclusive property of the City. All such alterations or improvements shall be made at the sole cost and expense of the Owner. Owner shall keep the premises in a clean, safe and sanitary condition.

12. **Inspections.** The City or its agents, or any authorized employee of said agent, may enter upon said Property at all reasonable times and hours to examine same to determine if Owner is properly maintaining the Property pursuant to this Revocable License.

13. **Amendments.** No modification, amendment or alteration of the terms or conditions contained herein shall be effective unless contained in a written document executed by the parties hereto, with the same formality and of equal dignity herewith.

14. **Severance.** In the event this Revocable License or a portion of this License is found by a court of competent jurisdiction to be invalid, the remaining provisions shall continue to be effective unless City or Owner elect to terminate this License.

15. **Priority of Provisions.** If there is a conflict or inconsistency between any term, statement, requirement, or provision of any Exhibit attached hereto, any document or events referred to herein or any document incorporated into this Revocable License by reference or a term statement, requirement or provision of this License, the term, statement requirement or provision contained in this License shall prevail and be given effect.

16. **Prior Agreements.** This document incorporates and includes all prior negotiations, correspondences, conversations, agreements and understandings applicable to the matters contained herein and the parties agree that there are no commitments, agreements or understanding concerning subject matter of this Revocable License that are not contained in this document. Accordingly, the parties agree that no deviation from the terms hereof shall be predicated upon any prior representations or agreements, whether oral or written. It is further agreed that no modification, amendment or alteration in the terms or condition contained herein shall be effective unless contained in a written document utilizing the same formalities as this License.

17. **Compliance With Laws.** Owner shall comply with all federal, state and local laws, codes, ordinances, rules and regulations in performing its duties, responsibilities, and obligations related to this Agreement.

18. **Surrender Upon Termination.** Upon termination in accordance with paragraph 9 above, Owner shall peaceably surrender and deliver the licensed Property to the City, or its agents. Owner further agrees that it will leave the licensed Property in the condition existing at the commencement of this Revocable License, with all alterations, adjustments, partitions, additions or improvements excepted and any normal wear and tear excepted, subject to the repair and maintenance obligations provided in this Revocable License.

19. **Waiver.** Failure of the City to insist upon strict performance of any covenant or condition of this Revocable License Agreement, or to exercise any right herein contained, shall not be construed as a waiver or relinquishment for the future of any such covenant, condition or right; but the same shall remain in full force and effect. None of the conditions, covenants or provisions of this Revocable License Agreement shall be waived or modified except by the parties hereto in writing.

20. **Notices.** Any notice or demand, which under the terms of this Revocable License or by any statute or ordinance, given or made by a party hereto, shall be in writing and shall be given by certified U.S. mail sent to the other party at the address set forth below, or to such other address as such party may from time to time designate by notice.

{THIS SPACE INTENTIONALLY LEFT BLANK}

Notice to the City shall be addressed to:

City Manager
City of Copperas Cove
PO Box 1449
Copperas Cove, TX 76522

Notice to the Owner shall be addressed to:

_____
_____
_____
_____

1. **Recordation.** This Revocable License shall be recorded in the Public Records of Coryell County with the Owner paying for the costs of such recordation.

2. **City Attorney Approval.** The City Attorney has approved the standard, pre-printed terms and conditions set forth in this Revocable License as to form and legality. Accordingly, no modification of these terms and conditions shall be binding upon the City unless they are specifically endorsed and approved by the City Attorney.

{THIS SPACE INTENTIONALLY LEFT BLANK}

Notarized IN WITNESS WHEREOF, the parties hereto have executed this Revocable License as of the day and year above written.

CITY OF COPPERAS COVE

_____
Andrea M. Gardner, City Manager

THE STATE OF TEXAS,

COUNTY OF CORYELL

BEFORE ME, the undersigned authority in and for Coryell County, Texas, on this day personally appeared Andrea M. Gardner known to me or proved to me through _____ (description of identity card or other document) to be the same person whose name is subscribed to the foregoing instrument and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ____ day of _____, 20_____.

NOTARY SEAL

_____
Notary Public, State of Texas

_____
Notary's Name (Printed)

_____
Notary's Commission Expires

OWNER

By: _____ (Signature)

_____ (Print Name)

THE STATE OF TEXAS,

COUNTY OF CORYELL

BEFORE ME, the undersigned authority in and for Coryell County, Texas, on this day personally appeared _____ known to me or proved to me through _____ (description of identity card or other document) to be the same person whose name is subscribed to the foregoing instrument and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ____ day of _____, 20_____.

NOTARY SEAL

_____

Notary Public, State of Texas

_____

Notary's Name (Printed)

_____

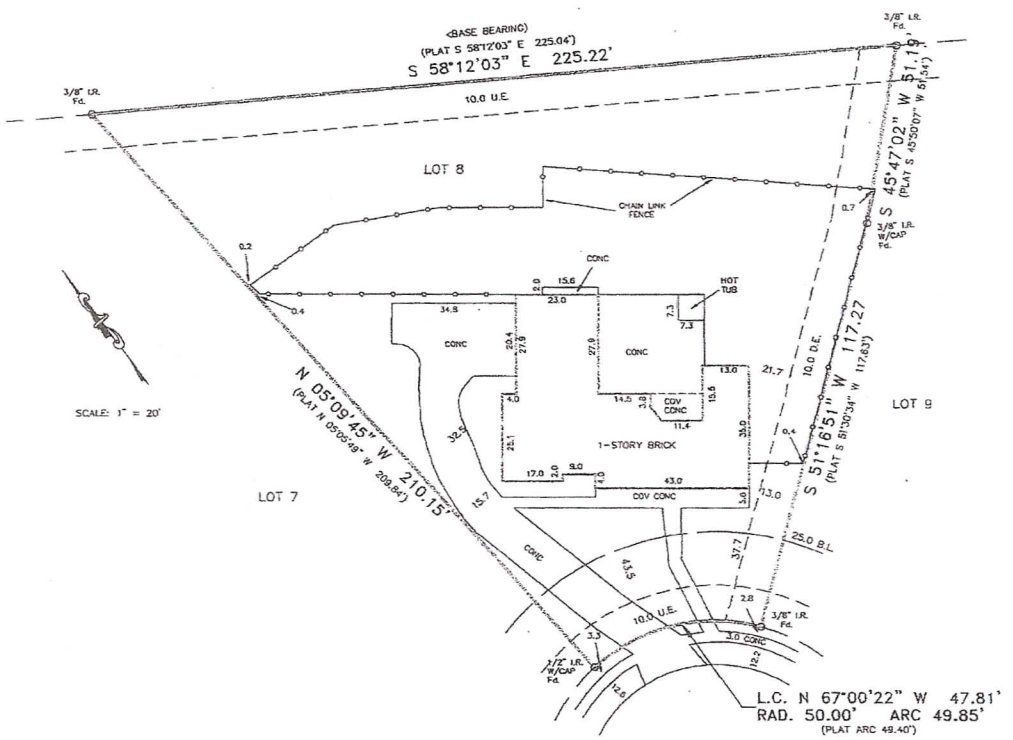
Notary's Commission Expires

EXHIBIT A

29257 blm ID No. 1572 ERA COLONIAL <SERVER\CERTS\1505VISTA.DWG> GWM 1495/21

M & A

MITCHELL & ASSOCIATES, INC.
ENGINEERING & SURVEYING
102 N.COLLEGE ST., KILLEEN, TEXAS (254) 634-5541



1505 VISTA CIRCLE

LOT 8, BOULDER RUN ADDITION, COPPERAS COVE, CORYELL COUNTY, TEXAS.
RECORDED IN CABINET A, SLIDE 355, PLAT RECORDS OF CORYELL COUNTY, TEXAS.

STATE OF TEXAS
COUNTY OF BELL

KNOW ALL MEN BY THESE PRESENTS, That I, Gary W. Mitchell, Registered Professional Land Surveyor, do hereby certify that I did cause to be surveyed on the ground the above described tract of land.

IN WITNESS THEREOF, My hand and seal this the 19th day of April, 2006.

Gary W. Mitchell
Registered Professional
Land Surveyor, No. 4982

STATE OF TEXAS REGISTERED GARY W. MITCHELL PROFESSIONAL LAND SURVEYOR

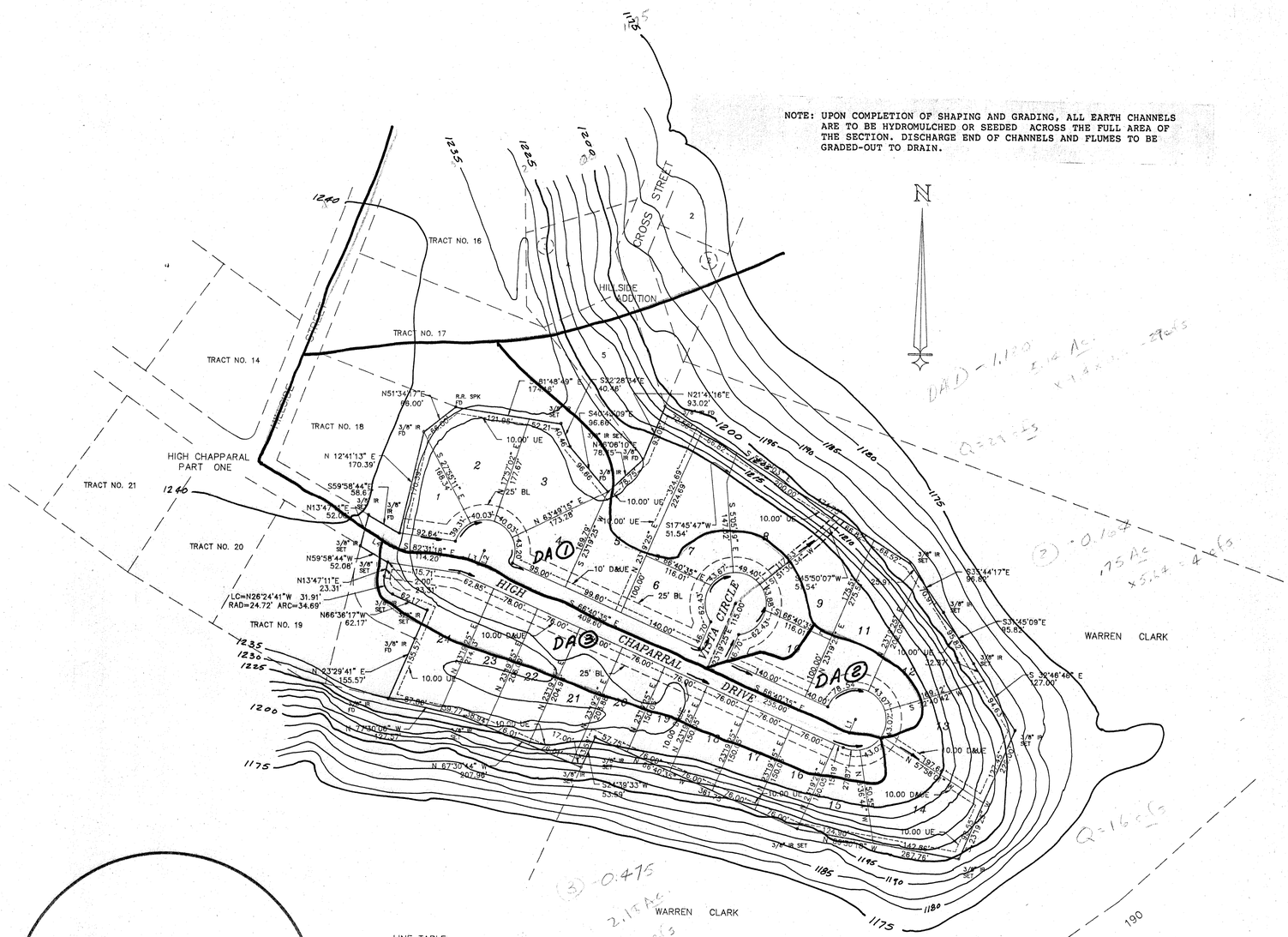
DRAWING NO. 06-203-B

8 9:17 AM

8 9:18 AM

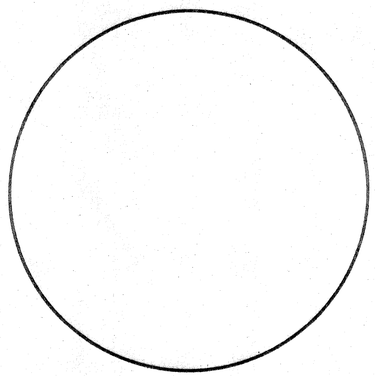
1504
8 9:17 AM

NOTE: UPON COMPLETION OF SHAPING AND GRADING, ALL EARTH CHANNELS ARE TO BE HYDROMULCHED OR SEEDED ACROSS THE FULL AREA OF THE SECTION. DISCHARGE END OF CHANNELS AND FLUMES TO BE GRADED-OUT TO DRAIN.



LINE TABLE:

LINE	DIRECTION	DISTANCE
L1	N23°19'25"E	25.00'
L2	S23°19'25"W	25.00'
L3	S66°40'35"E	26.92'
L4	N59°58'44"W	56.38'



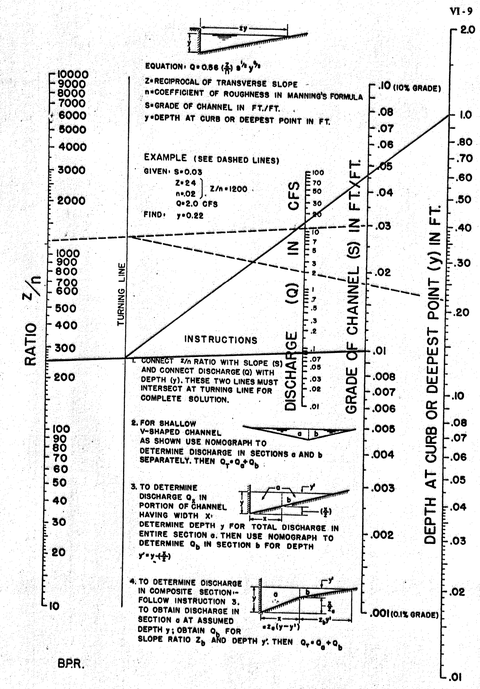
VICINITY MAP
(N.T.S.)

SPECIAL NOTE TO CONTRACTOR:
STREET CONSTRUCTION MUST INSURE THAT STORM WATER BE DIRECTED AS SHOWN AND THAT DRAINAGE AREAS REMAIN AS INDICATED.

10.897 ACRES

NOTE:

ALL ELEVATIONS SHOWN ARE U.S. COAST & GEODETIC SURVEY DATUM.



NOMOGRAPH FOR FLOW IN TRIANGULAR CHANNELS

Figure 1

BOULDER RUN

DRAINAGE SUMMARY

DA	ACRES	CI	Q_{25}	Qcum
1	5.14	5.64	29	29
2	0.75	5.64	4	-
3	2.18	5.64	12	16

MIN DITCH GRADE	=	1.0 %
SIDE SLOPES	=	1 : 10
RECIPROCAL	=	10
N	=	0.040
Z/N	=	250
DEPTH	=	1.0
Q	=	15
Q_T	=	30

MAX. LOAD = 29 cfs
CAPACITY = 30 cfs

V = 2.9 f/s
Use Grass Swale

NOTE: PROPOSED STREET SECTION IS 27' FT. WIDE H.M.A.C. WITH 11.5 FT. PARKWAY. SWALE DRAINAGE TO BE HANDLED IN PARKWAY/EASEMENT COMBINED.

STATE OF TEXAS
LESTER D. PEAK
27664
REGISTERED PROFESSIONAL ENGINEER

May 94

Copperas Cove City Engineer
APPROVED FOR CONSTRUCTION

DRAINAGE & TOPOGRAPHY

MITCHELL & ASSOCIATES
KILLEEN, TEXAS

BOULDER RUN ADDITION
COPPERAS COVE, CORYELL COUNTY, TEXAS

DGN BY C.B.
DATE: 04/22/94
SCALE 1"=100'

DRAWING NO.
10349-D

City Council Regular **Item #: I. 1.**

Date: 11/16/2010

Contact: Andrea Gardner, City Manager,
City Manager

Information

SUBJECT

Consideration and action on an ordinance of the City of Copperas Cove, Texas, authorizing the issuance and sale of City of Copperas Cove, Texas, Limited Tax Notes, Series 2010A, in the aggregate principal amount of $1,915,000; awarding the sale of said notes; levying a tax in payment thereof; prescribing the form of said notes; and enacting other provisions relating to the subject. ***Andrea M. Gardner, City Manager***

BACKGROUND/HISTORY

During the 2010-11 Budget adoption process, the City Council approved funding for capital projects and equipment purchases in the amount of $1,962,312 with knowledge that a tax note issuance would be required. Furthermore, the adopted tax rate includes the issuance of the debt.

FINDINGS/CURRENT ACTIVITY

City Council adopted the property tax rate of 76.00 cents per $100/assessed valuation on September 7, 2010. The tax rate of 76.00 cents included the option of issuing debt in the amount of $1,962,312 to cover the capital projects and equipment purchases. After the budget adoption process was complete and the budget was adopted, the City Manager reviewed the City's financing options with the City's Financial Advisor and the governing body, it was decided best to incorporate all of the following projects of which some were included in the original $1.96 million amount:

- Document Imaging Software for City Secretary's Office.
- Capital Improvement Plan Tracking & Reporting Software.
- Repairs to Central Fire Station.
- Amubalance and Defibrillator.
- SCBA Units, PPE Storage Racks, Hyrdant Program Products and vehicle for Fire Department.
- Fire House Software.
- Fire Station 2 Relocation design & engineering.
- Online Applicant Tracking Software for Human Resources.
- Servers with SAN Storage and Video Production System for Information Systems.
- Vehicles, Top Dresser, Tractor, Ztrac Mower and Sod Cutter for Parks & Recreation.
- Development Process Consultant.
- Vehicle for Police Department.
- Bucket Truck and Backhoe Loader for Streets Department.
- HVAC Oncor Community Grant Match.
- NE Sewer Line engineering contract addendum for easement work.
- Sewer Capacity Study.
- Sideloader, Tractor and Roll Off Truck for Solid Waste.

After discussion with the Council and staff review, some revisions were made to the proposed tax note issuance reducing the amount of the total issuance to $1,915,000. The principal and interest payments for General Fund departments will be paid from property tax revenues. The principal and interest payments for Water & Sewer departments will be paid from water & sewer revenues and the remaining portion of the debt will be paid from solid waste fund revenues.

Specialized Public Finance will secure bids on November 16, 2010 for a term of seven (7) years on the proposed issuance.

ACTION OPTIONS/RECOMMENDATION

City staff recommends that the City Council approve an ordinance providing for the issuance and sale of the City of Copperas Cove, Texas, Tax Notes, Series 2010A.

Fiscal Impact

Funds available Y/N?: Y

FINANCIAL IMPACT:

A copy of the summary of debt issuance by fund, debt service schedule, ordinance, and other issuance documents are attached.

Attachments

Link: tax notes ordinance

Link: Tax notes debt schedules

Link: Notice of Sale/Official Stmt

ORDINANCE NO. 2010-51

AUTHORIZING THE ISSUANCE OF

$1,915,000
CITY OF COPPERAS COVE, TEXAS
LIMITED TAX NOTES
SERIES 2010A

Dated: November 15, 2010

Adopted: November 16, 2010

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ORDINANCE NO. 2010-51

AN ORDINANCE OF THE CITY OF COPPERAS COVE, TEXAS, AUTHORIZING THE ISSUANCE AND SALE OF CITY OF COPPERAS COVE, TEXAS, LIMITED TAX NOTES, SERIES 2010A, IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,915,000; AWARDING THE SALE OF SAID NOTES; LEVYING A TAX IN PAYMENT THEREOF; PRESCRIBING THE FORM OF SAID NOTES; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT.

WHEREAS, pursuant to Chapter 1431, Texas Government Code, as amended, the governing body of a municipality is authorized to issue the notes hereinafter authorized (the "Notes") to pay contractual obligations incurred or to be incurred for the purposes set forth in Section 3.01 hereof; and

WHEREAS, this governing body (the "City Council") of the City of Copperas Cove, Texas (the "City"), hereby finds and determines that it is necessary and in the best interest of the City and its citizens to issue such Notes for the purposes herein described and that such Notes shall be payable from and secured by ad valorem taxes levied, within the limits prescribed by law, on all taxable property within the City; and

WHEREAS, the Notes hereinafter authorized shall mature before the seventh anniversary of the date that the Attorney General of the State of Texas approves the Notes, as required by the Act; and

WHEREAS, it is affirmatively found that this City Council is authorized to proceed with the issuance and sale of such Notes as authorized by the Constitution and laws of the State of Texas, particularly the Act; and

WHEREAS, the City Council has found and determined that it is necessary and in the best interest of the City and its citizens that it authorize by this Ordinance the issuance and delivery of its Notes in a single series at this time; and

WHEREAS, it is officially found, determined, and declared that the meeting at which this Ordinance has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Ordinance, was given, all as required by the applicable provisions of Chapter 551, Texas Government Code, as amended; Now Therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COPPERAS COVE:

ARTICLE I

DEFINITIONS AND OTHER PRELIMINARY MATTERS

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance the following terms shall have the meanings specified below:

"Acquisition and Construction Fund" means the acquisition and construction fund established by Section 8.01(a).

"Closing Date" means the date of the initial delivery of and payment for the Notes.

"Code" means the Internal Revenue Code of 1986, as amended.

"Dated Date" shall mean the dated date of the Notes set forth in Section 3.02(a).

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named herein, its office in Austin, Texas, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

"DTC" means The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Event of Default" means any Event of Default as defined in Section 10.01.

"Fiscal Year" means such fiscal year as shall from time to time be set by the City Council.

"Initial Note" means the Note described in Section 3.04(d) and 6.02(d).

"Interest and Sinking Fund" means the interest and sinking fund established by Section 8.01(a).

"Interest Payment Date" means the date or dates upon which interest on the Notes is scheduled to be paid until the maturity of the Notes, such dates being February 15 and August 15 of each year commencing February 15, 2011.

"MSRB" means the Municipal Securities Rule Making Board.

"Note" means any of the Notes.

"Notes" means the City's notes entitled "City of Copperas Cove, Texas, Limited Tax Notes, Series 2010A" authorized to be issued by Section 3.01.

"Ordinance" means this Ordinance.

"Owner" means the person who is the registered owner of a Note or Notes, as shown in the Register.

"Paying Agent/Registrar" means initially Wells Fargo Bank, National Association, or any successor thereto as provided in this Ordinance.

"Paying Agent/Registrar Agreement" means the Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar relating to the Notes.

"Project" has the meaning set forth in Section 3.01.

"Purchaser" means the purchaser of the Notes as specified in Section 7.01.

"Record Date" means the last business day of the month next preceding an Interest Payment Date.

"Register" means the Register specified in Section 3.06(a).

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Special Payment Date" means the Special Payment Date prescribed by Section 3.03(b).

"Special Record Date" means the Special Record Date prescribed by Section 3.03(b).

"Unclaimed Payments" means money deposited with the Paying Agent/Registrar for the payment of the principal of or interest on Notes as the same become due and payable and remaining unclaimed by the Owners of such Notes for 90 days after the applicable payment or redemption date.

Section 1.02. Other Definitions. The terms "City Council" and "City" shall have the meaning assigned in the preamble to this Ordinance.

Section 1.03. Findings. The declarations, determinations and findings declared, made and found in the preamble to this Ordinance are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.04. Table of Contents, Titles and Headings. The table of contents, titles and headings of the Articles and Sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Ordinance or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.05. Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) Article and section references shall mean references to articles and sections of this Ordinance unless designated otherwise.

(c) This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Ordinance.

ARTICLE II

SECURITY FOR THE NOTES

Section 2.01. Tax Levy for Payment of the Notes.

(a) The City Council hereby declares and covenants that it will provide and levy a tax legally and fully sufficient for payment of the Notes, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding obligations of the City.

(b) In order to provide for the payment of the debt service requirements on the Notes, being (i) the interest on the Notes, and (ii) a sinking fund for their payment at maturity or a sinking fund of two percent per annum (whichever amount is the greater), there is hereby levied for the current year and each succeeding year thereafter, while the Notes or interest thereon remain outstanding and unpaid, an ad valorem tax on each one hundred dollars valuation of taxable property within the City at a rate sufficient, within the limit prescribed by law, to pay such debt service requirements, full allowance being made for delinquencies and costs of collection.

(c) The tax levied by this Section shall be assessed and collected each year and deposited into the Interest and Sinking Fund for the payment of the debt service requirements on the Notes, and the tax shall not be diverted to any other purpose.

(d) Said ad valorem tax, the collections therefrom, and all amounts on deposit in or required hereby to be deposited to the Interest and Sinking Fund are hereby pledged and committed irrevocably to the payment of the principal of and interest on the Notes when and as due and payable in accordance with their terms and this Ordinance.

(e) If the liens and provisions of this Ordinance shall be discharged in a manner permitted by Article XI, then the collection of such ad valorem tax may be suspended or appropriately reduced, as the facts may permit, and further deposits to the Interest and Sinking Fund may be suspended or appropriately reduced, as the facts may permit.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE NOTES

Section 3.01. Authorization. The City's notes to be designated "City of Copperas Cove, Texas, Limited Tax Notes, Series 2010A," are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, particularly Chapter 1431, Texas Government Code, as amended, in the aggregate principal amount of $1,915,000 for the purpose of providing funds to: (i) construct improvements to the City's water and sewer system; (ii) construct road and street improvements within the City (subparagraphs (i) and (ii) are herein collectively referred to as the "Project"); and (iii) pay the costs associated with the issuance of the Notes.

Section 3.02. Date, Denomination, Maturities, Numbers and Interest.

(a) The Notes shall be dated November 15, 2010, shall be in fully registered form, without coupons, in the denomination of $5,000 or any integral multiple thereof, and shall be numbered separately from one upward or such other designation acceptable to the City and the Paying Agent/Registrar, except the Initial Note shall be numbered No. T-1.

(b) The Notes shall mature on August 15 in the years and in the principal amounts and shall bear interest at the per annum rates set forth in the following schedule:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2011	$ 125,000		2015	$ 185,000	
2012	25,000		2016	600,000	
2013	50,000		2017	770,000	
2014	160,000				

(c) Interest shall accrue and be paid on each Note respectively until its maturity or prior redemption, from the later of the Dated Date or the most recent Interest Payment Date to which interest has been paid or provided for at the rates per annum for each respective maturity specified in the schedule contained in subsection (b) above. Such interest shall be payable semiannually on each Interest Payment Date until maturity or prior redemption. Interest on the Notes shall be calculated on the basis of a 360-day year composed of 12 months of thirty (30) days each.

Section 3.03. Medium, Method and Place of Payment.

(a) The principal of and interest on the Notes shall be paid in lawful money of the United States of America as provided in this Section.

(b) Interest on the Notes shall be payable to the Owners whose names appear in the Register at the close of business on the Record Date; provided, however, that in the event of

nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be at least 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Note appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

(c) Interest on the Notes shall be paid by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the person entitled to such payment, United States mail, first class postage prepaid, to the address of such person as it appears in the Register or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such other customary banking arrangements.

(d) The principal of each Note shall be paid to the person in whose name such Note is registered on the due date thereof (whether at the maturity date or the date of prior redemption thereof) upon presentation and surrender of such Note at the Designated Payment/Transfer Office.

(e) If a date for the payment of the principal of or interest on the Notes is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

(f) Subject to any applicable escheat, unclaimed property, or similar law, including Title 6 of the Texas Property Code, Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date shall be paid to the City and thereafter neither the City, the Paying Agent/Registrar, nor any other person shall be liable or responsible to any Owners of such Notes for any further payment of such unclaimed moneys or on account of any such Notes.

Section 3.04. Execution and Initial Registration.

(a) The Notes shall be executed on behalf of the City by the Mayor and City Secretary of the City, by their manual or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Notes shall have the same effect as if each of the Notes had been signed manually and in person by each of said officers, and such facsimile seal on the Notes shall have the same effect as if the official seal of the City had been manually impressed upon each of the Notes.

(b) In the event that any officer of the City whose manual or facsimile signature appears on the Notes ceases to be such officer before the authentication of such Notes or before

the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Note shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided in this Ordinance, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Notes. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Note delivered on the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in this Ordinance, manually executed by the Comptroller of Public Accounts of the State of Texas or by his duly authorized agent, which certificate shall be evidence that the Initial Note has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the City, and has been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one Note (the "Initial Note") representing the entire principal amount of the Notes, executed by manual or facsimile signature of the Mayor and City Secretary of the City, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the Purchaser or its designee against payment therefor. Upon payment for the Initial Note, the Paying Agent/Registrar shall cancel the Initial Note and deliver to DTC on behalf of the Purchaser one registered definitive Note for each year of maturity of the Notes in the aggregate principal amount of all Notes for such maturity, registered in the name of Cede & Co., as nominee of DTC.

Section 3.05. Ownership.

(a) The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Note is registered as the absolute owner of such Note for the purpose of making and receiving payment of the principal thereof and premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon (subject to the provisions herein that interest is to be paid to the person in whose name the Note is registered on the Record Date), and for all other purposes, whether or not such Note is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the person deemed to be the Owner of any Note in accordance with this Section shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Note to the extent of the sums paid.

Section 3.06. Registration, Transfer and Exchange.

(a) So long as any Notes remain outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Notes in accordance with this Ordinance.

(b) The ownership of a Note may be transferred only upon the presentation and surrender of the Note at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Note shall be effective until entered in the Register.

(c) The Notes shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Note or Notes of the same maturity and interest rate and in any denomination or denominations of any integral multiple of $5,000 and in an aggregate principal amount equal to the unpaid principal amount of the Notes presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Notes exchanged for other Notes in accordance with this Section.

(d) Each exchange Note delivered by the Paying Agent/ Registrar in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Note or Notes in lieu of which such exchange Note is delivered.

(e) No service charge shall be made to the Owner for the initial registration, subsequent transfer, or exchange for any different denomination of any of the Notes. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Note.

(f) Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Note called for redemption, in whole or in part, where such redemption is scheduled to occur within forty-five (45) calendar days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Note.

Section 3.07. Cancellation and Authentication. All Notes paid or redeemed before scheduled maturity in accordance with this Ordinance, and all Notes in lieu of which exchange Notes or replacement Notes are authenticated and delivered in accordance with this Ordinance, shall be cancelled upon the making of proper records regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall dispose of the cancelled Notes in accordance with the Securities Exchange Act of 1934.

Section 3.08. Temporary Notes.

(a) Following the delivery and registration of the Initial Note and pending the preparation of definitive Notes, the proper officers of the City may execute and, upon the City's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Notes that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Notes in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such temporary Notes may determine, as evidenced by their signing of such temporary Notes.

(b) Until exchanged for Notes in definitive form, such Notes in temporary form shall be entitled to the benefit and security of this Ordinance.

(c) The City, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar the Notes in definitive form; thereupon, upon the presentation and surrender of the Note or Notes in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Notes in temporary form and authenticate and deliver in exchange therefor a Note or Notes of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount, as the Note or Notes in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.09. Replacement Notes.

(a) Upon the presentation and surrender to the Paying Agent/Registrar, at the Designated Payment/Transfer Office, of a mutilated Note, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Note of like tenor and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Owner of such Note to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Note is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Note has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Note of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Note;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar and the City to save them harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

(c) If, after the delivery of such replacement Note, a bona fide purchaser of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Note from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the City or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Note has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Note, may pay such Note.

(e) Each replacement Note delivered in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Note or Notes in lieu of which such replacement Note is delivered.

Section 3.10. Book-Entry Only System.

(a) The definitive Notes shall be initially issued in the form of a separate typewritten fully registered Note for each of the maturities thereof. Upon initial issuance, the ownership of such Notes shall be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 3.11 hereof, all of the outstanding Notes shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Notes registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Notes. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Notes, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Notes, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Register of any amount with respect to principal of or interest on the Notes. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Note is registered in the Register as the absolute owner of such Note for the purpose of payment of principal of, premium, if any, and interest on the Notes, for the purpose of all matters with respect to such Note, for the purpose of registering transfer with respect to such Note, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Notes only to or upon the order of the respective owners, as shown in the Register as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of, premium, if any, and interest on the Notes to the extent of the sum or sums so paid. No person other than an owner, as shown in the Register, shall receive a Note certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

Section 3.11. Successor Securities Depository; Transfer Outside Book-Entry Only System.

In the event that the City or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC, and that it is in the best interest of the beneficial owners of the Notes that they be able to obtain certificated Notes, or in the event DTC discontinues the services described herein, the Issuer or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Notes to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Notes and transfer one or more separate Notes to DTC Participants having Notes credited to their DTC accounts. In such event, the Notes shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Notes shall designate, in accordance with the provisions of this Ordinance.

Section 3.12. Payments to Cede & Co.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Notes are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Notes, and all notices with respect to such Notes, shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

ARTICLE IV

REDEMPTION OF NOTES BEFORE MATURITY

Section 4.01. No Optional Redemption.

The Notes are not subject to optional redemption prior to stated maturity

ARTICLE V

PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar. Wells Fargo Bank, National Association, is hereby appointed as the initial Paying Agent/Registrar for the Notes.

Section 5.02. Qualifications. Each Paying Agent/Registrar shall be a commercial bank, a trust company organized under the laws of the State of Texas, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Notes.

Section 5.03. Maintaining Paying Agent/Registrar.

(a) At all times while any Notes are outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Ordinance. The Mayor is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the City and the Paying Agent/Registrar. The signature of the Mayor shall be attested by the City Secretary.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the City will promptly appoint a replacement.

Section 5.04. Termination. The City, upon not less than 60 days notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice of such termination, provided, that such termination shall not be effective until a successor Paying Agent/Registrar has been appointed and has accepted the duties of Paying Agent/Registrar for the Notes.

Section 5.05. Notice of Change. Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Owner and any bond insurer by first class United States mail, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.06. Agreement to Perform Duties and Functions. By accepting the appointment as Paying Agent/Registrar, and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 5.07. Delivery of Records to Successor. If a Paying Agent/Registrar is replaced, such Paying Agent, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Notes to the successor Paying Agent/Registrar.

ARTICLE VI

FORM OF THE NOTES

Section 6.01. Form Generally.

(a) The Notes, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment form to appear on each of the Notes, (i) shall be substantially in the form set forth in this Article, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and indorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Notes, as evidenced by their execution thereof.

(b) Any portion of the text of any Notes may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Notes.

(c) The Notes, including the Initial Note submitted to the Attorney General of Texas and any temporary Notes, shall be typed, printed, lithographed, photocopied or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Notes, as evidenced by their execution thereof.

Section 6.02. Form of Notes. The form of Notes, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Notes, shall be substantially as follows:

(a) [Form of Note]

REGISTERED NO. _____ REGISTERED $_____

United States of America
State of Texas

CITY OF COPPERAS COVE, TEXAS
LIMITED TAX NOTES
SERIES 2010A

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP NO.
_____%	August 15, _____	November 15, 2010	

The City of Copperas Cove (the "City"), in the Counties of Coryell, Lampasas and Bell, State of Texas, for value received, hereby promises to pay to

_____

or registered assigns, on the Maturity Date specified above, the sum of

_____ DOLLARS

unless the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Dated Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2011.

The principal of this Note shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Note at the corporate trust office in Austin, Texas (the "Designated Payment/Transfer Office"), of Wells Fargo Bank, National Association, as initial Paying Agent/Registrar, or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Note is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. For the purpose of the payment of interest on this Note, the registered

owner shall be the person in whose name this Note is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Note appearing on the books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Notes is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Note is one of a series of fully registered notes specified in the title hereof, issued in the aggregate principal amount of $1,915,000 (herein referred to as the "Notes"), pursuant to a certain ordinance approved by the City Council of the City (the "Ordinance") for the purpose of providing funds for acquiring and constructing public improvements and acquiring equipment for and within the City, as described in the Ordinance, and to pay the costs of issuance related to the Notes.

The Notes and the interest thereon are payable from the levy of a direct and continuing ad valorem tax levied, within the limit prescribed by law, against all taxable property in the City as described and provided in the Ordinance.

The City has reserved the option to redeem the Notes maturing on August 15, 2016, in whole or in part, on August 15, 2015, or on any date thereafter, at a price equal to the principal amount of the Notes so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Notes are to be redeemed, the City shall determine the principal amount thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Notes, or portions thereof, for redemption, in accordance with the terms of the Ordinance.

The City shall, not less than 30 days prior to the date of redemption, cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the Owners of the Notes to be redeemed at the address of the Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

In the Ordinance, the City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Notes conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the

redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Notes subject to conditional redemption and such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. Notice having been so given and subject, in the case of an optional redemption, to any rights or conditions reserved by the City in the notice, the certificates called for redemption shall become due and payable on the specified redemption date, and notwithstanding that any obligation or portion thereof has not been surrendered for payment, interest on such obligation or portion thereof shall cease to accrue.

As provided in the Ordinance, and subject to certain limitations therein set forth, this Note is transferable upon surrender of this Note for transfer at the Designated Payment/Transfer Office, with such indorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar, and, thereupon, one or more new fully registered Notes of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The City, the Paying Agent/Registrar, and any other person may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Note is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Note be overdue, and neither the City nor the Paying Agent/Registrar shall be affected by notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Note and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Notes have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that the total indebtedness of the City, including the Notes, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, this Note has been duly executed on behalf of the City, under its official seal, in accordance with law.

_____	_____
City Secretary, City of Copperas Cove, Texas [SEAL]	Mayor, City of Copperas Cove, Texas

(b) Form of Certificate of Paying Agent/Registrar

CERTIFICATE OF PAYING AGENT/REGISTRAR

This is one of the Notes referred to in the within mentioned Ordinance. The series of Notes of which this Note is a part was originally issued as one Initial Note which was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Paying Agent/Registrar

Dated: _____ By: _____
Authorized Signatory

(c) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee): _____
_____
(Social Security or other identifying number: _____) the within Note and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Note on the books kept for registration hereof, with full power of substitution in the premises.

Date: _____

Signature Guaranteed By:

_____

_____
Authorized Signatory

_____
NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular and must be guaranteed in a manner acceptable to the Paying Agent/Registrar.

(d) Form of Comptroller's Registration Certificate.

The following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Note:

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER	§	
OF PUBLIC ACCOUNTS	§	REGISTER NO. _____
THE STATE OF TEXAS	§	

I HEREBY CERTIFY THAT there is on file and of record in my office a certificate to the effect that the Attorney General of the State of Texas has approved this Note, and that this Note has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____.

_____
Comptroller of Public Accounts of the
State of Texas

[SEAL]

(e) Initial Note Insertions.

The Initial Note shall be in the form set forth in paragraphs (a), (c) and (d) of this Section, except for the following alterations:

(i) immediately under the name of the Note, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and the words "CUSIP NUMBER" deleted; and

(ii) in the first paragraph of the Note, the words "on the Maturity Date specified above," shall be deleted and the following will be inserted: "on August 15 in each of the years, in the principal installments and bearing interest at the per annum rates in accordance with the following schedule:

Year	Principal Installment	Interest Rate

(Information to be inserted from
schedule in Section 3.02 of this Ordinance)

Section 6.03. CUSIP Registration. The City may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York,

and may authorize the printing of such numbers on the face of the Notes. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Notes shall be of no significance or effect as regards the legality thereof and neither the City nor the attorneys approving said Notes as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Notes.

Section 6.04. Legal Opinion. The approving legal opinion of Vinson & Elkins L.L.P., Bond Counsel, may be printed on or attached to each Note over the certification of the City Secretary of the City, which may be executed in facsimile.

Section 6.05. Statement of Insurance. A statement relating to a municipal bond insurance policy, if any, to be issued for the Notes may be printed on or attached to each Note.

ARTICLE VII

SALE OF THE NOTES; OFFICIAL STATEMENT; CONTROL AND DELIVERY OF THE NOTES

Section 7.01. Sale of Notes.

(a) The Notes are hereby sold and awarded and shall be delivered to _____ (the "Purchaser"), at a price equal to the principal amount thereof, plus accrued interest from the Dated Date to the Closing Date. It is hereby found, determined and declared that the bid of the Purchaser is the best and lowest bid submitted for the Notes. The Notes shall be initially registered in the name of the Purchaser or its designee.

(b) The form and substance of the Preliminary Official Statement, and any addenda, supplement or amendment thereto, and the final Official Statement (the "Official Statement") presented to and considered at this meeting, are hereby in all respects approved and adopted, and the Preliminary Official Statement is hereby deemed final as of its date (except for the omission of pricing and related information) within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The Mayor and City Secretary of the City are hereby authorized and directed to execute the same and deliver appropriate numbers of copies thereof to the Purchaser. The Official Statement as thus approved and delivered, with such appropriate variations as shall be approved by the Mayor of the City and the Purchaser, may be used by the Purchaser in the public offering and sale thereof. The use and distribution of the Preliminary Official Statement in the public offering of the Bonds by the Purchaser is hereby ratified, approved and confirmed. The City Secretary is hereby authorized and directed to include and maintain a copy of the Official Statement and any addenda, supplement or amendment thereto thus approved among the permanent records of this meeting. The use and distribution of the Official Statement and the preliminary public offering of the Bonds by the Purchaser is hereby ratified, approved and confirmed.

(c) All officers and officials of the City are authorized to take such actions and to execute such documents, certificates and receipts, and to make such elections with respect to the tax-exempt status of the Notes, as they may deem necessary and appropriate in order to consummate the delivery of the Notes. Further, in connection with the submission of the record

of proceedings for the Notes to the Attorney General of the State of Texas for examination and approval of such Notes, the appropriate officer of the City is hereby authorized and directed to issue a check of the City payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount to be the lesser of (i) 1/10th of 1% of the principal amount of the Notes or (ii) $9,500).

(d) The obligation of the Purchaser identified in subsection (a) of this Section to accept delivery of the Notes is subject to the Purchaser being furnished with the final, approving opinion of Vinson & Elkins L.L.P., Bond Counsel for the City, which opinion shall be dated as of and delivered on the Closing Date.

(e) Bond Counsel is hereby authorized to make such nonsubtantive changes to the terms of this Ordinance if necessary or desirable to carry out the purposes hereof or in connection with the approval of the issuance of the Notes by the Attorney General of Texas.

Section 7.02. Control and Delivery of Notes.

(a) The Mayor is hereby authorized to have control of the Initial Note and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas, and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts, delivery of the Notes shall be made to the Purchaser under and subject to the general supervision and direction of the Mayor, against receipt by the City of all amounts due to the City under the terms of sale.

(c) In the event the Mayor or City Secretary is absent or otherwise unable to execute any document or take any action authorized herein, the Mayor Pro Tem and the Assistant City Secretary, respectively, shall be authorized to execute such documents and take such actions, and the performance of such duties by the Mayor Pro Tem and the Assistant City Secretary shall for the purposes of this Ordinance have the same force and effect as if such duties were performed by the Mayor and City Secretary, respectively.

ARTICLE VIII

CREATION OF FUNDS AND ACCOUNTS; DEPOSIT OF PROCEEDS; INVESTMENTS

Section 8.01. Creation of Funds.

(a) The City hereby establishes the following special funds or accounts:

(i) The City of Copperas Cove, Texas, Limited Tax Notes, Series 2010A, Interest and Sinking Fund; and

(ii) The City of Copperas Cove, Texas, Limited Tax Notes, Series 2010A, Acquisition and Construction Fund.

(b) Each of said funds or accounts shall be maintained at an official depository of the City.

Section 8.02. Interest and Sinking Fund.

(a) The taxes levied under Section 2.01 shall be deposited to the credit of the Interest and Sinking Fund at such times and in such amounts as necessary for the timely payment of the principal of and interest on the Notes.

(b) If the amount of money in the Interest and Sinking Fund is at least equal to the aggregate principal amount of the outstanding Notes plus the aggregate amount of interest due and that will become due and payable on such Notes, no further deposits to that fund need be made.

(c) Money on deposit in the Interest and Sinking Fund shall be used to pay the principal of and interest on the Notes as such become due and payable.

Section 8.03. Acquisition and Construction Fund.

(a) Money on deposit in the Acquisition and Construction Fund, including investment earnings thereof, shall be used for the purposes specified in Section 3.01 of this Ordinance.

(b) All amounts remaining in the Acquisition and Construction Fund after the accomplishment of the purposes for which the Notes are hereby issued, including investment earnings of the Acquisition and Construction Fund, shall be deposited into the Interest and Sinking Fund.

Section 8.04. Security of Funds. All moneys on deposit in the funds referred to in this Ordinance shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and moneys on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

Section 8.05. Deposit of Proceeds.

On the Closing Date, the proceeds of the Notes shall be applied as follows:

(a) An amount equal to the accrued interest on the Notes shall be deposited to the Interest and Sinking Fund; and

(b) The remaining proceeds of the Notes shall be deposited to the Acquisition and Construction Fund and applied to the payment of the costs of the Project and the costs of issuing the Notes as provided in Section 3.01. Amounts remaining in the Acquisition and Construction Fund after payment of costs of the Project and costs of issuing the Notes shall be deposited to the Interest and Sinking Fund and applied to the payment of debt service on the Notes.

Section 8.06. Investments.

(a) Money in the Interest and Sinking Fund and the Acquisition and Construction Fund, at the option of the City, may be invested in such securities or obligations as permitted under applicable law.

(b) Any securities or obligations in which money is so invested shall be kept and held in trust for the benefit of the Owners and shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the fund from which the investment was made.

Section 8.07. Investment Income. Interest and income derived from investment of any fund created by this Ordinance shall be credited to such fund.

ARTICLE IX

PARTICULAR REPRESENTATIONS AND COVENANTS

Section 9.01. Payment of the Notes. While any of the Notes are outstanding and unpaid, there shall be made available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, money sufficient to pay the interest on and the principal of the Notes, as applicable, as will accrue or mature on each applicable Interest Payment Date.

Section 9.02. Other Representations and Covenants.

(a) The City will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance and in each Note; the City will promptly pay or cause to be paid the principal of and interest on each Note on the dates and at the places and manner prescribed in such Note; and the City will, at the times and in the manner prescribed by this Ordinance, deposit or cause to be deposited the amounts of money specified by this Ordinance.

(b) The City is duly authorized under the laws of the State of Texas to issue the Notes; all action on its part for the creation and issuance of the Notes has been duly and effectively taken; and the Notes in the hands of the Owners thereof are and will be valid and enforceable obligations of the City in accordance with their terms.

Section 9.03. Federal Income Tax Exclusion.

(a) General. The City intends that the interest on the Notes will be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Code, and the applicable Treasury regulations promulgated thereunder the ("Regulations"). The City covenants and agrees not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, would (i) cause the interest on the Notes to be includable in the gross income, as defined in section 61 of the Code, for federal income tax purposes or (ii) result in the violation of or failure to satisfy any provision of Section 103 and 141 through 150 of the Code and the applicable Regulations that is applicable to the Notes. In particular, the City covenants and agrees to comply with each requirement of this Section 9.03 of

this Article IX; provided, however, that the City shall not be required to comply with any particular requirement of this Section 9.03 of this Article IX if the City has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that (i) such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Notes or (ii) that compliance with some other requirement set forth in this Section 9.03 of this Article IX will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Section 9.03 of this Article IX.

(b) No Private Use or Payment and No Private Loan Financing. The City covenants and agrees that it will make such use of the proceeds of the Notes, including interest or other investment income derived from Note proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Notes will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations. Moreover, the City will certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Notes are delivered, the proceeds of the Notes will not be used in a manner that would cause the Notes to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations.

(c) No Federal Guaranty. The City covenants and agrees that it has not taken and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Notes to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Regulations, except as permitted by section 149(b)(3) of the Code and the Regulations.

(d) Notes are not Hedge Bonds. The City covenants and agrees that it has not taken and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Notes to be "hedge bonds" within the meaning of section 149(g) of the Code and the Regulations.

(e) No-Arbitrage Covenant. The City covenants and agrees that it will make such use of the proceeds of the Notes, including interest or other investment income derived from Note proceeds, regulate investments of proceeds of the Notes and take such other and further action as may be required so that the Notes will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations. The City shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Notes are delivered, the City will reasonably expect that the proceeds of the Notes will not be used in a manner that would cause the Notes to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations.

(f) Arbitrage Rebate. If the City does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the "gross proceeds" of the Notes (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City

will (i) maintain records regarding the investment of the gross proceeds of the Notes as may be required to calculate the amount earned on the investment of the gross proceeds of the Notes separately from records of amounts on deposit in the funds and accounts of the City allocable to other debt issues of the City or moneys which do not represent gross proceeds of any debt issue of the City, (ii) determine at such times as are required by the Regulations, the amount earned from the investment of the gross proceeds of the Notes which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Notes or on such other dates as may be permitted under the Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Notes that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(g) Information Reporting. The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Notes are issued, an information statement concerning the Notes, all under and in accordance with section 149(e) of the Code and the Regulations.

(h) Record Retention. The City will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Notes until six years after the last Notes is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the City to retrieve and reproduce such books and records in the event of an examination of the Notes by the Internal Revenue Service.

(i) Registration. The Notes will be issued in registered form.

(j) Qualified Tax-Exempt Obligations. The City hereby designates the Notes as "qualified tax-exempt obligations" for purposes of section 265(b) of the Code. In connection therewith, the City represents (a) that the aggregate amount of tax-exempt obligations issued by the City during calendar year 2010, including the Notes, that have been designated as "qualified tax-exempt obligations" under section 265(b)(3) of the Code does not exceed $30,000,000, and (b) that the reasonably anticipated amount of its tax-exempt obligations which will be issued by the City during calendar year 2010, including the Notes, will not exceed $30,000,000. For purposes of this Section 9.03(j), the term "tax-exempt obligations" does not include "private activity bonds" within the meaning of section 141 of the Code, other than "qualified 501(c)(3) bonds" within the meaning of section 145 of the Code. In addition, for purposes of this Section 9.03(j), the City includes all governmental units which are aggregate with the City under section 265(b) of the Code.

(k) Continuing Obligation. Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of Section 9.03 of this Article IX shall survive the defeasance and discharge of the Notes.

ARTICLE X

DEFAULT AND REMEDIES

Section 10.01. Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an "Event of Default," to-wit:

(i) the failure to make payment of the principal of, redemption premium, if any, or interest on any of the Notes when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the City, the failure to perform which materially, adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the City.

Section 10.02. Remedies for Default.

(a) Upon the happening of any Event of Default, then and in every case any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Notes then outstanding.

Section 10.03. Remedies Not Exclusive.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Notes or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Notes shall not be available as a remedy under this Ordinance.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

ARTICLE XI

DISCHARGE

Section 11.01. Discharge. The City reserves the right to defease, discharge or refund the Notes in any manner permitted by applicable law.

ARTICLE XII

CONTINUING DISCLOSURE UNDERTAKING

Section 12.01. Annual Reports.

(a) The City shall provide annually to the MSRB, within six (6) months after the end of each Fiscal Year, financial information and operating data with respect to the City of the general type included in the final Official Statement, being the information described in Exhibit A hereto. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit A hereto, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall provide notice that audited financial statements are not available and shall provide unaudited financial statements for the applicable Fiscal Year to the MSRB. Thereafter, when and if audited financial statements become available, the City shall provide such audited financial statements as required to the MSRB.

(b) If the City changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

(c) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

Section 12.02. Material Event Notices. (a) The City shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after the occurrence of the event:

(i) principal and interest payment delinquencies

(ii) nonpayment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Owners, if material;

(viii) bond calls, if material and tender offers;

(ix) defeasance;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material; and

(xi) rating changes.

(xii) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the.

(b) The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 12.02 of this Ordinance by the time required by such Section.

Section 12.03. Limitations, Disclaimers and Amendments.

(a) The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an "obligated person" with respect to the Notes within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with Article IX that causes Notes no longer to be Outstanding.

(b) The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Notes, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Notes at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY NOTE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(c) No default by the City in observing or performing its obligations under this Article shall comprise a breach of or default under the Ordinance for purposes of any other provisions of this Ordinance.

(d) Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

(e) The provisions of this Article may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Notes in the primary offering of the Notes in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of this Ordinance that authorizes such an amendment) of the Outstanding Notes consent to such amendment or (B) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Notes. The provisions of this Article may also be amended from time to time or repealed by the

City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent the Purchaser of the initial public offering of the Notes from lawfully purchasing or selling Notes in such offering. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 12.02 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

ARTICLE XIII

EFFECTIVE IMMEDIATELY

Section 13.01. Effectiveness. This Ordinance shall become effective immediately upon its adoption at this meeting pursuant to Section 1201.028, Texas Government Code.

PASSED AND APPROVED this 16th day of November, 2010, by the City Council of the City of Copperas Cove, Texas.

EXHIBIT A

DESCRIPTION OF ANNUAL DISCLOSURE OF FINANCIAL INFORMATION

The following information is referred to in Article XII of this Ordinance:

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Article are as specified (and included in the Appendix or other headings of the Official Statement referred to) below:

1. The portions of the financial statements of the City appended to the Official Statement as Appendix B, but for the most recently concluded Fiscal Year.

2. Statistical and financial data set forth in Tables numbered 1 through 4 and 6 through 16, each inclusive.

Accounting Principles

The accounting principles referred to in such Article are the accounting principles described in the notes to the financial statements referred to in Paragraph 1 above.

Preliminary

City of Copperas Cove, Texas

$1,130,000 Limited Tax Notes, Series 2010

Tax Supported Portion

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/09/2010	-	-	-	-	-
08/15/2011	125,000.00	2.750%	28,462.50	153,462.50	-
09/30/2011	-	-	-	-	153,462.50
02/15/2012	-	-	17,256.25	17,256.25	-
08/15/2012	25,000.00	2.750%	17,256.25	42,256.25	-
09/30/2012	-	-	-	-	59,512.50
02/15/2013	-	-	16,912.50	16,912.50	-
08/15/2013	50,000.00	2.750%	16,912.50	66,912.50	-
09/30/2013	-	-	-	-	83,825.00
02/15/2014	-	-	16,225.00	16,225.00	-
08/15/2014	160,000.00	2.750%	16,225.00	176,225.00	-
09/30/2014	-	-	-	-	192,450.00
02/15/2015	-	-	14,025.00	14,025.00	-
08/15/2015	185,000.00	2.750%	14,025.00	199,025.00	-
09/30/2015	-	-	-	-	213,050.00
02/15/2016	-	-	11,481.25	11,481.25	-
08/15/2016	335,000.00	2.750%	11,481.25	346,481.25	-
09/30/2016	-	-	-	-	357,962.50
02/15/2017	-	-	6,875.00	6,875.00	-
08/15/2017	500,000.00	2.750%	6,875.00	506,875.00	-
09/30/2017	-	-	-	-	513,750.00
Total	**$1,380,000.00**	**-**	**$194,012.50**	**$1,574,012.50**	**-**

Yield Statistics

Accrued Interest from 11/15/2010 to 12/09/2010	2,530.00
Bond Year Dollars	$6,963.00
Average Life	5.046 Years
Average Coupon	2.7863349%
Net Interest Cost (NIC)	2.7863349%
True Interest Cost (TIC)	2.7485256%
Bond Yield for Arbitrage Purposes	2.7483707%
All Inclusive Cost (AIC)	3.1753980%

IRS Form 8038

Net Interest Cost	2.7500000%
Weighted Average Maturity	5.046 Years

City of Copperas Cove, Texas

$70,000 Limited Tax Notes, Series 2010

Water/Sewer (ss) Portion

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/09/2010	-	-	-	-	-
08/15/2011	-	-	1,443.75	1,443.75	-
09/30/2011	-	-	-	-	1,443.75
02/15/2012	-	-	962.50	962.50	-
08/15/2012	-	-	962.50	962.50	-
09/30/2012	-	-	-	-	1,925.00
02/15/2013	-	-	962.50	962.50	-
08/15/2013	-	-	962.50	962.50	-
09/30/2013	-	-	-	-	1,925.00
02/15/2014	-	-	962.50	962.50	-
08/15/2014	-	-	962.50	962.50	-
09/30/2014	-	-	-	-	1,925.00
02/15/2015	-	-	962.50	962.50	-
08/15/2015	-	-	962.50	962.50	-
09/30/2015	-	-	-	-	1,925.00
02/15/2016	-	-	962.50	962.50	-
08/15/2016	35,000.00	2.750%	962.50	35,962.50	-
09/30/2016	-	-	-	-	36,925.00
02/15/2017	-	-	481.25	481.25	-
08/15/2017	35,000.00	2.750%	481.25	35,481.25	-
09/30/2017	-	-	-	-	35,962.50
Total	**$70,000.00**	-	**$12,031.25**	**$82,031.25**	-

Yield Statistics

Accrued Interest from 11/15/2010 to 12/09/2010	128.33
Bond Year Dollars	$432.83
Average Life	6.183 Years
Average Coupon	2.7796496%
Net Interest Cost (NIC)	2.7796496%
True Interest Cost (TIC)	2.7487855%
Bond Yield for Arbitrage Purposes	2.7483707%
All Inclusive Cost (AIC)	3.1523392%

IRS Form 8038

Net Interest Cost	2.7500008%
Weighted Average Maturity	6.183 Years

City of Copperas Cove, Texas

$465,000 Limited Tax Notes, Series 2010

Solid Waste (ss) Portion

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/09/2010	-	-	-	-	-
08/15/2011	-	-	9,590.63	9,590.63	-
09/30/2011	-	-	-	-	9,590.63
02/15/2012	-	-	6,393.75	6,393.75	-
08/15/2012	-	-	6,393.75	6,393.75	-
09/30/2012	-	-	-	-	12,787.50
02/15/2013	-	-	6,393.75	6,393.75	-
08/15/2013	-	-	6,393.75	6,393.75	-
09/30/2013	-	-	-	-	12,787.50
02/15/2014	-	-	6,393.75	6,393.75	-
08/15/2014	-	-	6,393.75	6,393.75	-
09/30/2014	-	-	-	-	12,787.50
02/15/2015	-	-	6,393.75	6,393.75	-
08/15/2015	-	-	6,393.75	6,393.75	-
09/30/2015	-	-	-	-	12,787.50
02/15/2016	-	-	6,393.75	6,393.75	-
08/15/2016	230,000.00	2.750%	6,393.75	236,393.75	-
09/30/2016	-	-	-	-	242,787.50
02/15/2017	-	-	3,231.25	3,231.25	-
08/15/2017	235,000.00	2.750%	3,231.25	238,231.25	-
09/30/2017	-	-	-	-	241,462.50
Total	**$465,000.00**	-	**$79,990.63**	**$544,990.63**	-

Yield Statistics

Accrued Interest from 11/15/2010 to 12/09/2010	852.50
Bond Year Dollars	$2,877.75
Average Life	6.189 Years
Average Coupon	2.7796240%
Net Interest Cost (NIC)	2.7796240%
True Interest Cost (TIC)	2.7487867%
Bond Yield for Arbitrage Purposes	2.7483707%
All Inclusive Cost (AIC)	3.1520165%

IRS Form 8038

Net Interest Cost	2.7500002%
Weighted Average Maturity	6.189 Years

NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON

$1,915,000
CITY OF COPPERAS COVE, TEXAS
(Coryell, Lampasas and Bell Counties)
LIMITED TAX NOTES, SERIES 2010A

Sealed Bids Due Tuesday, November 16, 2010 at 9:30 AM, CST

THE NOTES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

THE SALE

NOTES OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Copperas Cove, Texas (the "City"), is offering for sale its $1,915,000 Limited Tax Notes, Series 2010A (the "Notes").

ADDRESS OF BIDS . . . Signed sealed bids, plainly marked "Bid for Notes," should be addressed to "Mayor and City Council, City of Copperas Cove, Texas," and delivered to Garry Kimball, Specialized Public Finance Inc., 7000 North MoPac Expressway, Suite 410, Austin, Texas 78731, prior to 9:30 AM, CST, on the date of the sale. All bids must be submitted on the Official Bid Form, without alteration or interlineation.

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Bidders must submit, prior to 9:30 AM, CST, on the date of the sale, SIGNED Official Bid Forms to Garry Kimball, Specialized Public Finance Inc., 7000 North MoPac Expressway, Suite 410, Austin, Texas 78731. Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Notes on the terms provided in this Notice of Sale and Bidding Instructions, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale and Bidding Instructions shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale and Bidding Instructions shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under "Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and Bidding Instructions and the Official Bid Form.

BIDS BY TELEPHONE OR FACSIMILE . . . Bidders must submit SIGNED Official Bid Forms to Garry Kimball, Specialized Public Finance Inc., 7000 North MoPac Expressway, Suite 410, Austin, Texas 78731, and submit their bid by telephone or facsimile (fax) on the date of the sale.

Telephone bids will be accepted at (512) 275-7300, between 9:00 AM and 9:30 AM, CST.

Fax bids must be received between 9:00 AM and 9:30 AM, CST, on the date of the sale at (512) 275-7305, attention: Garry Kimball.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the above deadlines.

Specialized Public Finance Inc. assumes no responsibility or liability with respect to any irregularities associated with the submission of bids if telephone or fax options are exercised.

PLACE AND TIME OF BID OPENING . . . The bids for the Notes will be publicly opened and read in the Council Chambers of the City Hall at 7:00 PM, CST on Tuesday, November 16, 2010.

AWARD OF THE NOTES . . . The City Council will take action to award the Notes (or reject all bids) at a meeting scheduled to convene at 7:00 PM, CST, on the date of the sale, and adopt an ordinance authorizing the Notes and approving the Official Statement (the "Note Ordinance").

THE NOTES

DESCRIPTION . . . The Notes will be dated November 15, 2010 (the "Dated Date"). Interest will accrue from the Dated Date and will be due on February 15, 2011, and each August 15 and February 15 thereafter until the earlier of maturity or prior redemption. The Notes will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity. The Notes will mature on August 15 in each year as follows:

MATURITY SCHEDULE

Maturity (August 15)	Principal Amount
2011	$ 125,000
2012	25,000
2013	50,000
2014	160,000
2015	185,000
2016	600,000
2017	770,000

NO OPTIONAL REDEMPTION . . . The Notes will not be optional prior to their stated maturities.

SERIAL NOTES AND/OR TERM NOTES . . . Bidders may provide that all of the Notes be issued as serial notes or may provide that any two or more consecutive annual principal amounts be combined into one or more term notes (the "Term Notes").

If the successful bidder designates principal amounts to be combined into a Term Note, such Term Note will be subject to mandatory sinking fund redemption commencing on August 15 of the first year which has been combined to form such Term Note and continuing on August 15 in each year thereafter until the stated maturity date of the Term Note. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table under the caption "MATURITY SCHEDULE" above. Notes to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Notes then subject to such mandatory sinking fund redemption.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Notes, the Paying Agent/Registrar shall select by lot the numbers of the Term Notes within the applicable stated maturity to be redeemed on the next following August 15 from moneys set aside for that purpose in the Interest and Sinking Fund (as defined in the Note Ordinance). Any Term Note not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Notes for a stated maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Notes of like stated maturity which, at least fifty (50) days prior to the mandatory redemption date, shall have been acquired by the City at a price not exceeding the principal amount of such Term Notes plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation.

The final Official Statement will incorporate the mandatory redemption provisions for the Notes in the event the successful bidder elects to convert serial maturities into a Term Note.

AUTHORITY FOR ISSUANCE . . . The Notes are being authorized and issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1431 Texas Government Code, as amended, and the Note Ordinance (see "THE OBLIGATIONS - Authority for Issuance" in the Official Statement).

BOOK-ENTRY-ONLY SYSTEM . . . The City intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"). See "THE OBLIGATIONS - Book-Entry-Only System" in the Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be Wells Fargo Bank, National Association, Austin, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar" in the Official Statement).

SOURCE OF PAYMENT . . . The Notes constitute direct obligations of the City secured by a continuing ad valorem tax levied within the limits prescribed by law on all taxable property located within the City (see "THE OBLIGATIONS – Security and Source of Payment" in the Official Statement).

Further details regarding the Notes are set forth in the Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . The Notes will be sold in one block on an "All or None" basis, and at a price equal to their par value plus accrued interest from the Dated Date of the Notes to the date of delivery of the Notes. Bidders are invited to name the rate(s) of interest to be borne by the Notes, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2% in rate. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Notes of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered. No bid generating a cash premium greater than $5,000 will be considered.

After selecting the winning bid, the principal authorization schedule may be adjusted as determined by the City and its Financial Advisor in cooperation with the Note Purchaser in $5,000 increments to reflect the actual interest rates and to create level debt service to the City. Such adjustments will not change the principal amounts due on the Notes in any year by more than 10%. Any such adjustment will be communicated to the winning bidder within two (2) hours after the opening of the bids.

BASIS FOR AWARD . . . Subject to the City's right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Notes will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the "Note Purchaser") making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Notes on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Notes (but not interest accrued from the Dated Date to the date of their delivery). In the event of a bidder's error in interest cost rate calculations, the interest rates set forth in the Official Bid Form will be considered as the intended bid.

GOOD FAITH DEPOSIT . . . A Good Faith Deposit, payable to the "City of Taylor", in the amount of $38,300, is required. Such Good Faith Deposit shall be a wire transfer, bank cashier's check or certified check (which is to be retained uncashed by the City pending the Note Purchaser's compliance with the terms of the bid and the Notice of Sale and Bidding Instructions). The Good Faith Deposit may be provided to the City via wire transfer (the City will provide wire instructions to the winning bidder), or in the form of a certified or cashier's check. The Good Faith Deposit will be retained by the City and: (a) (i) if the purchaser utilizes a cashier's check as its Good Faith Deposit, said cashier's check will be returned to the purchaser after delivery of the Notes, (ii) if the purchaser utilizes a wire transfer method for its Good Faith Deposit, said wire transfer will be applied to the purchase price at the delivery of the Notes or (b) will be retained by the City as liquidated damages if the winning bidder defaults with respect to its purchase of the Notes in accordance with its bid or (c) will be returned to the winning bidder if the Notes are not issued by the City for any reason which does not constitute a default by the winning bidder.

DELIVERY OF THE NOTES AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Notes, but neither the failure to print or type such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Note Purchaser to accept delivery of and pay for the Notes in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. All expenses in relation to the printing or typing of CUSIP numbers on the Notes shall be paid by the City; provided, however, that the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Note Purchaser.

DELIVERY OF NOTES . . . Delivery will be accomplished by the issuance of one Initial Note either in typed or printed form, in the aggregate principal amount of $1,915,000, payable in stated installments to the Note Purchaser, signed by the Mayor and City Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Note, it shall be immediately cancelled and one definitive Note for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's book-entry-only system. Delivery will be at the principal office of the Paying Agent/Registrar. Payment for the Notes must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Note Purchaser will be given six business days' notice of the time fixed for delivery of the Notes. It is anticipated that delivery of the Notes can be made on or about December 9, 2010, and it is understood and agreed that the Note Purchaser will accept delivery and make payment for the Notes by 10:00 AM, CST, on December 9, 2010, or thereafter on the date the Notes are tendered for delivery, up to and including December 23, 2010. If for any reason the City is unable to make delivery on or before December 23, 2010, the City shall immediately contact the Note Purchaser and offer to allow the Note Purchaser to extend its offer for an additional thirty days. If the Note Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit check will be returned, and both the City and the Note Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Notes, provided such failure is due to circumstances beyond the City's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Note Purchaser to take up and pay for the Notes is subject to the Note Purchaser's receipt of (a) the legal opinion of Vinson & Elkins L.L.P., Austin, Texas, Bond Counsel for the City ("Bond Counsel") and (b) the no-litigation certificate, all as further described in the Official Statement. In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the exemption of interest on the Notes from the gross income of their owners, the Note Purchaser will be required to complete,

execute, and deliver to the City (no later than the close of business on the business day following the award of the bid) a certification as to their "issue price" substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions. In the event the successful bidder will not reoffer the Notes for sale, such certificate may be modified in a manner approved by the City. In no event will the City fail to deliver the Notes as a result of the Note Purchaser's inability to sell a substantial amount of the Notes at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate not later than the close of business on the business day following the award of the bid, if its bid is accepted by the City. It will be the responsibility of the Note Purchaser to institute such syndicate reporting requirements to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

LEGAL OPINION . . . The Notes are offered for delivery when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Notes is subject to the receipt by the Note Purchaser of an opinion of Bond Counsel, to the effect that the Notes are valid and binding obligations of the City and that the interest on the Notes will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Official Statement.

QUALIFIED TAX-EXEMPT OBLIGATIONS . . . The City will, pursuant to the Note Ordinance, designate the Notes as "qualified tax-exempt obligations." Accordingly, it is anticipated that financial institutions that purchase the Notes will not be subject to the 100 percent disallowance of interest expense allocable to interest on the Notes under section 265(b) of the Code.

However, interest expense incurred by a financial institution which is allocable to the interest on the Notes would be subject to the 20 percent disallowance of interest expense rule which is generally applicable under section 291 of the Internal Revenue Code of 1986. See discussion under the caption "TAX MATTERS - Purchase of Tax-Exempt Obligations by Financial Institutions" contained in the Official Statement.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the City to deliver the Notes and of the Note Purchaser to accept delivery of and pay for the Notes are subject to the condition that at the time of delivery of and receipt of payment for the Notes, there shall have been no material adverse change in the condition of the City from those set forth in or contemplated by the Official Statement as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Notes to the Note Purchaser, the City will deliver to the Note Purchaser a certificate, as of the same date, to the effect that to the best of the City's knowledge no litigation of any nature is pending or, to the officials' knowledge, threatened against the City, contesting or affecting the Notes; restraining or enjoining the authorization, execution, or delivery of the Notes; affecting the provision made for the payment of or security for the Notes; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Notes; or affecting the validity of the Notes or the title of the present officials of the City.

CERTIFICATION OF OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Initial Note, the City will execute and deliver to the Note Purchaser a certificate in the form set forth in the Official Statement.

GENERAL

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. Specialized Public Finance Inc. may **NOT** submit a bid for the Notes, either independently or as a member of a syndicate organized to submit a bid for the Notes. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Notes, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Note Purchaser represents that the sale of the Notes in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Note Purchaser will register the Notes in accordance with the securities law of the states in which the Notes are offered or sold. The City agrees to cooperate with the Note Purchaser, at the Note Purchaser's written request and sole expense, in registering the Notes or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to qualify as a foreign corporation or execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Notes, but is merely notice of the sale of the Notes. The offer to sell the Notes is being made by means of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Notes.

ISSUANCE OF ADDITIONAL DEBT . . . The City is issuing its $6,045,000 principal amount of general obligation bonds concurrently with the issuance of the Notes. The City does anticipate issuing additional ad valorem tax supported debt within the next six months.

RATING . . . The outstanding tax supported debt of the City is rated "AA-" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and "Aa3" by Moody's Investors Service ("Moody's"). The City also has various issues outstanding which are rated by S&P and Moody's by virtue of insurance issued by various commercial insurance companies. An application for a rating on the Notes has been made to S&P.

MUNICIPAL BOND INSURANCE . . . The City has applied for bond insurance to insure the timely payment of the principal of and interest on the Notes. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the Note Purchaser.

THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15C2-12 . . . The City has prepared the accompanying Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12, deems such Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Notes. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Official Statement.

The City will furnish to the Note Purchaser, acting through a designated senior representative, in accordance with instructions received from the Note Purchaser, within seven business days from the sale date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Notes. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Note Purchaser. The Note Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Notes.

CONTINUING DISCLOSURE AGREEMENT . . . The City will agree in the Note Ordinance to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Note Purchaser's obligation to accept and pay for the Notes is conditioned upon delivery to the Note Purchaser or its agent of a certified copy of the Note Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . . The City became obligated to file annual reports and financial statements in an offering that took place in 1998. All reports were timely filed with the applicable information repository; however the City's financial information for years' ending 2005 and 2007 were not timely filed due to administrative oversight. The financial information has since been filed as required.

The City Council has approved the form and content of this Notice of Sale and Bidding Instructions, the Official Bid Form and Official Statement, and authorized the use thereof in its initial offering of the Notes. On the date of the sale, the City Council will, in the Note Ordinance authorizing the issuance of the Notes, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Notes by the Note Purchaser.

/s/ JOHN HULL
Mayor
City of Copperas Cove, Texas

ATTEST:

/s/ JANE LEES
City Secretary
City of Copperas Cove, Texas

November 3, 2010

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OFFICIAL BID FORM

Honorable Mayor and City Council
City of Copperas Cove, Texas
507 South Main
Copperas Cove, Texas 76522

November 16, 2010

Members of the City Council:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated November 3, 2010, of $1,915,000 CITY OF COPPERAS COVE, TEXAS LIMITED TAX NOTES, SERIES 2010A, both of which constitute a part hereof.

For your legally issued Notes, as described in said Notice of Sale and Bidding Instructions and Official Statement, we will pay you a price of $_____, representing _____% of the par value, plus accrued interest from November 15, 2010 to the date of delivery to us for Notes maturing and bearing interest as follows:

Maturity (August 15)	Principal Amount	Interest Rate
2011	$ 125,000	%
2012	25,000	%
2013	50,000	%
2014	160,000	%
2015	185,000	%
2016	600,000	%
2017	770,000	%

Of the principal maturities set forth in the table above, term notes have been created as indicated in the following table (which may include multiple term notes, one term note or no term note if none is indicated). For those years which have been combined into a term note, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term note maturity date shall mature in such year. The term notes created are as follows:

Term Note Maturing August 15	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		$	%
		$	%
		$	%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST _____%

We are having the Notes of the following maturities _____ insured by _____ at a premium of $_____, **said premium to be paid by the Note Purchaser.** Any fees to be paid to the rating agencies as a result of said insurance **will be paid by the City.**

The Initial Note shall be registered in the name of _____, which will, upon payment for the Notes, be cancelled by the Paying Agent/Registrar. The Notes will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

A wire transfer or a cashiers or certified check to the City in the amount of $38,300 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Notes in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

We agree to accept delivery of the Notes utilizing the book-entry-only system through DTC and make payment for the Initial Note in immediately available funds in the Corporate Trust Division, Wells Fargo Bank, National Association, Austin, Texas, not later than 10:00 AM, CST, on December 9, 2010, or thereafter on the date the Notes are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Notes to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the City, not later than the close of business on the business day following the award of the sale of the Notes, a certificate relating to the "issue price" of the Notes in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

_____
Name of Initial Note Purchaser or Manager

_____
Authorized Representative

_____
Phone Number

_____
Signature

Syndicate Members:

_____

_____

_____

_____

Please check one of the options below regarding Good Faith Deposit:

Submit by Wire Transfer ☐

Submit by Bank Cashier's/Certified Check ☐

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of Copperas Cove, Texas, this the 16th day of November, 2010.

ATTEST:

_____
City Secretary
City of Copperas Cove, Texas

_____
Mayor
City of Copperas Cove, Texas

CERTIFICATE OF PURCHASER

The undersigned hereby certifies as follows with respect to the bid and purchase of the $1,915,000 City of Copperas Cove, Texas Limited Tax Notes, Series 2010A (the "Notes"):

1. The undersigned is the duly authorized representative of the purchaser (the "Note Purchaser") of the Notes from the City of Copperas Cove, Texas (the "Issuer").

2. All of the Notes have been offered to members of the public in a bona fide initial offering. For purposes of this Note, the term "public" does not include any bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers (including the Note Purchaser or members of the selling group or persons that are related to, or controlled by, or are acting on behalf of or as agents for the undersigned or members of the selling group).

3. Each maturity of the Notes was offered to the public at a price which, on the date of such offering, was reasonably expected by the Note Purchaser to be equal to the fair market value of such maturity.

4. Other than the obligations set forth in paragraph 5 hereof (the "Retained Maturity" or "Retained Maturities"), the first price/yield at which a substantial amount (i.e., at least ten (10) percent) of the principal amount of each maturity of the Notes was sold to the public is set forth below.

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
$ 125,000	2011	%
25,000	2012	%
50,000	2013	%
160,000	2014	%
185,000	2015	%
600,000	2016	%
770,000	2017	%

5. In the case of the Retained Maturities, the Note Purchaser reasonably expected on the offering date to sell a substantial amount (i.e., at least ten (10) percent) of each Retained Maturity at the initial offering price/yield as set forth below:

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
$	2011	%
	2012	%
	2013	%
	2014	%
	2015	%
	2016	%
	2017	%

6. Based on the foregoing, the aggregate of such issue prices for the Notes is $_____ (the "Issue Price"), which price includes pre-issuance accrued interest in the amount of $_____.

7. Please choose the appropriate statement:
(___) The Note Purchaser will not purchase bond insurance for the Notes.
(___) The Note Purchaser will purchase bond insurance from _____ (the "Insurer") for a fee/premium of $_____ (the "Fee"). The Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Notes and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. The Note Purchaser represents that the present value of the Fee for each obligation constituting the Notes to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Notes. The Fee has been paid to a person who is not exempt from federal income taxation and who is

not a user or related to the user of any proceeds of the Notes. In determining present value for this purpose, the yield of the Notes (determined with regard to the payment of the guarantee fee) has been used as the discount rate. No portion of the Fee is refundable upon redemption of any of the Notes in an amount which would exceed the portion of such Fee that has not been earned.

8. The Note Purchaser understands that the statements made herein will be relied upon, by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, and by Bond Counsel in rendering their opinion that the interest on the Notes is excludable from the gross income of the owners thereof.

EXECUTED and DELIVERED this _____ day of _____, 2010.

_____
(Name of Purchaser or Manager of Purchasing Syndicate)

By: _____

Title: _____

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

Dated November 3, 2010

Rating:
S&P: Applied For
(See "OTHER INFORMATION - Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Notes is excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein, and is not a specific preference item or included in a corporation's alternative minimum tax. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

THE NOTES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

City of Copperas Cove

$1,915,000
CITY OF COPPERAS COVE, TEXAS
(Coryell, Lampasas and Bell Counties)
LIMITED TAX NOTES, SERIES 2010A

Dated Date: November 15, 2010 **Due: August 15, as shown on the next page**

PAYMENT TERMS . . . Interest on the $1,915,000 City of Copperas Cove, Texas, Limited Tax Notes, Series 2010A (the "Notes"), will accrue from November 15, 2010 (the "Dated Date"), will be payable on February 15 and August 15 of each year commencing February 15, 2011, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Notes will be made to the beneficial owners thereof.** Principal of and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes (see "THE OBLIGATIONS - Book-Entry-Only System"). The initial Paying Agent/Registrar is Wells Fargo Bank, National Association, Austin, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Notes are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1431, Texas Government Code, as amended. The Notes constitute direct obligations of the City of Copperas Cove, Texas (the "City"), secured by a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the ordinance authorizing the issuance of the Notes (the "Note Ordinance") (see "THE OBLIGATIONS – Authority for Issuance" and "THE OBLIGATIONS – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Notes will be used for (i) water and sewer system improvements; (ii) road and street improvements within the City; and (iii) payment of the costs of issuing the Notes.

INSURANCE . . . The City has applied to several bond insurance companies to insure the timely payment of the principal of and interest on the Notes. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the initial purchaser of the Notes (the "Note Purchaser").

CUSIP PREFIX: 217597
MATURITY SCHEDULE
See Next Page

NO OPTIONAL REDEMPTION . . . The Notes are not subject to redemption prior to their stated maturities (see "THE OBLIGATIONS – No Optional Redemption"). Additionally, the Notes may be subject to mandatory redemption in the event the Note Purchaser elects to aggregate one or more maturities as Term Notes.

LEGALITY . . . The Notes are offered for delivery when, as and if issued and received by the Note Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Vinson & Elkins L.L.P., Bond Counsel, Austin, Texas (see APPENDIX C - "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Notes will be available for initial delivery through DTC on December 9, 2010.

BIDS DUE ON TUESDAY, NOVEMBER 16, 2010, AT 9:30 AM, CST

MATURITY SCHEDULE

8/15 Maturity	Principal Amount	Rate	Initial Yield	CUSIP Numbers[1]
2011	$ 125,000			
2012	25,000			
2013	50,000			
2014	160,000			
2015	185,000			
2016	600,000			
2017	770,000			

(Accrued Interest from November 15, 2010 to be added)

(1) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Notes. Neither the City nor the Financial Advisor shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

SEPARATE ISSUES . . . The Notes are being offered by the City concurrently with the "City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010" (the "Bonds"), under a common Official Statement, and such Notes and Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Notes and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

[The remainder of this page intentionally left blank.]

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes a preliminary official statement of the City with respect to the Obligations that has been "deemed final" by the City as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.

No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Obligations in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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The cover page hereof, this page, the appendices and schedule included herein and any addenda, supplement or amendment hereto, are part of the Preliminary Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Obligations to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE OBLIGATIONS

THE OBLIGATIONS..... The Bonds are issued as $6,045,000 General Obligation Refunding Bonds, Series 2010. The Bonds are issued as serial bonds maturing on August 15 in the years 2011 through and including 2019, unless the Bond Purchaser designates one or more maturities as Term Bonds.

The Notes are issued as $1,915,000 Limited Tax Notes, Series 2010A. The Notes are issued as serial Notes maturing on August 15 in the years 2011 through and including 2017, unless the Note Purchaser designates one or more maturities as Term Notes (see "THE OBLIGATIONS – Description of the Obligations").

The Bonds and the Notes are collectively referred to as the "Obligations."

PAYMENT OF INTEREST ..... Interest on the Obligations accrues from November 15, 2010, and is payable on February 15, 2011, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS – Description of the Obligations").

AUTHORITY FOR ISSUANCE ..... The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance adopted by the City Council of the City on November 16, 2010 (the "Bond Ordinance"). The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance authorizing the issuance of the Bonds.

The Notes are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1431, Texas Government Code, as amended, and an ordinance passed by the City Council (the "Note Ordinance," and together with the Bond Ordinance, the "Ordinances") (see "THE OBLIGATIONS – Authority for Issuance").

SECURITY..... The Obligations constitute direct obligations of the City of Copperas Cove, Texas (the "City"), payable from the levy and collection of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinances.

NO OPTIONAL REDEMPTION ..... Neither the Bonds nor the Notes are subject to optional redemption prior to their stated maturities (see "THE OBLIGATIONS – No Optional Redemption").

TAX EXEMPTION..... In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

In the opinion of Bond Counsel, under existing law interest on the Notes is excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein, and is not a specific preference item or included in a corporation's adjusted current earnings for purposes of the alternative minimum tax. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

QUALIFIED TAX-EXEMPT OBLIGATIONS..... The City expects to designate the Obligations as "qualified tax-exempt obligations" for financial institutions (see "TAX MATTERS – Purchase of Tax-Exempt Obligations by Financial Institutions").

USE OF PROCEEDS ..... Proceeds from the sale of the Bonds will be used to refund certain of the City's outstanding obligations as described in "SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS" (the "Refunded Obligations") and to pay the costs of issuing the Bonds.

Proceeds from the sale of the Notes will be used for (i) water and sewer system improvements; (ii) road and street improvements within the City; and (iii) payment of the costs of issuing the Notes.

GENERAL

THE CITY ..... The City of Copperas Cove, Texas (the "City"), is a political subdivision and municipal corporation located in Coryell, Lampasas and Bell Counties operating under the laws of the State and its home-rule charter approved by the voters in 1979. The City operates under the council/manager form of government in which the Mayor and seven Councilmembers are elected for staggered three-year terms. Policy making and supervisory functions are the responsibility of, and are vested in, the City Council. The Council delegates the responsibility of daily operations of the City to the City Manager who is the chief executive of the City.

The City is approximately 17.1 square miles in area (see "INTRODUCTION – Description of the City").

RATING ..... The outstanding tax supported debt of the City is rated "AA-" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and "Aa3" by Moody's Investors Service ("Moody's"). The City also has various issues outstanding which are rated by S&P and Moody's by virtue of insurance issued by various commercial insurance companies. An application for a rating on the Obligations has been made to S&P (see "OTHER INFORMATION – Rating").

BOOK-ENTRY-ONLY SYSTEM ..... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS – Book-Entry-Only System").

PAYMENT RECORD ..... The City has never defaulted in the payment of its tax-supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Ratio Funded Debt to Taxable Assessed Valuation	% of Total Tax Collections
2007	30,944	$ 919,785,031	$ 29,724	$ 46,790,000	$ 1,512	5.09%	99.02%
2008	30,944	1,035,057,214	33,449	44,465,000	1,437	4.30%	99.19%
2009	31,732	1,106,910,237	34,883	48,940,000	1,542	4.42%	99.30%
2010	31,732	1,101,717,562	34,719	54,445,000	1,716	4.94%	98.80%
2011	31,732 [3]	1,149,921,957	36,239	53,590,000 [4]	1,689 [4]	4.66% [4]	N/A

(1) Source: The City.
(2) Valuations shown are certified taxable assessed values reported by the Coryell County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(3) Population estimate for 2011 is unavailable, 2010 population used.
(4) Includes the Obligations and self-supporting debt; does not include the Refunded Obligations.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires
John Hull Mayor	June 2012
Frank Seffrood Mayor Pro Tem	May 2011
Cheryl Meredith Councilmember	June 2012
Charlie Youngs Councilmember	June 2012
Gary Kent Councilmember	June 2013
Danny Palmer Councilmember	June 2013
Kenn Smith Councilmember	June 2013
Jim Schmitz Councilmember	May 2011

CITY OFFICIALS

Name	Position
Andrea Gardner	City Manager
Jane Lees	City Secretary

CONSULTANTS AND ADVISORS

Auditors ..... Pattillo, Brown & Hill, L.L.P.
Waco, Texas

Bond Counsel ..... Vinson & Elkins L.L.P.
Austin, Texas

Financial Advisor ..... Specialized Public Finance Inc.
Austin, Texas

For additional information regarding the City, please contact:

Andrea Gardner
City Manager
City of Copperas Cove
507 South Main Street
Copperas Cove, Texas 76522
(254) 547-4221
(254) 547-4301 Fax

or

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Managing Director
Specialized Public Finance Inc.
7000 North MoPac Expressway
Suite 410
Austin, Texas 78731
(512) 275-7300
(512) 275-7305 Fax

OFFICIAL STATEMENT
RELATING TO

$6,045,000 **CITY OF COPPERAS COVE, TEXAS** **GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010**	**$1,915,000** **CITY OF COPPERAS COVE, TEXAS** **LIMITED TAX NOTES, SERIES 2010A**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $6,045,000 City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010 (the "Bonds") and the $1,915,000 City of Copperas Cove, Texas, Limited Tax Notes, Series 2010A (the "Notes"). The Bonds and the Notes are collectively referred to herein as the "Obligations". The Obligations are being issued pursuant to two separate ordinances approved by the City Council on November 16, 2010. The ordinance authorizing the issuance of the Bonds (the "Bond Ordinance") and the ordinance authorizing the issuance of the Notes (the "Note Ordinance") are collectively referred to herein as the "Ordinances." Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective Ordinances, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc., Austin, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Obligations will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City of Copperas Cove, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State") located in Coryell, Lampasas and Bell Counties, duly organized and existing under the laws of the State and the City's Home Rule Charter. The City first adopted its Home Rule Charter in 1979. The City operates under the council/manager form of government with a City Council compromised of the Mayor and seven Councilmembers. The term of office is three years with the terms of Mayor and the Councilmembers expiring annually in staggered succession. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police, EMS and fire protection), highways and streets, water and sanitary sewer utilities, library, public improvements, planning and zoning, and general administrative services. The City has estimated that its 2010 population is 31,732. The City covers approximately 17.1 square miles. For more information regarding the City, see APPENDIX A – "General Information Regarding the City".

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to refund certain of the City's outstanding obligations, as more particularly described in "SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS" (the "Refunded Obligations") and to pay the costs of issuing the Bonds.

Proceeds from the sale of the Notes will be used for (i) water and sewer system improvements; (ii) road and street improvements within the City; and (iii) payment of the costs of issuing the Notes.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds and Notes will be applied approximately as follows:

	The Bonds	The Notes
Sources:		
Principal		
Accrued Interest		
Total Sources		
Uses:		
Deposit to Escrow Fund		
Deposit to Project Fund		
Deposit to Debt Service Fund		
Costs of Issuance		
Total Uses		

REFUNDED OBLIGATIONS . . . The principal of and interest due on the Refunded Obligations are to be paid on their scheduled interest payment dates, maturity date and respective redemption dates from cash and the proceeds of direct obligations of the United States of America (the "Escrow Securities") to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, Dallas, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, together with other funds of the City, if any, the City will deposit with the Escrow Agent cash and Escrow Securities in amounts necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective maturity date and redemption dates. Grant Thornton LLP, independent certified public accountants, will verify that the cash and Escrow Securities in the Escrow Fund will mature and pay interest at the times and in the amounts that will be sufficient to pay principal of and interest on the Refunded Obligations as the same became due (see "OTHER INFORMATION – Verification of Arithmetical Computations"). Such funds and Escrow Securities will be held by the Escrow Agent in a special escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. **The money and investments on deposit in the Escrow Fund will not be available to pay the Bonds.**

By the deposit of such funds and Escrow Securities with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all the Refunded Obligations in accordance with applicable law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance on the report of Grant Thornton LLP, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the cash and investments held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated November 15, 2010 (the "Dated Date") and mature on August 15 in each of the years and in the amounts shown on pages 2 and 4 hereof. Interest on the Obligations will accrue from the Dated Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2011 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and the general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and the Bond Ordinance.

The Notes are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1431, Texas Government Code, as amended, and the Note Ordinance passed by the City Council.

SECURITY AND SOURCE OF PAYMENT . . . The Obligations constitute direct obligations of the City secured by a continuing direct ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, at a rate sufficient to provide for the payment of principal and interest on the Obligations.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities to $2.50 per $100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all tax-supported debt service calculated at the time of issuance based on 90% tax collections.

NO OPTIONAL REDEMPTION . . . **The Obligations are not subject to redemption prior to their stated maturities.**

DEFEASANCE . . . The Ordinances provide that the Obligations may be defeased, refunded and discharged in any manner permitted by applicable law.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Obligations are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this

Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act initially as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and the Notes, in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and online dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those

Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Obligations are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered in accordance with the Ordinances. In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Financial Advisor.

Paying Agent/Registrar . . . The initial Paying Agent/Registrar is Wells Fargo Bank, National Association, Austin, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid. Any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration . . . In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "THE OBLIGATIONS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

OBLIGATIONHOLDERS' REMEDIES . . . The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinances, the Ordinances provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the Obligationholders upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, Obligationholders may not be able to bring such a suit against the City for breach of the Obligation or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

BOND INSURANCE . . . The City has applied for bond insurance to insure the timely payment of the principal of and interest on the Obligations. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the respective Bond Purchaser and Note Purchaser.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Coryell County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the appraised value of the property for the preceding tax year, (b) the appraised value of the property for the preceding tax year and (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of eleven members appointed by the Board of Directors of the Appraisal District.

The Appraisal District is required to review the value of property with the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Texas Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) an exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000 depending upon the degree of disability or whether the exemption is applicable to a surviving spouse or children.

Under Article VIII, Section 1-b(h) and State law, a city at its option may provide a prohibition on increasing the total ad valorem tax, except for increases attributable to certain improvements, on the residence homestead of a disabled person or person 65 years of age or older above the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based on the disability or age of the owner or (2) the year the city chooses to establish the tax limitation. The above-referenced tax limitation is transferable to (1) a different residence homestead within the city and (2) to a surviving spouse so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. On the receipt of a petition signed by five percent of the registered voters of the City, the City shall call an election to determine by majority vote whether to establish such a tax limitation. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax limitation may not be repealed or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and Section 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a Freeport exemption or a goods-in-transit exemption for items of personal property.

Article VIII, Section 1-I, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

The City may create one or more tax increment financing zones within the City ("TIRZ"), under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. Other overlapping taxing units levying taxes in the TIRZ may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIRZ in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIRZ. Taxes levied by the City against the values of real property in the TIRZ in excess of the "frozen" value are not available for general City use but are restricted to paying or financing "project costs" within the TIRZ. The City also may enter into tax abatement agreements to encourage economic development. Under such tax abatement agreements, a property owner agrees to construct certain

improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. A tax abatement agreement could last for a period of up to 10 years.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public fund for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year. Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 15 of each year and the final installment due on August 15.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur the penalty as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, up to 20% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any

petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $12,000.

The City has not granted an additional exemption of up to 20% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the Coryell County Tax Assessor-Collector collects taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City has taken action to tax freeport property.

The City does collect a one-half cent sales tax for economic development.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2010/11 Market Valuation Established by Coryell and Lampasas Counties Appraisal Districts (excluding totally exempt property and exempt agricultural use value)		$ 1,297,170,903
Less Exemptions/Reductions		147,248,946
2010/11 Taxable Assessed Valuation		$ 1,149,921,957
Debt Payable from Ad Valorem Taxes (as of 9/30/10)[1]		
General Obligation Debt	$ 48,900,000 [2]	
The Bonds	6,045,000	
The Notes	1,915,000	
Debt Payable from Ad Valorem Taxes		$ 56,860,000
Less: Self-Supporting Debt[1]		32,482,260
Net Debt Payable from Ad Valorem Taxes		$ 24,377,740
Interest and Sinking Fund (as of 8/31/10)		$ 1,338,386
Ratio Net Tax Supported Debt to Taxable Assessed Valuation		2.12%

2010 Estimated Population - 31,732
Per Capita Taxable Assessed Valuation - $36,239
Per Capita Net Debt Payable from Ad Valorem Taxes - $768

(1) Any transfer of system revenues for the payment of general obligation debt is discretionary. The self-supporting debt figure only includes those bond issues which are actually paid from Waterworks and Sewer System, Drainage Utility System, Solid Waste System, Golf Course and Hotel Occupancy revenues. To the extent such discretionary payments are not made, such debt would be paid from ad valorem taxes.
(2) Excludes the Refunded Obligations.

TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End Of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2007	30,944	$ 919,785,031	$ 29,724	$ 46,790,000	5.09%	1,512
2008	30,944	1,035,057,214	33,449	44,465,000	4.30%	1,437
2009	31,732	1,106,910,237	34,883	48,940,000	4.42%	1,542
2010	31,732	1,101,717,562	34,719	54,445,000	4.94%	1,716
2011	31,732 [3]	1,149,921,957	36,239	53,590,000 [4]	4.66% [4]	1,689

(1) Source: The City.
(2) Valuations shown are certified taxable assessed values reported by the Coryell County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(3) Population estimate for 2011 is unavailable, 2010 population used.
(4) Includes the Obligations and self-supporting debt; excludes the Refunded Obligations.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2007	$ 0.7400	$ 0.6070	$ 0.1330	$ 6,806,409	98.00%	99.02%
2008	0.7400	0.5980	0.1420	7,659,423	98.60%	99.19%
2009	0.7400	0.6071	0.1329	8,427,999	97.00%	99.30%
2010	0.7600	0.5997	0.1603	8,373,053	98.80%	98.80%
2011	0.7600	0.5997	0.1603	N/A	N/A	N/A

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2010/11 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Wal-Mart Real Estate	$ 11,500,000	1.00%
Oncor Electric Delivery Co.	9,519,340	0.83%
Wal-Mart Properties Stores East	8,443,870	0.73%
Cinergy Cinemas LP	7,402,570	0.64%
Cove Terrace Associates I Ltd.	7,000,000	0.61%
Colonial Plaza Partnership	5,870,950	0.51%
TWE-ADV/Newhouse Partnership	5,634,530	0.49%
H.E. Butt Grocery Co.	4,913,210	0.43%
Central Telephone Co. of Texas	4,890,220	0.43%
Crosstowne Ltd.	4,415,230	0.38%
	$ 69,589,920	6.05%

GENERAL BOND DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE OBLIGATIONS - Tax Rate Limitation").

TABLE 5 – ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	Total G.O. Tax Debt	Estimated % Applicable	City's Overlapping G.O. Tax Debt as of 9/30/10
City of Copperas Cove	$ 22,377,740 (1)	100.00%	$ 22,377,740 (1)
Copperas Cove ISD	38,653,682	81.76%	31,603,250
Coryell County	-	37.33%	-
Lampasas County	7,125,000	2.36%	168,150
Lampasas ISD	47,630,000	17.89%	8,521,007
Total Direct and Overlapping Net Funded Debt			$ 62,670,147
Ratio of Direct and Overlapping Net Funded Debt to Taxable Assessed Valuation			5.45%
Per Capita Direct and Overlapping Net Funded Debt			$ 1,974.98

(1) Includes the Obligations and includes the self-supporting debt; excludes the Refunded Obligations.

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DEBT INFORMATION

TABLE 6 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Total Outstanding Debt	The Bonds[1]			The Notes[2]			Less: Self-Supported Debt Service	Total Tax-Supported Debt Service
		Principal	Interest	Total	Principal	Interest	Total		
2011	$ 5,183,705	$ 495,000	$ 96,994	$ 591,994	$ 125,000	$ 34,500	$ 159,500	$ 3,663,556	$ 2,271,643
2012	5,189,384	815,000	119,425	934,425	25,000	43,500	68,500	3,928,742	2,263,567
2013	5,743,754	165,000	103,125	268,125	50,000	43,000	93,000	3,746,912	2,357,967
2014	5,092,594	900,000	99,825	999,825	160,000	42,000	202,000	3,744,719	2,549,700
2015	4,853,570	880,000	81,825	961,825	185,000	38,800	223,800	3,464,305	2,574,890
2016	7,109,801	870,000	64,225	934,225	600,000	35,100	635,100	6,090,987	2,588,139
2017	3,102,921	850,000	46,825	896,825	770,000	23,100	793,100	2,315,776	2,477,070
2018	3,032,510	910,000	29,825	939,825	-	-	-	2,367,025	1,605,310
2019	3,571,390	160,000	4,800	164,800	-	-	-	2,280,996	1,455,194
2020	3,454,368	-	-	-	-	-	-	1,973,049	1,481,319
2021	3,420,762	-	-	-	-	-	-	1,953,616	1,467,146
2022	2,758,325	-	-	-	-	-	-	1,429,788	1,328,537
2023	2,681,459	-	-	-	-	-	-	1,375,107	1,306,352
2024	1,359,022	-	-	-	-	-	-	444,665	914,357
2025	1,363,429	-	-	-	-	-	-	451,824	911,605
2026	1,141,051	-	-	-	-	-	-	223,238	917,813
2027	1,140,021	-	-	-	-	-	-	227,438	912,583
2028	657,550	-	-	-	-	-	-	226,238	431,312
2029	667,550	-	-	-	-	-	-	229,838	437,712
2030	665,663	-	-	-	-	-	-	227,613	438,050
2031	667,348	-	-	-	-	-	-	230,175	437,173
2032	672,925	-	-	-	-	-	-	232,313	440,612
2033	666,644	-	-	-	-	-	-	234,025	432,619
2034	668,725	-	-	-	-	-	-	234,800	433,925
2035	334,400	-	-	-	-	-	-	235,125	99,275
	$ 65,198,871	$ 6,045,000	$ 646,869	$ 6,691,869	$ 1,915,000	$ 260,000	$ 2,175,000	$ 41,531,870	$ 32,533,870

(1) Interest on the Bonds calculated at a True Interest Cost of 2.23% for purposes of illustration. Preliminary, subject to change.
(2) Interest on the Notes calculated at a True Interest Cost of 2.50% for purposes of illustration. Preliminary, subject to change.

TABLE 7 – INTEREST AND SINKING FUND BUDGET PROJECTION

Estimated Debt Service Requirements, Fiscal Year Ending 9-30-11		$ 2,271,643 (1)
Interest and Sinking Fund, 9-30-10	$ 1,339,217	
Interest and Sinking Fund Tax Levy at 98% Collection	1,806,458	3,145,675
Estimated Balance, 9-30-11		$ 874,032

(1) Net of self-supporting debt service.

TABLE 8 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Streets	11/04/2008	$ 8,025,000	$ 1,070,000	$ 0	$ 5,530,000
Water & Sewer	11/04/2008	5,125,000	0	0	1,865,000
Total		$ 13,150,000	$ 1,070,000	$ 0	$ 7,395,000

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . After the issuance of the Bonds and Notes, the City does anticipate the issuance of additional tax-supported debt within the next six months.

OTHER OBLIGATIONS . . . The City has no unfunded obligations as of November 15, 2010.

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B - "Excerpts from the City's Annual Financial Report".)

OTHER POST-EMPLOYMENT BENEFITS . . . In addition to the contributions made to TMRS, the City provides other post-employment benefits to its retirees and dependents. For more detailed information, see Note C in APPENDIX B – Excerpts from the City's Annual Financial Report".

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FINANCIAL INFORMATION

TABLE 9 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2009	2008	2007	2006	2005
Revenues:					
Taxes	$ 10,651,961	$ 9,978,042	$ 9,106,880	$ 8,500,837	$ 7,654,530
Licenses	51,347	38,848	39,784	49,830	47,858
Permits	143,658	181,354	178,795	216,373	181,123
City Services Provided	892,749	887,895	747,192	736,547	574,041
Fines	868,420	753,080	761,074	657,147	683,799
Interest	43,019	166,942	253,593	199,280	105,695
Miscellaneous	313,686	260,382	264,388	175,863	173,020
Intergovernmental	22,513	39,226	103,226	165,967	314,466
Contributions	-	1,405,516	368,295	4,240	-
Total Revenues	$ 12,987,353	$ 13,711,285	$ 11,823,227	$ 10,706,084	$ 9,734,532
Expenditures:					
General Government	$ 2,432,167	$ 2,049,143	$ 1,749,763	$ 1,811,443	$ 1,841,329
Community Services	1,597,105	1,460,503	1,402,104	1,295,281	1,176,729
Fleet and Facility Services	347,946	400,647	376,342	361,661	341,005
Highway and Streets	542,810	596,775	545,509	556,902	488,492
Public Safety	8,141,642	7,869,801	7,247,564	6,760,706	6,284,241
Capital Outlay	412,655	2,328,563	993,164	2,116,289	544,773
Debt Service	177,729	-	-	-	-
Total Expenditures	$ 13,652,054	$ 14,705,432	$ 12,314,446	$ 12,902,282	$ 10,676,569
Excess (Deficiency) of Revenues Over Expenditures	$ (664,701)	$ (994,147)	$ (491,219)	$ (2,196,198)	$ (942,037)
Budgeted Transfers In	$ 1,250,500	$ 1,417,312	$ 1,201,644	$ 2,514,981	$ 1,366,286
Budgeted Transfers Out	(122,070)	(217,594)	(88,298)	(87,920)	(84,335)
Total Transfers	$ 1,128,430	$ 1,199,718	$ 1,113,346	$ 2,427,061	$ 1,281,951
Net Increase (Decrease)	$ 463,729	$ 205,571	$ 622,127	$ 230,863	$ 339,914
Beginning Fund Balance	4,742,603 (1)	3,986,337	3,364,210	3,133,347	2,793,433
Ending Fund Balance	$ 5,206,332	$ 4,191,908	$ 3,986,337	$ 3,364,210	$ 3,133,347

Source: City's audited financial statements.
(1) Restated.

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TABLE 10 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1.0% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, which remits the proceeds of the tax after deduction of a 2% service fee to the City monthly.

Fiscal Year Ended 9/30	Total Collected[1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2006	$ 2,122,243	35.0%	$ 0.2713	$ 68.58
2007	2,275,752	33.0%	0.2442	73.54
2008	2,582,748	34.0%	0.2516	83.47
2009	2,309,693	27.0%	0.2087	72.79
2010[2]	2,418,651	N/A	N/A	N/A

(1) Excludes amounts collected for economic development.
(2) Partial collections as of September 30, 2010.

THE SYSTEM

WATERWORKS SYSTEM

The City owns and operates its water distribution and supply systems and purchases its water supply from the Bell County WC&ID #1. The water supply is received in ground storage tanks located throughout the system on hilltops which surround the City, which function as elevated tanks because of the static head differential with the developed areas of the City. The City's waterworks system is comprised of 11 storage/pump facilities with a present combined permitted capacity of 13.5 MGD. The system consists of approximately 225 miles of water mains.

TABLE 11 - WATER RATES (EFFECTIVE OCTOBER 1, 2010)

Inside the City Limits:

Meter Size	Monthly Flow Minimum Fee	Rate/1,000 gal
3/4" meter	$ 11.00	$ 2.98
1" meter	$ 15.50	$ 3.24
1½" meter	$ 23.00	$ 3.62
2" meter	$ 34.00	$ 3.78
3" meter	$ 90.00	$ 3.78
4" meter	$ 141.00	$ 3.78
6" meter	$ 239.00	$ 3.78
Contractor	$ 11.00	$ 4.62
Bulk	$ 11.00	$ 4.62

Outside the City Limits:

3/4" meter	$ 16.00
1" meter	$ 22.00
1½" meter	$ 34.00
2" meter	$ 50.00
3" meter	$ 120.00
4" meter	$ 200.00
6" meter	$ 350.00

TABLE 12 – TOP TEN WATER CUSTOMERS

Customer	Gallons Billed
Central Texas College	51,756,900
Topsey Water District	24,303,200
Copperas Cove ISD/High School	17,498,900
Cedar Grove Mobile Home Park	11,650,000
Willow Creek Apartments	8,032,400
Clear Creek Meadows Apartments	7,859,800
Copperas Cove ISD/High School	5,314,900
Mickey's Grocery	4,618,700
Hill Country Rehab & Nursing	4,078,000
Five Hills Apartments	3,893,000
	139,005,800

WASTEWATER SYSTEM

The City currently owns and operates three wastewater treatment facilities with a present combined permitted capacity of 9.0 MGD. The system consists of approximately 375 miles of collection lines with 16 lift stations.

Storm water is collected in an entirely separate gravity fed storm sewer system and is completely segregated from the wastewater system. The storm sewer system is operated and maintained by the City's Department of Public Works.

Maintenance and inspection of the City's wastewater system is accomplished by maintenance personnel employed by the City's Wastewater Treatment Department.

TABLE 13 - MONTHLY SEWER RATES (AS OF OCTOBER 1, 2010)

Sewer minimum rate (all customers)	$ 11.00
Rate per 1,000 Gallons of Water	$ 3.60
6" Sewer Tap	$750.00
Sewer Tap larger than 6" 6" tap fee + additional time and materials	

TABLE 14 – TOP TEN SEWER CUSTOMERS

Customer	Gallons Billed
Cedar Grove Mobile Home Park	11,650,000
Willow Creek Apartments	8,032,400
Housing Authority	6,799,800
Mickey's Grocery	4,619,000
Hill Country Rehab & Norsing	4,078,000
Five Hills Apartments	3,893,000
Clear Creek Meadows Apartments	3,706,200
Wells Laundry	3,413,700
Windcrest Nursing Home	3,191,700
Cactus Inn & Suites	2,575,100
	51,958,900

TABLE 15 – WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Years Ended September 30,				
	2009	2008	2007	2006	2005
Revenues:					
Waterworks and Sewer System	$ 8,531,284	$ 8,669,048	$ 8,152,305	$ 7,853,281	$ 7,254,279
Miscellaneous	251,087	232,599	373,794	182,533	214,303
Total	$ 8,782,371	$ 8,901,647	$ 8,526,099	$ 8,035,814	$ 7,468,582
Expenses:					
Waterworks and Sewer System[1]	$ 5,814,507	$ 5,659,695	$ 4,824,370	$ 4,622,498	$ 4,023,862
Net Available for Debt Service	$ 2,967,864	$ 3,241,952	$ 3,701,729	$ 3,413,316	$ 3,444,720
Water Customers	11,937	11,966	12,472	11,195	10,801
Sewer Customers	10,929	10,947	9,813	9,813	9,813

(1) Excludes depreciation expense.

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INVESTMENTS

The City invests its investable funds in investments authorized by State law in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under current State law, the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (9) securities lending programs if (i) the securities loaned under the program are collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City and held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with the Securities and Exchange Commission that have a dollar-weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of no less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. The City is required to designate one or more officers or employees as investment officers to be responsible for the investment of its funds. In the administration of the duties of an investment officer, the person so designated shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of the person's own affairs. Unless authorized by law, a person may not deposit, withdraw, or manage in any other manner the funds of the City.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report for the period. The report must: (1) describe the investment position of the City, (2) be prepared jointly and signed by each investment officer, (3) contain a summary statement prepared in compliance with generally accepted accounting principles of each pooled fund group that states: the beginning market value, any additions and changes to market value and the ending value for the period and fully accrued interest for the reporting period, (4) state the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) state the maturity date of each separately invested asset, (6) state the account or pooled fund group for which each individual investment was acquired, and (7) state the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. If the City invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers shall be reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer, and other investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and prohibit the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service, and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

The City's current investment policy is in compliance with the State law requirements described above.

TABLE 16 – CURRENT INVESTMENTS

As of June 30, 2010, the City's investable funds were invested in the following categories:

Description	Purchase Price	Percent
TexPool	$ 18,320,625	80.99%
TexSTAR	3,513,473	15.53%
Other Funds	787,980	3.48%
TOTAL	$ 22,622,078	100.00%

The market value of the investment portfolio was approximately 100% of its purchase price.

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TAX MATTERS

TAX EXEMPTION . . . In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations. In the opinion of Vinson & Elkins L.L.P., Bond Counsel, under existing law (i) interest on the Notes is excludable from gross income for federal income tax purposes under existing law and (ii) interest on the Notes is not (a) a specific preference item subject to the alternative minimum tax on individuals and corporations, or (b) included in a corporation's adjusted current earnings for purposes of the alternative minimum tax..

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Obligations, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Obligations for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Bond Purchaser and the Note Purchaser with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Bond Purchaser and the Note Purchaser, respectively, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Obligations could become includable in gross income from the date of delivery of the Obligations, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of, interest on, or disposition of the Obligations.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." However, interest on tax-exempt bonds issued in 2009 and 2010 for new money projects or to refund tax-exempt bonds originally issued anytime between 2004 through 2008, inclusive, is not includable in the "adjusted current earnings" of a corporation for purposes of computing its alternative minimum tax liability. Therefore, interest on the Notes is not includable in the adjusted current earnings of a corporation for purposes of computing its alternative minimum tax liability, but interest on the Bonds is so included and, as such, could subject a corporation investing in the Bonds to alternative minimum tax consequences.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of result and is not binding on the Service; rather, such opinion represents Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinion. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local bonds is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Obligations. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations regardless of the ultimate outcome of the audit.

PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides a limited exception for a limited amount of new money tax-exempt obligation holdings if such obligations were issued in 2009 and 2010. Section 265(b) of the Code also provides an exception for financial institutions for tax-exempt obligations that are properly designated by an issuer as "qualified tax-exempt obligations."

The Obligations will be designated as "qualified tax-exempt obligations" based, in part, on the Issuer's representation that the amount of the Obligations when added to the amount of all other tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) issued is not expected to exceed $30,000,000. Further, the Issuer and entities aggregated with the Issuer under the Code have not designated more than $30,000,000 in "qualified tax-exempt obligations" (including the Obligations) during 2009.

Notwithstanding the designation of the Obligations as "qualified tax-exempt obligations" under this exception, financial institutions acquiring the Obligations will be subject to a 20% disallowance of allocable interest expense.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax exempt interest such as interest on the Obligations. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Obligations should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Obligations, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM . . . The issue price of all or a portion of the Obligations may exceed the stated redemption price payable at maturity of such Obligations. Such Obligations (the "Premium Obligations") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Obligation in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Obligation in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Obligation by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of premium on a Premium Obligation that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Obligation) is determined using the yield to maturity on the Premium Obligation based on the initial offering price of such Obligation.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Obligations that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Obligations should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Obligation and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Obligation.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT OBLIGATIONS . . . The issue price of all or a portion of the Obligations may be less than the stated redemption price payable at maturity of such Obligations (the "Original Issue Discount Obligations"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation constitutes original issue discount with respect to such Original Issue Discount Obligation in the hands of any owner who has purchased such Original Issue Discount Obligation in the initial public offering of the Obligations. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Obligation continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Obligations under the captions "- Tax Exemption" and "- Additional Federal Income Tax Considerations - Collateral Tax Consequences" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Obligation was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Bond Purchaser and the Note Purchaser have purchased the Obligations for contemporaneous sale to the public and (ii) all of the Original Issue Discount Obligations have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the Issuer nor Obligation Counsel has made any investigation or offers any comfort that the Original Issue Discount Obligations will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Obligation accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Obligations and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Obligation for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and

properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Obligation.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Obligations that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Obligations should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreements for so long as it remains obligated to advance funds to pay the Obligations. Under the agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). Beginning July 1, 2009, this information is available free of charge from the MSRB via the Electronic Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 4 and 6 through 16 and in APPENDIX B. The City will update and provide this information within 6 months after the end of each fiscal year ending in and after 2009.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

MATERIAL EVENT NOTICES . . . The City shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after the occurrence of the event: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Owners, if material; (viii) bond calls, if material and tender offers; (ix) defeasance; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the District.

The District shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the foregoing provisions by the time required therein.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its

usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City became obligated to file annual reports and financial statements with the state information depository ("SID") and each nationally recognized municipal securities information repository ("NRMSIR") in an offering that took place in 1998. All reports were filed with the SID and each NRMSIR; however, the City's information for fiscal years' ending 2005 and 2007 were not timely filed due to administrative oversight financial statements were filed late. The financial information has since been filed, as well as a notice of late filing. The City and its financial advisor have implemented procedures to ensure timely filing of all financial information.

OTHER INFORMATION

RATING . . . The outstanding tax supported debt of the City is rated "AA-" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and "Aa3" by Moody's Investors Service ("Moody's"). The City also has various issues outstanding which are rated by S&P and Moody's by virtue of insurance issued by various commercial insurance companies. An application for a rating on the Obligations has been made to S&P. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Obligations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE . . . The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL MATTERS

LEGAL OPINIONS . . . Issuance of the Obligations is subject to the approving legal opinions of the Attorney General of Texas to the effect that the Initial Bond and Initial Note are valid and binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits provided by law, upon all taxable property within the City. Issuance of the Obligations is also subject to the legal opinion of Vinson & Elkins L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Obligations, to the effect that the Obligations are valid and binding obligations of the City payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described above under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Obligations. In connection with the issuance of the Obligations, Bond Counsel has been engaged by, and only represents, the City. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Ordinances. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations are based upon a percentage of Obligations actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Obligations.

The various legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO-LITIGATION CERTIFICATE . . . The City will furnish to the respective Bond Purchaser or Note Purchaser a certificate, dated as of the date of delivery of the Obligations, executed by both the Mayor and City Secretary, to the effect that no litigation of any nature has been filed or, to their knowledge, is then pending or threatened, either in state or federal courts, contesting or attacking the Obligations; restraining or enjoining the issuance, execution or delivery of the Obligations; affecting the provisions made for the payment of or security for the Obligations; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Obligations; or affecting the validity of the Obligations.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the respective Bond Purchaser or Note Purchaser to take and pay for the Obligations, and of the City to deliver the Obligations, are subject to the condition that, up to the time of delivery of and receipt of payment for the Obligations, there shall have been no material adverse change in the condition (financial or otherwise) of the City from that set forth or contemplated in the Official Statement.

VERIFICATION OF ARITHMETICAL COMPUTATIONS . . . The arithmetical accuracy of certain computations included in the schedules provided by Specialized Public Finance Inc., on behalf of the City relating to (a) computation of the sufficiency of the anticipated receipts from the Federal Securities, together with the initial cash deposit, if any, to pay, when due, the principal, interest and redemption price of the Refunded Obligations, and (b) computation of the yields on Federal Securities and the Bonds were verified by Grant Thornton LLP, Minneapolis, Minnesota ("Grant Thornton"). Such computations were completed using certain assumptions and information provided by Specialized Public Finance Inc., on behalf of the City. Grant Thornton has restricted its procedures to recalculating the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based, and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. The report of Grant Thornton will be relied upon by Bond Counsel in rendering its opinion with respect to the excludability from federal income taxation of the interest on the Bonds.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

INITIAL PURCHASERS . . . After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the "Bond Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of par. The Bond Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Bond Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Bond Purchaser.

After requesting competitive bids for the Notes, the City accepted the bid of _____ (the "Note Purchaser") to purchase the Notes at the interest rates shown on page 4 of the Official Statement at a price of par. The Note Purchaser can give no assurance that any trading market will be developed for the Notes after their sale by the City to the Note Purchaser. The City has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Note Purchaser.

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Reference is made to original documents in all respects. The Ordinances authorizing the issuance of the Obligations will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the respective Bond or Note Purchaser.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Obligations, the respective Bond or Note Purchaser will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in the final Official Statement, and any addenda, supplement or amendment thereto, for the Obligations, on the date of such final Official Statement, on the date of sale of said Obligations and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such final Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such final Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2009, the date of the last financial statements of the City appearing in the final Official Statement as APPENDIX B.

Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the City delivers the Obligations to the respective Bond or Note Purchaser at closing, unless extended by such Bond or Note Purchaser. All information with respect to the resale of the Obligations subsequent to the "end of the underwriting period" is the responsibility of the respective Bond or Note Purchaser.

This Official Statement has been approved by the City Council of the City for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

_____
Mayor
City of Copperas Cove, Texas

ATTEST:

_____
City Secretary
City of Copperas Cove, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY . . . The City of Copperas Cove is a residential city that has experienced rapid growth and benefited economically from its proximity to Fort Hood, the largest United States military base. The City's 2001 census was 29,592, an increase of 22.8% from 1990. The City estimates the current population to be approximately 31,782. Many of Fort Hood's military and civilian personnel reside in the City. The City's economy is primarily service-oriented, tied closely to the operations at Fort Hood. The City is also located on the main east-west line of the Santa Fe Railroad. Small scale manufacturers produce window blinds, industrial electronics, cabinets, van windows and concrete.

COUNTY CHARACTERISTICS . . . Coryell and Lampasas Counties were created in 1854 from Bell County. The central Texas county of Coryell was named after local pioneer, James Coryell, and is a part of the Killeen-Temple metropolitan statistical area. The Texas Almanac designates livestock, grains, hay and pecans as principal sources of agricultural income.

The City of Gatesville is the county seat and has a population of 16,500. Other towns within Coryell and Lampasas Counties include Lampasas and Gatesville. The economy is diversified by agribusiness, military business, boat and trailer manufacturing, canvas products, clothing and plastic medical products. Fort Hood, home of the 2nd Armored Division, the 1st Calvary Division, 13th Corps Support Command (COSCOM), 3rd Signal Brigade, 4th Calvary Brigade (Aviation), 44th Air Defense Artillery Brigade, 89th Military Police Brigade, 504th Military Intelligence Brigade, 1st Training Support Battalion-291st Aviation, 3rd Personnel Group, 13th Finance Group and other units, covers 335 square miles in Bell and Coryell Counties.

LABOR MARKET PROFILE

Coryell County	August 2010	August 2009
Total Civilian Labor Force	25,363	24,521
Total Unemployment	2,391	2,184
Percent Unemployed	9.4%	8.9%
Total Employment	22,972	22,340

State of Texas	August 2010	August 2009
Total Civilian Labor Force	12,190,876	11,996,356
Total Unemployment	1,021,742	974,702
Percent Unemployed	8.4%	8.1%
Total Employment	11,169,134	11,021,654

Source: Texas Employment Commission, Austin, Texas

MAJOR AREA EMPLOYERS

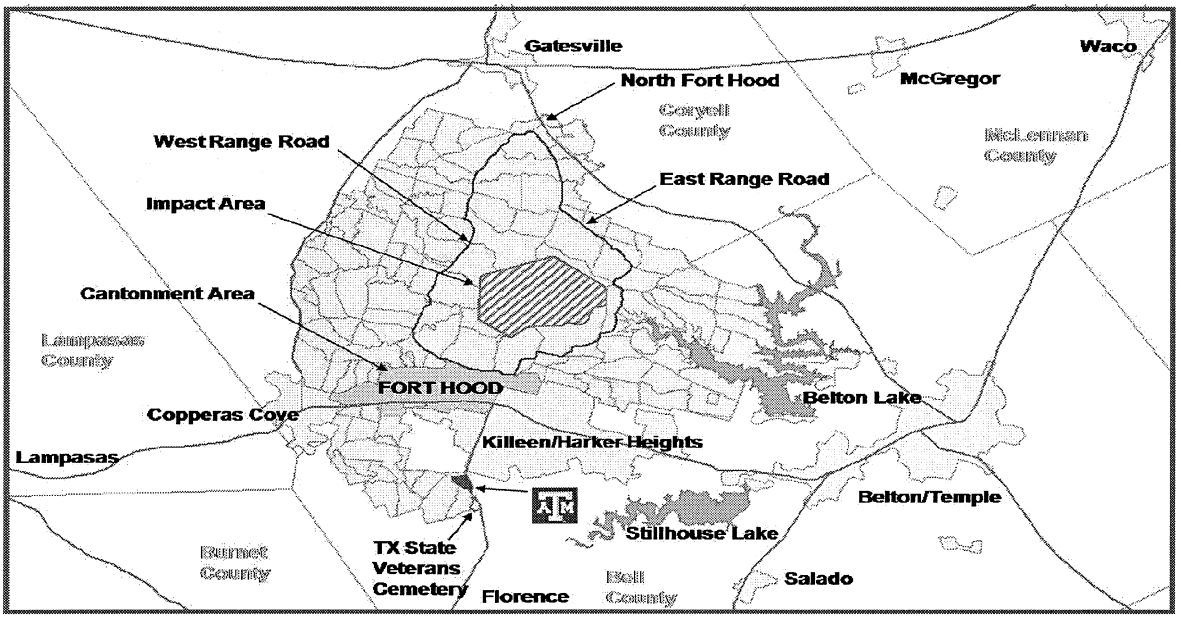
Name	# of Employees
Fort Hood-Military	44,000
Fort Hood-Civilian	17,098
Central Texas College	1,798
Copperas Cove ISD	1,300
GC Services	1,200
Metroplex Hospital	1,000
Wal-Mart	400
City of Copperas Cove	303
HEB Grocery	145
Windcrest Nursing Home	101

CURRENT DEVELOPMENTS . . . Development within the City includes the House Creek North Phase III development consisting of 320 lots, Summers Place development located on Summers Road adjoining the south side of House Creek North with 64 lots, Skyline Flats single family development along west Big Divide south of Grimes Crossing with 300 lots and the single family development of Walker Place Phase 7, Section 2 located off west US 190 and consisting of 115 lots. The City also created a Tax Increment Reinvestment Zone (TIRZ), which is planned to include approximately 470 single family homes, 20 acres of multi-family, and commercial development along US 190.

The largest transportation project in Copperas Cove, referred to as the Reliever Route, continues to move forward. The current project cost estimate is slightly over $52 million. Contracts and payment for the right-of-way acquisition process were executed with the Texas Department of Transportation in February 2006 as required for the FM 2657 Widening Project which will serve as an access entrance to the Reliever Route from US Highway 190 on the west side of the City. The current funding availability for construction has been moved up from the year 2015 to 2010. An application to the Texas Department of Transportation for Pass-Through Financing is currently being prepared for the project with funding targeted for late 2010.

MILITARY FACILITIES – FORT HOOD

GENERAL . . . Fort Hood is the Army's premier armored force installation and strategic power projection platform. In 2001, Fort Hood was authorized 41,000 Soldiers. Since the inception of the Global War on Terrorism, Fort Hood has increased and maintained a current assigned strength of over 49,000 Soldiers – with a peak in assigned troop strength of 55,800 Soldiers in March 2008. One out of every 10 active duty Soldiers in the Army is assigned to Fort Hood. Located 60 miles north of Austin and 50 miles south of Waco, the fort occupies 335 square miles (almost 215,000 acres) of Bell and Coryell Counties. There are more than 136,000 acres of maneuver area on post with 62,605 acres identified for live fire impact. With 2 airfields and 6 Air Strips, Fort Hood has more than 770 miles of paved roads and 471 miles of tank trails. There are currently 7,238 active buildings on post with more than 33.14 million square feet of floor space.



Supported Population – approximately 425,000

- Post Population - ***95,000***:
  - Military, On Post Family Members, Civilian Employees, Contractors, Other Employees.
- Off Post Family Members – ***89,933***
- Retirees, Survivors & Family Members is ***246,000***

ECONOMIC IMPACT . . . Seven surrounding cities (with a regional population of 335,000) are partnered with and provide substantial quality of life support to Fort Hood. Almost 98 percent of the 49,000-plus Soldiers assigned – and their family members – live within 10 miles of the installation. These Soldiers are complemented by more than 18,850 civilian employees at the Central Texas post, making Fort Hood the largest single site employer in the state and directly inserting nearly $6 billion annually into the Texas economy. As of 2008, the direct economic impact of Fort Hood on the Texas economy was $4.4 billion dollars, with a total statewide impact of $10.8 billion dollars.

Mission of III Corps and Fort Hood

Prepare Soldiers and Units for Combat and Take Care of Soldiers, Families, and Civilians at the "Great Place"

Since 2005, Fort Hood has deployed 135,738 Soldiers in support of Operation Iraqi Freedom (OIF) & Operation Enduring Freedom (OEF).

Tactical Units Assigned to Fort Hood

III Corps Headquarters
1st Cavalry Division
13th Sustainment Command (E)
3rd Armored Cavalry Regiment
15th Sustainment Brigade
4th Sustainment Brigade
1st Medical Brigade
41st Fires Brigade
36th Engineer Brigade
89th MP Brigade
504th Battlefield Surveillance BDE
13th Finance Management Center
4th Combat Aviation Brigade

Tenant Units Assigned to Fort Hood

1st Army Division West Headquarters
Operational Test Command
U.S. Army Garrison Ft Hood
MEDCOM
407th AFSB & CTSF
57th SIG BN (E)/62nd SIG BN (E)
69th Air Defense Artillery BDE
120th TSB
15th MI BN
21st CAV BDE
48th Chemical BDE
11th CID BN
166th AVN BDE

RESERVE COMPONENT (RC) MOBILIZATION . . . Fort Hood is one of the Army's six Enduring Mobilization Training Centers (EMTC) for Army National Guard and Army Reserve. It serves as the home of First Army Division West Headquarters and three of its Training Support Brigades. North Fort Hood serves as Fort Hood's principal location for all Reserve Component post-mobilization training. The primary mission sets trained at Fort Hood in support of overseas contingency operations are: aviation operations, transportation operations, and Division and Brigade level Command and Control operations. The Directorate of Plans, Training, Mobilization, and Security (DPTMS) has overall responsibility for mobilization on Fort Hood. The Mobilization Division of DPTMS manages the execution of installation support with the Hood Mobilization Brigade providing Command and Administrative Control of mobilizing units. Since October 2001, 44,676 Soldiers have mobilized through Fort Hood with over 15,000 soldiers being from Texas.

The ability of Fort Hood to sustain this extremely high volume of mobilized Soldiers is due in large part to newly expanded facilities on the north side of Post. North Fort Hood provides facilities and resources which support an overall capacity of 2,636 mobilizing troops. Facilities and services which support both mobilization and non-mobilization training at NFH include; billeting, dining facilities, troop medical services, vehicle maintenance, supply and services support, fuel operations, airfield (2) support, Fitness Center, and many other critical support services.

CAPACITY UTILIZATION . . . The Army has consistently recognized the unique ability of Fort Hood and Central Texas to house, support and sustain 50,000 Soldiers and their Families in whatever formations today's and tomorrow's forces will find themselves. The Government Accounting Office (GAO) also supports the Army's contention that on a per capita basis, Soldier training at Fort Hood continues to be more economically accomplished than at any other major Army installation. Fort Hood is fully capable to support current and future Army, joint and combined force mission requirements.

- The post's largest single on-post training segment is called the Western Maneuver Area (WMA) which stretches 20 miles from north to south and from the western boundary of the installation eastward to the live fire impact area. The WMA easily accommodates a full-up, modern, digitally equipped heavy battalion task force exercising in multiple scenarios over several weeks at a time.
- Direct access to Lake Belton provides training in all phases of water obstacle and river crossing operations, from small unit to division level.
- The Army's largest Battle Command Training Center is located at Fort Hood.
- The largest combat aviation training area in the free world, comprised of 15,900 square miles, begins on Fort Hood and continues west from Bell and Coryell Counties to Runnels and Tom Green Counties. This allows U.S. and allied military helicopter crews to train in a realistic environment that affords the distances and depths required in combat aviation operations.

COMMUNITY PARTNERSHIPS . . . Fort Hood's ability to preserve its world-class training capability requires fostering productive partnerships with our surrounding communities that address the preservation of Economic, Environmental, and Land Initiatives within surrounding communities. The Central Texas Sustainable Communities Partnership, a regional alliance for the long term sustainability of our Central Texas Community, was started at the Earth Fest celebration in April 2009. This alliance has direct involvement by the cities of Killeen, Harker Heights, Copperas Cove, and Gatesville, with Fort Hood as the 5th partner. The primary purpose of this partnership is to foster long term sustained economic growth, improve quality of life for the region, and improve the environmental quality of the region. Since 1998, assisted by The Nature Conservancy, the Texas Parks and Wildlife Department, Texas Agrilife Research (Institute for Renewable Natural Resources), and the State of Texas Fort Hood has made substantial progress in restoring the state's populations of the Black Capped Vireo and the Golden Cheeked Warbler after both faced extinction. Fort Hood has identified 800 sites with possible sensitive cultural ties to early Native Americans or western settlers who occupied the area prior to the 1942 founding of Fort Hood. The installation is working with the Texas State Historical Preservation Office under the Alternative Procedures Program to identify the sites which are historically significant. In late 2008, Fort Hood partnered with Gatesville to begin the collection and treatment of sanitary sewage from the ever-growing North Fort Hood cantonment area, replacing a very old and labor-intensive lagoon system that had been operated by the Installation for many years.

CAPITAL INVESTMENT . . . The Army has consistently demonstrated its commitment to long term infrastructure improvements at Fort Hood. These include new or renovated barracks, state of the art command and control facilities, the 21st century Krueger Soldier Development & Education Center, the one-stop Copeland Soldier Service Center, an aggressive range modernization program and modern installation support facilities.

Ft. Hood Capital Investment	
2006	$60M
2007	$79M
2008	$182M
2009	$1.044B
2010	$43M

HEALTH INFRASTRUCTURE . . . Fort Hood's Carl R. Darnall Army Medical Center (CRDAMC) is a teaching hospital affiliated with Scott & White Memorial Hospital, the Dept. of Veterans Affairs (VA) Central Texas Health Care System in Temple, and with Texas A&M University Health Science Center College of Medicine in Bryan-College Station. CRDAMC has residency programs in Emergency Medicine and Family Practice, and combined graduate medical programs in obstetrics and gynecology, pediatrics and medicine with Wilford Hall Air Force and Brooke Army Medical Centers in San Antonio. Darnall serves more than 172,000 military beneficiaries in a 40 mile radius of Fort Hood.

The Fort Hood leadership, in conjunction with federal assistance, is moving forward this year with the construction of a new Carl R. Darnall Army Medical Center on Fort Hood with an estimated cost of 1 billion dollars. There is no question the need exists. CRDAMC lacks specialists to provide comprehensive care and refers patients to local civilian hospitals for advanced diagnostics and healthcare. Recent and future projects to expand medical services to our military community include:

- Construction of a Traumatic Brain Injury Center
- A 46,000 Square foot Women's Health Clinic Addition
- Renovation of three Dental Clinics
- Construction of West and North Fort Hood Primary Care Clinics
- Intensive Outpatient Addiction Treatment Facility

MCA CONSTRUCTION . . . Military Construction Army (MCA) is the primary funding program to reduce large square foot deficits while improving facility conditions. Fort Hood has nine MCA projects for a total of $161M under construction, and 12 projects for a total of $1.13B under design that will reduce our deficits in the critical facilities by 1.15M square feet, or approximately 22 percent. These projects are scheduled for completion between Fiscal Year 2010 and Fiscal Year 2017. Fort Hood currently has 6 Child Development Centers, one Youth Center, and one Kids On Site Center scheduled to be constructed between FY10 and FY13. Fort Hood is scheduled to activate two Thermal High Altitude Aerial Defense (THAAD) Battery's in FY13 and FY14. Additionally, one Unmanned Aerial System (UAS) Company is scheduled to activate in FY11 and a second anticipated in FY13.

WARRIORS IN TRANSITION . . . Fort Hood's Warriors in Transition Unit (WTU) provides Soldiers and their families with a receptive, hassle-free and supportive environment where they can focus on their primary mission of healing. To further enhance the investment in infrastructure for the personnel assigned to the unit, Fort Hood has begun construction of a 320-person barracks facility, a Soldier and Family Assistance Center, and two administrative buildings. Ft. Hood is pursuing the construction of a Warrior Transition Brigade Physical Fitness Center, which will provide a more private and conducive atmosphere for the warriors faced with physical challenges, and a WTU Dining Facility, to provide the Soldiers with a closer, more centralized location for meals. The total cost for the Physical Fitness Center is estimated at $12.6 million, and $17.5 million for the WTU Dining Facility. Both are unfunded for the current year.

ARMY FAMILY COVENANT (AFC) . . . The Fort Hood leadership is committed to providing Soldiers and their families a strong and supportive environment where they can thrive. These efforts include:

- AFC has injected over $3.622 million to increase Soldier and Family Services
- Increased Army Community Services Staff by 41 people
- Discounting full/part day child care fees by 20%
- Provide "Free" registration to all Child, Youth and School Services eligible youth
- Implementing the Survivor Outreach Services program which provides support services to survivors of loved ones who have died while on Active Duty.

SOLDIER AND FAMILY HOUSING . . . Fort Hood has 96 barracks that house approximately 14,880 Soldiers and 6,408 family quarters that house about 30 percent of the active duty population. The family quarters are managed through Actus Lend Lease, the Residential Community Initiative (RCI) housing partner. Under this program more than 4,500 sets of quarters have been renovated and 1,186 new units have been built with 212 (eventually 232) built with new "green" energy efficient materials. The RCI Partnership has provided the absolute highest quality of housing for our Soldiers and their families on post with a noticeable difference in quality of maintenance compared to previously worn and outdated housing provided by Army Installations. Fort Hood understands the community impact of On Post housing, and is committed to keeping our volume the same to avoid any negative economic impacts to the local housing market.

PRIVATIZATION OF ARMY LODGING (PAL) . . . PAL, an Army-wide program, was established as a means of revitalizing on-post transient housing facilities. The program is a natural extension of the success achieved in the privatization of Family housing

through the Residential Communities Initiative (RCI). Fort Hood's partners for PAL are Actus Lend Lease and the InterContinental Hotels Group. The Keith L. Ware Hall transient lodging facility is currently being renovated to Holiday Inn Express standards and will be completed within the year. One 139-room Candlewood Suites hotel will be built on Fort Hood at Battalion Ave. and 37th Street during Phase II, years 6-8 following the 15 August 2009 closing. This public/private initiative will provide a significant improvement in quality and service and a unique "off-post" atmosphere to these buildings.

SECOND RUNWAY . . . A second runway at Robert Gray Army Air Field (RGAAF) – as part of the Killeen Fort Hood Regional Airport (KFHRA) Master Plan – would provide safety and redundancy, additional opportunities for airfield operations, and facilitate future joint training and basing options for military personnel to train airfield operations. It would also significantly enhance commercial aviation capabilities for the airport. KFHRA currently receives 42 flights daily and manifested more than 200,000 passengers last year. The 1st step to developing the 2nd runway would be the construction of the 4,000 ft. Assault Landing Strip (ALS) on West Fort Hood that has been approved by the City of Killeen 2nd Runway Task Force to be built using Army troop construction personnel. After the ALS is finished, construction will move forward on the completion of a second runway at RGAAF that would support civilian and military commercial airliners. Both projects have a total estimated cost of $230 million that is unfunded.

TEXAS A&M UNIVERSITY-CENTRAL TEXAS . . . Fort Hood and Texas A&M share the vision to establish an upper level college on 672 acres of Fort Hood land that has transferred to the Texas A&M University System (TAMUS). TAMUS is establishing a stand-alone university named Texas A&M University-Central Texas-and will reimburse Fort Hood for the cost of the land by providing classroom space as in-kind consideration. By establishing Texas A&M-CT, Soldiers and Family Members will be able to earn their academic degrees from a nationally recognized university offering programs tailored to the local population needs. In-state tuition rates would apply to Soldiers and Family Members, even when the sponsor leaves the state. In May 2009 the Texas Legislature authorized the Texas A&M University System to issue Tuition Revenue Bonds (TRB) for up to $25M to begin construction of a Central Texas campus.

TEXAS HIGHWAYS & BYWAYS . . . State officials have been extremely gracious and patient in the funding of our major roadway projects. These projects have strengthened the strategic projection capability of forces from Fort Hood to and through Gulf Coast seaports. The Texas Department of Transportation (TXDOT) has embarked on a $161.7 million dollar initiative to widen Highway 195 from Fort Hood to Georgetown. Scheduled for completion by 2020, this expansion will provide an uninterrupted four lane divided highway from Fort Hood to IH-35 and on to the ports. The State of Texas also committed more than $39.1 million in local highway infrastructure construction, which has nominally improved regional mobility by improving traffic flow on and off-post. The money has funded projects such as: Hwy. 195 extension and Access Control Point was completed December 2009, Tank Destroyer Rd. improvements from Clarke Rd. to FM 116, Hwy. 190 dedicated military vehicle overpass to be completed Fall of 2010, Hwy. 201 & Mohawk Ave. intersection improvements to be completed Fall of 2010. Even with these enormous improvements our largest problem is now congestion at the intersection of our main entrance and Hwy 190. Traffic continues to be Fort Hood's largest issue in terms of effect on quality of life, safety, and community relations.

INDEPENDENT SCHOOL DISTRICTS (ISDS) . . . On post, Fort Hood has 9 schools: 2 middle schools and 7 elementary with a total enrollment of almost 5,916 students and a total operating budget of more than $37 million. DFMWR coordinates the Adopt-A-School (AAS) program through the Child, Youth & School (CYS) Services, School Liaison Office (SLO). AAS contributes military resources and services to schools in order to nurture the intellectual, emotional, social, and physical growth of children in the greater Fort Hood area, to increase public awareness of the Army's mission and to foster good relations. AAS's focus is on providing Soldier resources to teach, coach, mentor, and inspire students.

INSTALLATION NEEDS . . . Fort Hood is especially grateful for the cooperation, support, and influence the community, state, regional and federal partners have given to address our infrastructure and expansion shortfalls. Our success as the premier deployment platform for the Army is in large part due to the capabilities that our training lands, infrastructure, and personnel offer Soldiers that are training to fight overseas. That capability can be directly linked to our monetary augmentation and political support of programs by state and federal legislative assistance. The Future of Fort Hood is constantly being molded by the requirements that we are presented with as a leading training installation in the Army. Because of the growth and expansion of our infrastructure to support these future requirements our Garrison has developed a deliberate process to rank potential projects that would improve our capabilities. This process is the Installation Planning Board, and takes into consideration the opinions of our Soldiers, commanders, Soldier's families, the community, and our immediate needs as an installation. A list of projects is developed according to how money should be allocated in an order of merit. This will provide everyone on post a look into how we see our infrastructure projects developing, and a clear picture of how outside funding sources can be applied using an analytical approach. This planning process allows us to gain a strategic perspective into how we want to develop our infrastructure and improve the installation. Through this process we have also identified potential issues that need the attention once more of our state and federal partners to bring to fruition. The following initiatives are where Fort Hood sees an opportunity for state and federal agencies to influence our installation and the community for the better:

CONGESTION ON HWY. 190 (MAIN GATE TO FM 2410) . . . Solving this one issue would immediately improve the lives of hundreds of thousands in our surrounding area. In early 2010, over 80 percent of assigned Soldiers were physically at Fort Hood for the first time since the Global War on Terrorism began. Expansion and repaving of roads into Copperas Cove were completed during 2009, but funding has not been approved to address the largest congestion issue from the Fort Hood main gate east to FM 2410 (where traffic counts exceed 90,000 per day.). Any citizen in the area can tell you that the congestion is "big city" and our civilians, military, and families waste millions of hours waiting in unnecessary lines of traffic due to unnecessary congestion.

The traffic volume at Fort Hood has surpassed the capacity of our local roadways and is a serious issue for our regions quality of life, safety, and workforce utilization.

Texas A&M Central Texas . . . The influence of a major university would no doubt change the dynamics of our local economy and workforce. The university would bring jobs, students, opportunities for higher education, research and development opportunities in the defense and health care/bioscience clusters, and revenue to Fort Hood and the Community. The university's construction has recently broken ground, and the plans are moving forward. This monumental addition to our area and a unique opportunity to raise the education level in our surrounding communities carries large financial and political hurdles. Supporting this project is the right thing to do to enhance quality of life, improve the workforce, and generate needed dollars.

Centex Sustainability Partnership . . . This partnership is the newest advancement in a regional alliance aimed at improving our local areas economic and environmental progress. Five local cities and Fort Hood have teamed up to improve the Quality of Life, implement better environmental practices, and develop a sustainable regional community. All participants realize the symbiotic relationship necessary to properly support the future growth our community will experience. This regional partnership is in its infancy and conducted its first major step in solidifying a useful entity by holding a Centex Sustainability Conference in Jan 2010 with participation by local governments, community citizens, and sustainability experts. Any monetary and legislative help that could be offered from state or federal agencies could act as a catalyst to create a Regional agency that could have some serious influence on the improvement in our local area.

Conclusion . . . Fort Hood will remain a model Army installation, with outstanding infrastructure, ranges and power projection capabilities. On a per capita basis, Soldier training is accomplished more economically at Fort Hood than at any other Army installation. The Army has consistently recognized the unique ability of Fort Hood and Central Texas to house, support and sustain upwards of 50,000 Soldiers and their families in whatever formations today's and tomorrow's forces might find themselves. Lastly, we would like to thank our state and federal political leaders who fight to preserve our Soldiers world class training capabilities at Fort Hood.

APPENDIX B

EXCERPTS FROM THE
CITY OF COPPERAS COVE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

The information contained in this APPENDIX consists of excerpts from the City of Copperas Cove, Texas Annual Financial Report for the Year Ended September 30, 2009, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information

PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of City Council
City of Copperas Cove, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Copperas Cove, Texas, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Copperas Cove, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Copperas Cove, Texas, as of September 30, 2009, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2010, on our consideration of the City of Copperas Cove, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 55 through 56, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Copperas Cove, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pattillo, Brown & Hill, L.L.P.

March 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Copperas Cove

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Copperas Cove, Texas, we offer readers of the City of Copperas Cove's financial statements this narrative overview and analysis of the financial activities of the City of Copperas Cove, Texas for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report as well as the City's financial statements beginning on page 15 and the accompanying notes to the financial statements.

Financial Highlights

- The total net assets of the City of Copperas Cove increased to $53.1 million from the prior years $50.6 million, an increase of 5.0 percent.

- As of September 30, 2009, the City of Copperas Cove's governmental funds reported combined ending fund balances of $13.1 million, a decrease of $1.4 million in comparison with prior year.

- At September 30, 2009, unreserved fund balance for the General Fund was $5.0 million, or 36.5 percent of total General Fund expenditures. The unreserved fund balance includes $1 million that has been designated for contingencies. Compared to prior year, unreserved fund balance increased 35.5 percent. The unreserved and undesignated fund balance was $4.0 million, or 29.2 percent of total General Fund expenditures.

Overview of the Financial Statements

The City has implemented the Governmental Accounting Standards Board (GASB) Statement 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (the new model) with the financial statements for the year ended September 30, 2003. The new model contains a number of changes to the requirements for governmental reporting. The major changes are as follows:

- Government-wide reporting – while governments have traditionally focused reporting on groupings of funds (i.e. General Fund, Special Revenue Funds, Capital Project Funds, etc.), the new model also contains financial statements on a government-wide basis.

- Fund financial statements – the new model maintains governmental and proprietary fund financial statements, but the focus is on major funds within each fund type.

- New focus for governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resource measurement focus and accrual basis of accounting. The traditional current financial resources focus and modified accrual basis of accounting are maintained for the governmental fund financial statements in the new model.

- Infrastructure reporting – the new model requires governments to report the value of infrastructure assets of governmental activities (roads, bridges, storm drainage systems, parks, etc.). The City completed implementation of this requirement in the

FY 2006-07 year end close process. The City has recorded infrastructure in the appropriate funds as it was built or donated over the years.

- Changes in budgetary reporting – the new model requires the display of both the original adopted budget and the amended budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds, although they may be presented for other funds as additional information. The City does not have any major special revenue funds.

- Required narrative analysis – the new model requires that the financial statements be accompanied by narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide Financial Statements
The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other indicators, including non-financial indicators like the City's property tax base and condition of infrastructure, should be considered.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The statement of activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, community services, fleet and facility maintenance, highways and streets, and public safety. The business-type activities of the City include water and sewer, solid waste and a golf course.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements
Also presented are the traditional fund financial statements for governmental funds and proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Copperas Cove, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, 2007 Capital Improvement Certificates of Obligation Fund, and the 2009 Capital Improvement General Obligation Fund since they are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for the General Fund. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with the budget. The budgetary comparison schedules can be found on pages 55, and 69-84.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds – Proprietary funds are used to account for business-type activities of the City. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The City maintains one type of proprietary fund. Proprietary funds are used for activities that primarily serve customers outside the governmental unit for which fees are charged. The City has three enterprise funds: Water and Sewer Fund, Solid Waste Fund and Golf Course Fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Notes to the financial statements – The notes to the financial statements 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 can be found on pages 26-54 of this report.

Other information – The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required

supplementary information. Combining statements can be found on pages 58-68 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis illustrate the financial position and changes to the financial position for the City as a whole as of and for the year ended September 30, 2009.

Net Assets

The following table reflects the Condensed Statement of Net Assets as of September 30, 2009.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 15,884,806	$ 18,726,820	$ 10,313,303	$ 11,323,706	$ 26,198,109	$ 30,050,526
Capital assets	33,322,474	23,419,849	48,177,204	45,530,047	81,499,678	68,949,896
Total Assets	49,207,280	42,146,669	58,490,507	56,853,753	107,697,787	99,000,422
Other liabilities	1,929,572	2,880,280	1,972,867	3,782,776	3,902,439	6,663,056
Long-term liabilities	22,814,412	16,064,848	27,893,272	25,701,451	50,707,684	41,766,299
Total Liabilities	24,743,984	18,945,128	29,866,139	29,484,227	54,610,123	48,429,355
Net assets:						
Invested in capital assets net of related debt	11,374,872	15,403,434	25,553,411	23,052,050	36,928,283	38,455,484
Restricted	5,812,263	709,379	1,075,085	901,595	6,887,348	1,610,974
Unrestricted	7,276,161	7,088,728	1,995,872	3,415,881	9,272,033	10,504,609
Total Net Assets	**$ 24,463,296**	**$ 23,201,541**	**$ 28,624,368**	**$ 27,369,526**	**$ 53,087,664**	**$ 50,571,067**

The City's combined net assets were $53.1 million as of September 30, 2009. Of the $53.1 million, $24.5 million was in the governmental activities and $28.6 million was in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of $2.5 million or 5.0 percent. The increase includes increases in governmental and business-type capital assets.

Net Assets consist of three components, investment in capital assets net of related debt, restricted net assets and unrestricted net assets. The first and largest portion of net assets ($36.9 million or 69.5 percent) reflects the City's investment in capital assets, less any related debt used to acquire or construct the assets that are still outstanding. Compared to last year, the City's investment in capital assets net of related debt decreased $1.5 million or 4.0 percent. The City uses the capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second portion consists of restricted net assets totaled in at $6.9 million at September 30, 2009 or 13.0 percent of overall total net assets. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets increased $5.3 million or 327.5 percent compared to September 30, 2008.

The third portion consists of unrestricted net assets totaled $9.3 million or 17.5 percent of total net assets. Unrestricted net assets may be used to meet the City's ongoing obligation to citizens and creditors. Unrestricted net assets decreased $1.2 million or 11.7 percent compared to September 30, 2008.

Changes in Net Assets. The City's total revenues for the fiscal year ended September 30, 2009 were $29.3 million. Total revenues decreased when compared to the prior year by $4.4 million or 13.0 percent. The City's total cost of all programs and services increased from the prior year's $27.4 million to $28.2 million, an increase of 3.0 percent. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2009.

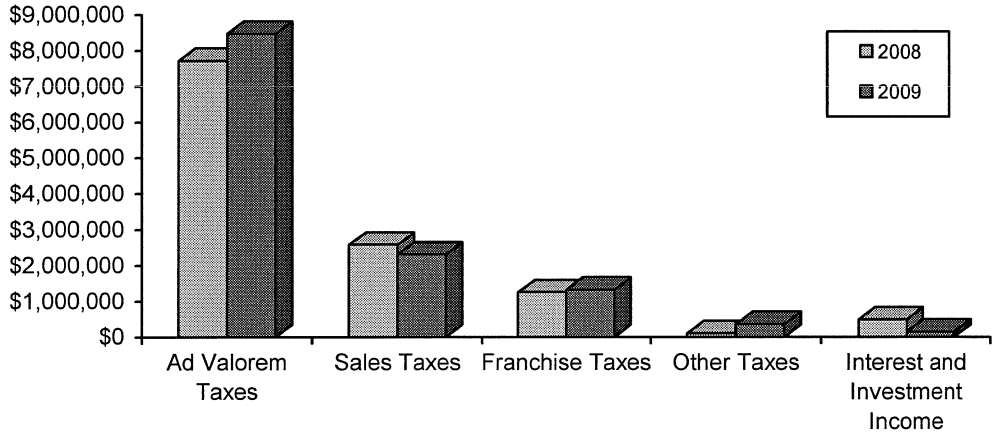
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services	$ 3,197,611	$ 4,730,596	$ 12,304,707	$ 12,599,838	$ 15,502,318	$ 17,330,434
Operating Grants and contributions	299,511	821,392	-	-	299,511	821,392
Capital Grants and contributions	507,970	1,805,607	-	1,345,220	507,970	3,150,827
General Revenues:						
Ad valorem taxes	8,468,730	7,717,778	-	-	8,468,730	7,717,778
Franchise taxes	1,321,777	1,246,655	-	-	1,321,777	1,246,655
Sales taxes	2,309,693	2,582,748	-	-	2,309,693	2,582,748
Other taxes	362,779	103,775	-	-	362,779	103,775
Miscellaneous	344,326	-	-	-	344,326	-
Interest and investment income	143,829	489,974	60,154	260,206	203,983	750,180
Total Revenues	$ 16,956,226	$ 19,498,525	$ 12,364,861	$ 14,205,264	$ 29,321,087	$ 33,703,789
Expenses:						
General Government	$ 3,034,581	$ 2,175,856	$ -	$ -	$ 3,034,581	$ 2,175,856
Community services	2,289,134	2,344,074	-	-	2,289,134	2,344,074
Fleet and Facility Maintenance	354,495	414,669	-	-	354,495	414,669
Highways and Streets	1,178,405	1,598,678	-	-	1,178,405	1,598,678
Public Safety	9,165,778	8,893,527	-	-	9,165,778	8,893,527
Interest on Long-term debt	765,655	679,576	-	-	765,655	679,576
Water and Sewer	-	-	8,380,368	8,095,813	8,380,368	8,095,813
Solid Waste	-	-	2,329,168	2,435,324	2,329,168	2,435,324
Golf Course	-	-	741,818	789,415	741,818	789,415
Total Expenses	16,788,048	16,106,380	11,451,354	11,320,552	28,239,402	27,426,932
Increase (decrease) in net assets before transfers	168,178	3,392,145	913,507	2,884,712	1,081,685	6,276,857
Transfers	1,049,271	1,065,087	(1,049,271)	(1,065,087)	-	-
Increase in net assets after transfers	1,217,449	4,457,232	(135,764)	1,819,625	1,081,685	6,276,857
Prior Period Adjustment	-	-	-	-	-	-
Net Assets - October 1	23,245,847	18,744,309	28,760,132	25,549,901	52,005,979	44,294,210
Net Assets - September 30	$ 24,463,296	$ 23,201,541	$ 28,624,368	$ 27,369,526	$ 53,087,664	$ 50,571,067

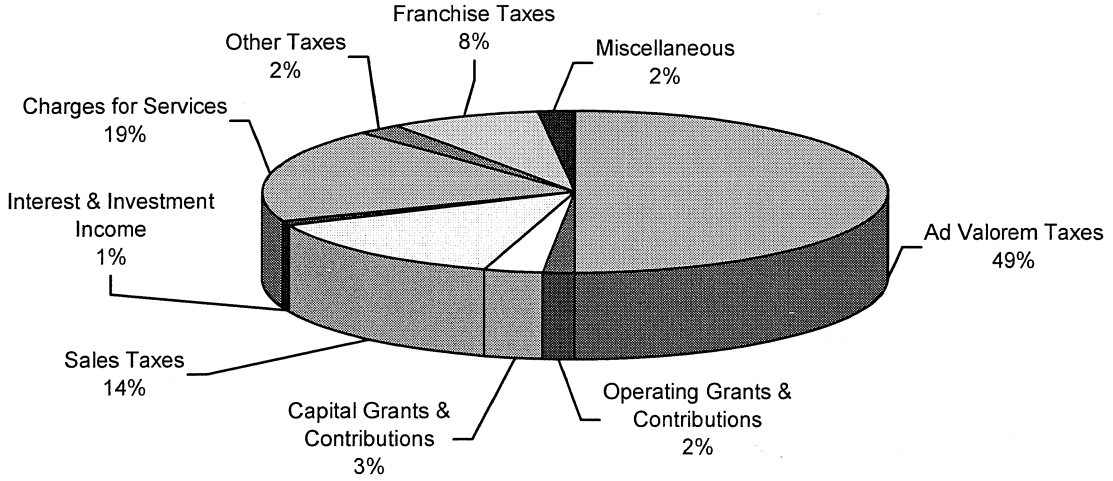
Program Revenues – Governmental Activities

Governmental Activities' revenues such as ad valorem, sales and franchise taxes are not shown by program, but are effectively used to support program activities citywide. Charges for services reflected the largest decrease when compared to the prior year with a decrease of $1,532,985 or 32.4 percent. The specific decreases were in public safety and community service activities. Ad valorem taxes increased $750,952, which is an increase of 9.7 percent compared to last year. Sales tax decreased by $273,055 or 10.6 percent compared to last year partially due to proper recording of sales tax revenues and receivables in 2009. Interest and investment income showed a decrease compared to the prior year. Franchise taxes and other taxes showed increases compared to the prior fiscal year.

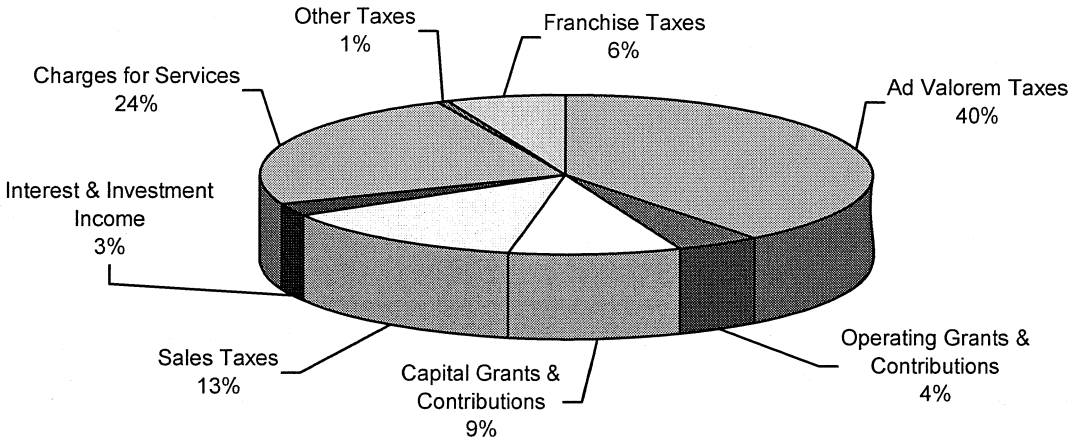
General Revenues - Governmental Activities



Revenues by Source – Governmental Activities - FY 2009



Revenues by Source – Governmental Activities - FY 2008



Program Expenditures – Governmental Activities

The Expenditures – Governmental Activities chart below illustrates the City's governmental expenditures by function. As shown, public safety is the largest function in expenditures at $9.2 million or 54.6 percent compared to the prior years $8.9 million or 55.2 percent, followed by General Government $3.0 million or 18.1 percent compared to prior year's $2.2 million or 13.5 percent. Community Services recorded $2.3 million or 13.6 percent compared to prior year's $2.3 million or 14.6 percent. Highways and Streets recorded $1.2 million or 7.0 percent compared to prior year's $1.6 million or 9.9 percent.

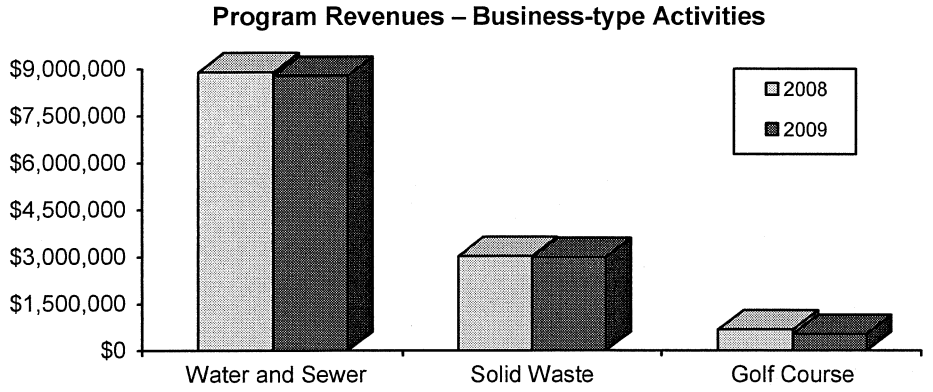
Expenditures - Governmental Activities

Business-type Activities - Revenues

Business-type activities increased the City's net assets by $1.3 million. Charges for services provided the largest share of revenues at 99.5 percent, followed by interest earnings at 0.5 percent for all business-type activities.

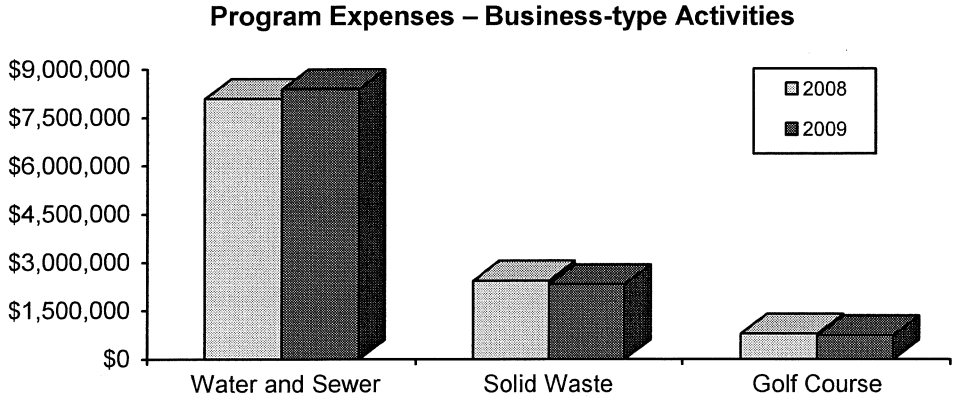
Water and sewer fees are the major revenue source for the business-type activities of the City, which recorded $8.8 million in revenue. Compared to the prior year, water and sewer revenues decreased $119,276 or 1.3 percent. Solid Waste revenues decreased $32,067 or

1.1 percent. The Golf Course fund also decreased from $674,696 in 2008 to $530,908 in 2009 a decrease of $143,788 or 21.3 percent.



Business-type Activities - Expenses

Total expenses for business-type activities were $11.5 million, an increase of $130,802 or 1.2 percent compared to the prior year. Water and Sewer, the largest proprietary fund recorded $8.4 million in expenses, an increase of $284,555 or 3.5 percent compared to the prior year. Solid Waste expenses decreased $106,156 or 4.4 percent. Golf Course expenses also decreased from $789,415 in 2008 to $741,818 in 2009, a decrease of $47,597 or 6.0%.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Copperas Cove, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a discussion of financial highlights from the fund financial statements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful

measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $13.1 million, a decrease of $1,943,402 in comparison with the prior year. The primary reason for the decrease is the net effect of the 2007 Capital Improvement Certificate of Obligation expenditures and the issue of the 2009 General Obligation Bonds for Capital Improvements with only a small portion expended as of September 30, 2009.

The General Fund is the chief operating fund of the City. At September 30, 2009, unreserved fund balance of the General Fund was slightly below $5.0 million, while total fund balance reached just over $5.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36.5 percent of total General Fund expenditures, while total fund balance represents 38.1 percent of that same amount.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water & Sewer Fund as of the end of the year amounted to $1,322,685 a decrease of $1,201,322 or 47.6 percent. The decrease is due to a significant increase in the investments in capital assets. The Solid Waste Fund was $885,690, an increase of $83,570 or 10.4 percent. Unrestricted net assets for the Golf Course Fund decreased from prior year's $89,754 to ($212,503) in 2009. The golf course had a decrease in operating revenues and a decrease in operating expenses. The decrease in operating revenues was significantly greater than the decrease in operating expenses which contributed to the decrease in unrestricted net assets.

The total increase in net assets for the three funds was $1,255,823, $242,155, and ($243,136), respectively. Total operating revenues in fiscal year 2008-09 were $12.3 million, a decrease of 2.3 percent below the year ending September 2008. Total operating expenses totaled $10.2, million, an increase of 1.0 percent. Total operating income was $2.1 million, a decrease of $392,652 or 15.7 percent.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison schedules are required for the General Fund and all major Special Revenue Funds. Since the City did not have a major Special Revenue Fund in the current year, only a budgetary comparison for the General Fund is required in this report; however, numerous budget comparisons presented in this statement compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see page 56 for more information on budget policies).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2009, the City has $81.5 million invested in various capital assets, net of accumulated depreciation. Of the $81.5 million, $33.3 million is invested in governmental activities and $48.2 million is invested in business-type activities. Compared to last year, total capital assets increased $12.5 million or 18.2 percent. Included in the $12.5 million is a $2.1 million adjustment that was necessary due to a reconciliation between the general ledger and the fixed asset register. Capital assets in Governmental Activities increased $9,902,625 or 42.3 percent from the prior year. The largest increase is identified within the construction in progress line item with an increase of $8.0 million from prior year primarily due to the construction of the new police facility. Facilities/infrastructure line item increased $1,734,813 or 11.5%. Capital assets in Business-type Activities increased $2,647,157 or 5.8 percent from the prior year with the construction in progress line item increased by $2.9 million from prior year.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2009. Additional information on the City's capital assets may be found in Note III-E on pages 40-41.

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 1,332,322	$ 1,541,055	$ 850,386	$ 850,686	$ 2,182,708	$ 2,391,741
Buildings / Improvements	3,810,555	3,345,797	126,481	144,894	3,937,036	3,490,691
Furniture and Fixtures	8,728	160,129	-	34,761	8,728	194,890
Vehicles	886,594	557,721	1,055,656	482,387	1,942,250	1,040,108
Equipment	1,169,896	1,470,678	176,792	1,764,625	1,346,688	3,235,303
Facilities / Infrastructure	16,809,441	15,074,628	41,335,468	40,545,152	58,144,909	55,619,780
Construction in Progress	9,304,938	1,269,841	4,632,421	1,707,542	13,937,359	2,977,383
Total	$ 33,322,474	$ 23,419,849	$ 48,177,204	$ 45,530,047	$ 81,499,678	$ 68,949,896

Long Term Debt

The City's total debt increased by $6,665,000 during the current fiscal year. The key factor in the increase was the issuance of the following debt:

- 2008A Limited Tax Notes for various equipment and machinery for various City departments, fire station roof repair, new ambulance and Summers Road improvements, water and sewer projects, solid waste projects, and drainage projects;
- 2009 Limited Tax Notes for a fire apparatus, south park pool renovations, retrofit of west clarifier, Long Mountain tank rehab, vac con for sewer department, recycling center expansion, transfer station tipping floor renovations, rearloader and sideloader for the Solid Waste Department, and Allin House and Civic Center renovations; and
- 2009 General Obligation Bonds for construction of the Policy Facility and Lutheran Church Road and Lutheran Church Road Drainage.

The following schedule shows the outstanding debt of the City (both current and long-term) for September 30, 2009. Further details can be found in Note III-H on pages 44-47.

Outstanding Debt

General Obligation Bonds and Tax/Revenue Certificates of Obligation

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation	$ 9,506,824	$ 5,251,969	$ 14,293,177	$ 15,008,031	$ 23,800,001	$ 20,260,000
Tax/Revenue Certificates of Obligation	8,267,000	8,487,000	8,978,000	9,853,000	17,245,000	18,340,000
Tax Notes	4,235,000	2,460,000	3,660,000	1,215,000	7,895,000	3,675,000
Total	$ 22,008,824	$ 16,198,969	$ 26,931,177	$ 26,076,031	$ 48,940,001	$ 42,275,000

The most recent debt issues of the City of Copperas Cove have earned ratings from Standard & Poor's and Moody's:

Bonded Debt Ratings

September 30, 2009

Bond Type	Standard & Poor's	Moody's
General Obligation Bonds*	A+	A3
Certificates of Obligation	A-	A3
Revenue Bonds	BBB	Baa1

*Standard & Poor's upgraded the City's General Obligation Bond rating from A- to A+ after review of credit strength in June 2009.

Additional information on the City's long-term debt can be found in Note III-H of the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The FY 2009-10 Budget may have an appearance identical to previous years, however; the process by which the budget was prepared is unique.

One of the factors considered when preparing the fiscal year 2009-10 budget was the economy (local, state and federal). With the state of the national economy, the executive team began its preparation for FY 2009-10 early in FY 2008-09 to ensure the economic downturn did not have drastic financial impacts on City operations. The executive team, realizing the impact one fiscal year has on another, worked together to ensure the expenses incurred in the current fiscal year were absolute to providing the necessary service levels the citizens expect and deserve. The economy and troop movement also impacted the FY 2008-09 revenues in multiple areas. The decrease in the number of utility connections (accounts) is indicative of the troop movement from Fort Hood which impacts water, sewer, solid waste and drainage revenues. In addition to the troop levels declining, new home construction continues to decrease. With both influences on the decline, the City is monitoring revenues and expenditures closely and continues to be optimistic and expects an increase in economic development.

The City's first ever Capital Improvement Plan (CIP) was introduced to the City Council in June 2009 and was adopted by the governing body in October 2009.

The unemployment rate for the City of Copperas Cove area as of September 30, 2009 was at 7.3 percent, which was up from 5.2 percent a year ago. The City's sales tax revenues in FY 2008-09 maintained at a rate only slightly (0.5%) below FY 2007-08 revenues. Residential home construction declined in the past year. Building permits issued in FY 2008-09 recorded a slight decrease from 1,354 in FY 2007-08 to 1,277 in FY 2008-09. The value of the permits issued in FY 2008-09 was $29,127,185, which decreased from $35,712,399 in FY 2007-08.

The factors considered in preparing the City's budget for FY 2009-10 include:

- Conservative projections of major revenue sources. For example, the decline in sales tax revenue over recent months created concern when considering future projected revenues, thus the increase in sales tax revenues for FY 2009-10 is projected with a 4 percent increase over FY 2008-09. Recent commercial development is anticipated to generate healthy sales tax revenue, thus providing the justification for the percentage increase over the current year.
- Ad valorem tax revenue is budgeted conservatively at a 99% collection rate. The City has been experiencing an increased growth in its assessed valuation from 18.1% in FY 2006-07, 12.5% in FY 2007-08, and 10.0% in FY 2008-09. The assessed valuation for FY 2009-10 was estimated by the appraisal district to decline by 0.1% which is significantly below the prior fiscal years.
- Essential expenditures to maintain current service levels.
- Employee benefits remain intact with moderate adjustments.

The ad valorem tax rate was increased from $.7400 cents in FY 2008-09 to $.7600 cents per $100 of taxable assessed valuation in FY 2009-10. The increases realized in assessed valuation in prior fiscal years is a trend no longer expected to continue. The 2009 State Legislature granted property tax exemptions for disabled veterans. With the new legislation and the fact property taxes are a leading source of revenue for the general fund and tax supported debt for the City of Copperas Cove, revenues and expenditures will require significant controls and regular monitoring.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Copperas Cove, Texas' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department at the following address:

Director of Financial Services
City of Copperas Cove
507 South Main Street
Copperas Cove, TX 76522
(254) 547-4221

Or visit our website at:
http://www.ci.copperas-cove.tx.us

BASIC
FINANCIAL STATEMENTS

CITY OF COPPERAS COVE, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and investments	$ 13,580,788	$ 2,306,103	$ 15,886,891	$ 2,062,602
Receivables (net of allowances for uncollectibles):				
Taxes	753,638	-	753,638	192,880
Ambulance fees	432,589	-	432,589	-
Accounts	223,048	2,772,540	2,995,588	-
Fines	100,067	-	100,067	-
Assessments	23,829	-	23,829	-
Grants	127,277	-	127,277	-
Internal balances	180,444	(180,444)	-	
Inventory	72,997	21,090	94,087	-
Prepaid items	2,559	8,800	11,359	-
Notes receivable	127,799	-	127,799	-
Restricted cash and investments	-	4,780,072	4,780,072	7,556
Deferred charges	259,771	605,142	864,913	-
Capital assets:				
Nondepreciable	10,637,260	5,482,807	16,120,067	2,787,601
Depreciable (net)	22,685,214	42,694,397	65,379,611	110,871
Total assets	49,207,280	58,490,507	107,697,787	5,161,510
LIABILITIES				
Accounts payable	613,440	1,072,925	1,686,365	17,101
Other accrued liabilities	580,664	233,607	814,271	27,957
Retainage payable	432,423	111,030	543,453	-
Unearned revenue	71,252	-	71,252	-
Other liabilities	120,275	-	120,275	-
Accrued interest payable	111,518	175,213	286,731	5,980
Customer deposits	-	380,092	380,092	-
Noncurrent liabilities:				
Due within one year	1,540,114	2,349,640	3,889,754	50,000
Due in more than one year	21,274,298	25,543,632	46,817,930	650,000
Total liabilities	24,743,984	29,866,139	54,610,123	751,038
NET ASSETS				
Investment in capital assets (net of related debt)	11,374,872	25,553,411	36,928,283	2,198,472
Restricted for:				
Debt service	424,487	1,075,085	1,499,572	1,576
Capital projects	5,387,776	-	5,387,776	-
Unrestricted	7,276,161	1,995,872	9,272,033	2,210,424
Total net assets	$ 24,463,296	$ 28,624,368	$ 53,087,664	$ 4,410,472

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	$ 3,034,581	$ 318,728	$ -	$ -
Community services	2,289,134	1,018,263	58,786	293,128
Fleet and facility services	354,495	-	-	-
Highways and streets	1,178,405	865,821	-	-
Public safety	9,165,778	994,799	240,725	214,842
Interest on long-term debt	765,655	-	-	-
Total governmental activities	16,788,048	3,197,611	299,511	507,970
Business-type activities:				
Water and sewer	8,380,368	8,782,371	-	-
Solid waste	2,329,168	2,991,428	-	-
Golf course	741,818	530,908	-	-
Total business-type activities	11,451,354	12,304,707	-	-
Total governmental activities	$ 28,239,402	$ 15,502,318	$ 299,511	$ 507,970
COMPONENT UNIT				
Economic development	$ 1,687,320	$ -	$ -	$ -
Total component unit	$ 1,687,320	$ -	$ -	$ -

General revenues:
- Ad valorem taxes
- Sales taxes
- Franchise taxes
- Other taxes
- Miscellaneous
- Unrestricted investment earnings

Special item - gain on sale of building

Transfers

Total general revenues, special items and transfers

Change in net assets

Net assets, beginning

Prior period adjustment

Net assets, beginning, restated

Net assets, ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
$(2,715,853)	$ -	$(2,715,853)	
(918,957)	-	(918,957)	
(354,495)	-	(354,495)	
(312,584)	-	(312,584)	
(7,715,412)	-	(7,715,412)	
(765,655)	-	(765,655)	
(12,782,956)	-	(12,782,956)	
-	402,003	402,003	
-	662,260	662,260	
-	(210,910)	(210,910)	
-	853,353	853,353	
(12,782,956)	853,353	(11,929,603)	
			$(1,687,320)
			(1,687,320)
8,468,730	-	8,468,730	-
2,309,693	-	2,309,693	1,169,883
1,321,777	-	1,321,777	-
362,779	-	362,779	-
344,326	-	344,326	6,971
143,829	60,154	203,983	19,630
-	-	-	453,640
1,049,271	(1,049,271)	-	-
14,000,405	(989,117)	13,011,288	1,650,124
1,217,449	(135,764)	1,081,685	(37,196)
23,201,541	27,369,526	50,571,067	4,250,793
44,306	1,390,606	1,434,912	196,875
23,245,847	28,760,132	52,005,979	4,447,668
$ 24,463,296	$ 28,624,368	$ 53,087,664	$ 4,410,472

CITY OF COPPERAS COVE, TEXAS

GOVERNMENTAL FUNDS

BALANCE SHEET

SEPTEMBER 30, 2009

	General	2007 Capital Improvement Certificates of Obligation	2009 Capital Improvement General Obligation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 5,379,779	$ 46,475	$ 3,109,403	$ 5,045,131	$ 13,580,788
Receivables (net of allowances for uncollectibles):					
Taxes	687,110	-	-	66,528	753,638
Ambulance fees	432,589	-	-	-	432,589
Accounts	54,405	-	-	168,643	223,048
Fines	91,261	-	-	8,806	100,067
Assessments	23,829	-	-	-	23,829
Grants	2,860	-	-	124,417	127,277
Due from other funds	304,417	-	3,125	3,897	311,439
Inventory	72,903	-	-	94	72,997
Prepaid items	2,559	-	-	-	2,559
Notes receivable	-	-	-	127,799	127,799
Total assets	$ 7,051,712	$ 46,475	$ 3,112,528	$ 5,545,315	$ 15,756,030
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 449,244	$ 2,170	$ -	162,026	613,440
Due to other funds	3,453	-	-	127,542	130,995
Deferred revenue	731,116	-	-	42,409	773,525
Other accrued liabilities	541,292	-	-	39,372	580,664
Retainage payable	-	-	358,794	73,629	432,423
Other liabilities	120,275	-	-	-	120,275
Total liabilities	1,845,380	2,170	358,794	444,978	2,651,322
Fund balances:					
Reserved for:					
Debt service	-	-	-	424,487	424,487
Notes receivable	-	-	-	127,799	127,799
Encumbrances	147,926	-	-	64,805	212,731
Inventory and prepaid items	75,462	-	-	94	75,556
Unreserved, designated for contingencies	1,000,000	-	-	-	1,000,000
Unreserved, undesignated, reported in:					
General fund	3,982,944	-	-	-	3,982,944
Special revenue funds	-	-	-	1,893,415	1,893,415
Capital projects funds	-	44,305	2,753,734	2,589,737	5,387,776
Total fund balances	5,206,332	44,305	2,753,734	5,100,337	13,104,708
Total liabilities and fund balances	$ 7,051,712	$ 46,475	$ 3,112,528	$ 5,545,315	$ 15,756,030

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

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

SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet	$	13,104,708
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets (net of accumulated depreciation) used in governmental funds are not financial resources and, therefore, are not reported in the funds.		33,322,474
Long-term liabilities, including bonds payable (net of unamortized costs), are not due and payable in the current period and, therefore, are not reported in the funds.	(	22,666,159)
Other long-term assets/liabilities are not available to pay for current period expenditures and, therefore, are deferred in the funds.		702,273
Net assets of governmental activities - statement of net assets	$	24,463,296

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General	2007 Capital Improvement Certificates of Obligation	2009 Capital Improvement General Obligation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 10,651,961	$ -	$ -	$ 1,820,519	$ 12,472,480
Charges for services	892,749	-	-	1,083,537	1,976,286
Intergovernmental	22,513	-	-	550,702	573,215
Fines	868,420	-	-	55,315	923,735
Licenses	51,347	-	-	-	51,347
Permits	143,658	-	-	-	143,658
Contributions	-	-	-	75,355	75,355
Investment income	43,019	38,428	553	61,829	143,829
Miscellaneous	313,686	-	-	83,497	397,183
Total revenues	12,987,353	38,428	553	3,730,754	16,757,088
EXPENDITURES					
Current:					
General government	2,432,167	3,923	-	303,886	2,739,976
Community services	1,597,105	-	-	506,179	2,103,284
Fleet and facility services	347,946	-	-	-	347,946
Highways and streets	542,810	-	-	272,387	815,197
Public safety	8,141,642	-	-	417,772	8,559,414
Capital outlay	412,655	5,506,072	1,858,030	2,254,468	10,031,225
Debt service:					
Principal retirement	166,075	-	-	1,111,426	1,277,501
Interest and fiscal charges	11,654	-	-	718,104	729,758
Bond issuance costs	-	-	53,789	37,283	91,072
Total expenditures	13,652,054	5,509,995	1,911,819	5,621,505	26,695,373
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(664,701)	(5,471,567)	(1,911,266)	(1,890,751)	(9,938,285)
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	4,665,000	2,230,000	6,895,000
Issuance of capital leases	-	-	-	50,612	50,612
Transfers in	1,250,500	-	-	135,852	1,386,352
Transfers out	(122,070)	-	-	(215,011)	(337,081)
Total other financing sources (uses)	1,128,430	-	4,665,000	2,201,453	7,994,883
NET CHANGE IN FUND BALANCES	463,729	(5,471,567)	2,753,734	310,702	(1,943,402)
FUND BALANCES, BEGINNING	4,191,908	5,515,872	-	4,771,817	14,479,597
PRIOR PERIOD ADJUSTMENT	550,695	-	-	17,818	568,513
FUND BALANCES, BEGINNING, RESTATED	4,742,603	5,515,872	-	4,789,635	15,048,110
FUND BALANCES, ENDING	$ 5,206,332	$ 44,305	$ 2,753,734	$ 5,100,337	$ 13,104,708

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net change in fund balances - total governmental funds	$(1,943,402)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report all capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This reconciling item represents the amount by which capital outlay exceeded depreciation in the current period.	8,669,107
The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items.	(5,572,447)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This reconciling item reflects the net of such expenses.	(117,234)
Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds.	(9,501)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	190,926
Change in net assets of governmental activities - statement of activities	$ 1,217,449

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

ENTERPRISE FUNDS

Water and Sewer Fund – to account for revenue and expenses related to the operation and maintenance of the water and sewer system of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collections.

Solid Waste Fund – to account for all solid waste collection and disposal activities provided by the City to both residential and commercial residents, including the operation of the City's solid waste landfill.

Golf Course Fund – to provide for revenue and expenses related to the operations of the municipal golf course.

CITY OF COPPERAS COVE, TEXAS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total Funds
ASSETS				
Current assets:				
Cash and investments	$ 758,594	$ 1,531,216	$ 16,293	$ 2,306,103
Accounts receivable, net	1,834,908	935,620	2,012	2,772,540
Due from other funds	3,453	-	-	3,453
Inventory	-	-	21,090	21,090
Prepaid expenses	8,800	-	-	8,800
Restricted cash and investments	4,599,442	114,225	66,405	4,780,072
Total current assets	7,205,197	2,581,061	105,800	9,892,058
Noncurrent assets:				
Deferred charges	578,126	15,007	12,009	605,142
Property and equipment:				
Land	345,933	204,453	300,000	850,386
Buildings	189,590	64,029	132,722	386,341
Vehicles	1,152,698	1,962,073	25,473	3,140,244
Equipment	1,162,986	458,845	414,763	2,036,594
Facilities	63,897,648	3,433,356	1,232,311	68,563,315
Construction in progress	4,589,441	-	42,980	4,632,421
Less: accumulated depreciation	(28,028,669)	(2,759,014)	(644,414)	(31,432,097)
Net property and equipment	43,309,627	3,363,742	1,503,835	48,177,204
Total noncurrent assets	43,887,753	3,378,749	1,515,844	48,782,346
Total assets	$ 51,092,950	$ 5,959,810	$ 1,621,644	$ 58,674,404
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 863,697	$ 157,557	$ 51,671	$ 1,072,925
Customer deposits	380,092	-	-	380,092
Retainage payable	111,030	-	-	111,030
Due to other funds	-	-	183,897	183,897
Accrued liabilities	120,122	102,616	10,869	233,607
Accrued interest	167,365	2,721	5,127	175,213
Long-term debt, current portion	1,861,428	339,034	149,178	2,349,640
Total current liabilities	3,503,734	601,928	400,742	4,506,404
Noncurrent liabilities:				
Compensated absences	151,796	31,655	11,159	194,610
Capital leases	75,641	189,924	56,343	321,908
Bonds payable	22,953,653	885,516	734,121	24,573,290
Net pension obligation	31,122	12,167	5,416	48,705
Net OPEB obligation	5,149	2,015	895	8,059
Estimated landfill postclosure care costs	-	397,060	-	397,060
Total noncurrent liabilities	23,217,361	1,518,337	807,934	25,543,632
Total liabilities	26,721,095	2,120,265	1,208,676	30,050,036
Net assets:				
Investment in capital assets (net of related debt)	22,146,867	2,842,351	564,193	25,553,411
Restricted for:				
Debt service	902,303	111,504	61,278	1,075,085
Unrestricted	1,322,685	885,690	(212,503)	1,995,872
Total net assets	$ 24,371,855	$ 3,839,545	$ 412,968	$ 28,624,368

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

PROPRIETARY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total Funds
OPERATING REVENUES				
Charges for services	$ 8,531,284	$ 2,754,030	$ 466,274	$ 11,751,588
Miscellaneous	251,087	237,398	64,634	553,119
Total operating revenues	8,782,371	2,991,428	530,908	12,304,707
OPERATING EXPENSES				
Personnel services	1,930,996	757,122	369,747	3,057,865
Supplies and materials	2,200,529	161,522	42,103	2,404,154
Services and charges	1,392,359	951,601	179,800	2,523,760
Maintenance and repairs	290,623	132,341	22,418	445,382
Depreciation	1,383,140	296,295	87,188	1,766,623
Total operating expenses	7,197,647	2,298,881	701,256	10,197,784
OPERATING INCOME (LOSS)	1,584,724	692,547	(170,348)	2,106,923
NONOPERATING REVENUES (EXPENSES)				
Investment income	51,425	8,143	586	60,154
Interest expense	(1,181,744)	(28,500)	(40,562)	(1,250,806)
Bond agent fees	(977)	-	-	(977)
Loss on sale of asset	-	(1,787)	-	(1,787)
Total nonoperating revenues (expenses)	(1,131,296)	(22,144)	(39,976)	(1,193,416)
NET INCOME (LOSS) BEFORE TRANSFERS	453,428	670,403	(210,324)	913,507
TRANSFERS				
Transfers in	20,000	-	101,229	121,229
Transfers out	(742,500)	(428,000)	-	(1,170,500)
CHANGE IN NET ASSETS	(269,072)	242,403	(109,095)	(135,764)
NET ASSETS, BEGINNING	23,116,032	3,597,390	656,104	27,369,526
PRIOR PERIOD ADJUSTMENT	1,524,895	(248)	(134,041)	1,390,606
NET ASSETS, BEGINNING, RESTATED	24,640,927	3,597,142	522,063	28,760,132
NET ASSETS, ENDING	$ 24,371,855	$ 3,839,545	$ 412,968	$ 28,624,368

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 8,877,688	$ 2,754,030	$ 465,062	$ 12,096,780
Payments to suppliers	(3,611,921)	(1,201,608)	(151,050)	(4,964,579)
Payments to employees	(1,992,141)	(765,308)	(377,327)	(3,134,776)
Net cash flows provided (used) by operating activities	3,273,626	787,114	(63,315)	3,997,425
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	51,425	8,143	586	60,154
Net cash flows provided by investing activities	51,425	8,143	586	60,154
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from other funds	20,000	-	285,126	305,126
Cash paid to other funds	(745,953)	(428,000)	-	(1,173,953)
Net cash provided (used) by noncapital financing activities	(725,953)	(428,000)	285,126	(868,827)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	1,570,000	975,000	30,000	2,575,000
Principal paid on long-term debt	(1,619,658)	(306,340)	(222,738)	(2,148,736)
Interest paid on long-term debt	(1,110,625)	(25,779)	(39,499)	(1,175,903)
Acquisition of property and equipment	(3,110,266)	(208,382)	(76,104)	(3,394,752)
Proceeds from sale of capital assets	-	-	91,852	91,852
Net cash provided (used) by capital and related financing activities	(4,270,549)	434,499	(216,489)	(4,052,539)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,671,451)	801,756	5,908	(863,787)
CASH AND CASH EQUIVALENTS, BEGINNING	7,029,487	843,685	76,790	7,949,962
CASH AND CASH EQUIVALENTS, ENDING	$ 5,358,036	$ 1,645,441	$ 82,698	$ 7,086,175

(continued)

CITY OF COPPERAS COVE, TEXAS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 1,584,724	$ 692,547	$(170,348)	$ 2,106,923
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,383,141	296,295	87,188	1,766,624
Decrease (increase) in assets:				
Accounts receivable	(20,210)	(206,451)	(1,212)	(227,873)
Inventory	-	-	6,586	6,586
Increase (decrease) in liabilities:				
Accounts payable	210,445	19,744	22,447	252,636
Retainage payable	61,145	-	-	61,145
Accrued interest	-	-	45	45
Accrued liabilities	(45,437)	(8,186)	(7,845)	(61,468)
Landfill closure costs	-	(12,440)	-	(12,440)
Accrued compensated absences	(19,993)	(8,577)	(6,487)	(35,057)
Net pension obligation	31,122	12,167	5,416	48,705
Net OPEB obligation	5,149	2,015	895	8,059
Customer deposits	83,540	-	-	83,540
Total adjustments	1,688,902	94,567	107,033	1,890,502
Net cash provided (used) by operating activities	$ 3,273,626	$ 787,114	$(63,315)	$ 3,997,425

The accompanying notes are an integral part of this statement.

CITY OF COPPERAS COVE, TEXAS

NOTES
TO FINANCIAL STATEMENTS

"The City Built for Family Living"

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Copperas Cove, Texas, a Home-Rule Municipal Corporation, organized and existing under the Provisions of the Constitution of the State of Texas, adopted its Charter January 20, 1979, which was amended on April 5, 1983, May 7, 1988, May 3, 1997, May 5, 2001, May 3, 2003, and May 10, 2008. The City operates under the Council-Manager form of government and provides the following services as authorized by its Charter: public safety (e.g., police, fire and emergency medical service), planning and zoning, streets, sanitation, water, sewer, community services (parks, library, and golf course), and general administration. The financial statements of the City of Copperas Cove, Texas, (the primary government) and its component unit have been prepared in conformity with generally accepted accounting principles (GAAP). The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Discretely Presented Component Unit. The component unit column in the government-wide financial statements includes the financial data of the City's component unit, the Copperas Cove Economic Development Corporation (CCEDC). It is reported in a separate column to emphasize that it is legally separate from the City. The Board of Directors of the component unit is appointed by the City Council. The organization is fiscally dependent on the City because it receives 90% of its revenue from the City's sales tax revenue. Separate financial statements for the component unit can be obtained by contacting the CCEDC located at 210 South First Street, Copperas Cove, Texas 76522.

Government-wide Financial Statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function. Also included in program revenues are grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements. Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are combined in a separate column in the fund financial statements. The nonmajor funds are detailed in the combining financial statements section of this report.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component unit. Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims and judgments are recorded only when payment is due.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

2007 Capital Improvement Certificate of Obligation Fund – This Capital Projects Fund is used to account for the proceeds from debt issued primarily for the construction of a new police facility.

2009 Capital Improvement General Obligation Fund – This Capital Projects Fund is used to account for the proceeds from debt issued for the new police station and Lutheran Church Road street improvements.

Additionally, the City reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund – The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for water and sewer operations. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities.

Solid Waste Fund – The Solid Waste Fund is used to account for the provision of solid waste collection and disposal services to customers who are billed monthly at a rate sufficient to cover the cost of providing the service.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Those revenues susceptible to accrual are taxes, grants, fines, investment income and charges for services. Licenses, permits, and contributions are not susceptible to accrual because, generally, they are not measurable until received in cash. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. These revenues are recognized in subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has chosen not to apply subsequent private-sector guidance.

Business-type activities and all proprietary funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value based on quoted market values.

The City is authorized to invest its future in the following:

(1) Obligations of the United States or its agencies and instrumentalities which have a stated maturity on the date of purchase of two years or less.

(2) Direct obligations of the State of Texas or its agencies and instrumentalities.

(3) Certificates of deposit if issued by a state or national bank domiciled in the State of Texas or a savings and loan association domiciled in the State of Texas.

(4) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed with the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities.

(5) Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and have received a rating of not less than A or its equivalent.

(6) Eligible fully collateralized repurchase agreements, as defined by the Public Funds Investment Act.

(7) Eligible investment pools in accordance with the Public Funds Investment Act. Sec. 2256.016-2256.019.

(8) Any other securities which may be added by the State of Texas as permissible investments for municipal governments which are in compliance with the Public Funds Investment Act.

Interfund Transactions and Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Interfund Transactions and Receivables and Payables (Continued)

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonreciprocal interfund transactions are reported as transfers.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund and the Special Revenue Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute generally accepted accounting principles (GAAP) basis expenditures or liabilities, since the commitments will be honored during the subsequent year.

Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Certain resources are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized cost of the assets constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest expense incurred from the date of the borrowing until completion of the project is offset by interest earned on invested proceeds over the same period.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	25
Facilities/infrastructure	25 - 40
Vehicles	5
Equipment	7
Furniture and fixtures	7

Compensated Absences

The City's vacation policy grants employee vacation depending on longevity, from 10 days after one year to 20 days after 20 years. Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it, which typically is the General Fund. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave is awarded at 80 hours per year with a maximum accumulation of 960 hours. Fifty percent (50%) sick pay benefits are accrued as expenditures only when the individual employee is eligible to collect retirement from the Texas Municipal Retirement System (TMRS). The fifty percent (50%) of unused sick leave will be paid to employees who retire with 20 years or more of physical continual service with the City of Copperas Cove; and, at the time of separation, collect a TMRS monthly retirement check.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECOGNITION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $22,666,159 difference are as follows:

(continued)

II. RECOGNITION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Continued)

Bonds payable	$ 22,008,824
Bond issuance costs	(259,772)
Unamortized bond discounts	(13,374)
Deferred loss on refunding	(303,258)
Net pension obligation	137,315
Net OPEB obligation	22,723
Accrued interest payable	111,518
Capital leases	255,411
Compensated absences	706,772
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$ 22,666,159

Another element of that reconciliation states, "Other long-term assets/liabilities are not available to pay for current period expenditures and, therefore, are deferred in the funds." The details of this $702,273 difference are as follows:

Property taxes	$ 170,530
Ambulance charges for services	432,588
Municipal court fines	99,155
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net - assets of governmental activities*	$ 702,273

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that, "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $8,669,107 difference are as follows:

Capital outlay	$ 10,031,225
Depreciation expense	(1,362,118)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net - assets of governmental activities*	$ 8,669,107

(continued)

II. RECOGNITION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that, "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $5,572,447 difference are as follows:

Principal repayments	$ 1,301,632
Issuance of debt	(6,945,612)
Bond issuance costs	84,002
Discounts	4,278
Deferred loss on refunding	(16,747)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net - assets of governmental activities*	$(5,572,447)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $117,234 difference are as follows:

Compensated absences	$ 59,162
Accrued interest	(16,358)
Net pension obligation	(137,315)
Net OPEB obligation	(22,723)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net - assets of governmental activities*	$(117,234)

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Substantially all deposits and investments are maintained in consolidated cash and investment accounts. Investment income relating to consolidated deposits and investments is allocated to the individual funds monthly based on each fund's pro rata share of total consolidated cash and investments. At year-end, the City's deposits were fully collateralized by either FDIC insurance or securities held by the pledging financial institution's trust department in the City's name.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

The deposits for the Copperas Cove Economic Development Corporation, a discretely presented component unit, were also covered by federal depository insurance or by U. S. Government securities held as collateral by the Corporation's agent in the Corporation's name.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statues require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2009, the City's entire deposit balance was collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The allowed stated maturity of any individual investment owned by the City shall not exceed two years from the time of purchase. Limiting investment maturities are the City's means for limiting its exposure to fair value losses arising from interest rate increases.

Concentration Risk: Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. All of the City's investments are invested in external investment pools and therefore, not exposed to concentration risk.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

The City's investments at September 30, 2009, are shown below:

	Fair Value	Weighted Average Maturity (Days)
State operated pools:		
TexPool	$ 11,899,539	43
TexStar	7,654,576	46
Total Fair Value	$ 19,554,115	44

The City's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The City uses the following external investment pools:

TexPool

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers, Inc. and Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

TexPool is rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of Public Accounts for review. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexStar

The Texas Short-term Asset Reserve Program (TexStar) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. JP Morgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar under an agreement with the TexStar Board. TexStar will invest only in instruments authorized under both the Public Funds Investment Act and the current TexStar Investment Policy. The primary objectives of TexStar are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet participants' needs, diversification to avoid unreasonable or avoidable risks and yield. In order to comply with the Public Funds Investment Act, TexStar maintains a AAAm rating from Standard & Poor's, which monitors the funds compliance weekly with its rating requirements.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

TexStar (Continued)

The TexStar Cash Reserve Fund seeks to maintain a net asset value of $1.00 per unit and provides participants with the investment of funds that require daily liquidity availability. All investments are stated at amortized cost, which closely approximates the market value of the securities. All TexStar securities are marked to market on a daily basis.

B. Property Taxes

On January 1 of each year, a tax lien is attached to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property taxes are then levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which levied. The majority of the taxes are collected between October 1 and January 31. Delinquent property taxes receivable are not considered available since they are not expected to be collected within 60 days after the close of the City's fiscal year.

With certain exceptions, intangible personal property and household goods are exempted from property tax assessment. The appraisal of property within the City is the responsibility of the countywide appraisal district. The appraisal district is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying an assessment ratio. The value of property within the appraisal district must be reviewed at least every five years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. The City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, and adjusted for new improvements, exceeds the effective tax rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Receivables

Receivables at September 30, 2009, for the City's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, consist of the following:

	General	Water and Sewer	Solid Waste	Golf Course	Nonmajor Funds	Total
Receivables:						
Taxes	$ 687,110	$ -	$ -	$ -	$ 66,528	$ 753,638
Ambulance	1,868,509	-	-	-	-	1,868,509
Assessments	23,829	-	-	-	-	23,829
Fines	1,825,215	-	-	-	158,794	1,984,009
Utilities	-	2,638,754	1,216,647	-	-	3,855,401
Miscellaneous	57,669	-	-	2,012	232,113	291,794
Grants	2,860	-	-	-	124,411	127,271
Notes	-	-	-	-	127,799	127,799
Gross receivables	4,465,192	2,638,754	1,216,647	2,012	709,645	9,032,250
Less: allowance for uncollectible	(3,173,138)	(803,846)	(281,027)	-	(213,452)	(4,471,463)
Net total receivables	$ 1,292,054	$ 1,834,908	$ 935,620	$ 2,012	$ 496,193	$ 4,560,787

D. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Governmental funds:		
Taxes receivable	$ 170,530	$ -
Ambulance fees	432,588	-
Municipal court fines	99,155	-
Grants	-	3,000
Miscellaneous	-	68,252
Total	$ 702,273	$ 71,252

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

Primary Government

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,541,055	$ -	$ -	$(208,733)	$ 1,332,322
Construction in progress	1,269,841	9,560,877	1,525,780	-	9,304,938
Total assets not being depreciated	2,810,896	9,560,877	1,525,780	(208,733)	10,637,260
Capital assets, being depreciated:					
Buildings	7,063,634	-	-	1,456,827	8,520,461
Furniture and fixtures	566,876	6,908	-	(279,217)	294,567
Vehicles	2,734,782	450,782	61,804	426,231	3,549,991
Equipment	5,468,621	220,824	36,340	(2,388,892)	3,264,213
Facilities	17,812,035	1,525,780	12,556	(53,618)	19,271,641
Total capital assets being depreciated	33,645,948	2,204,294	110,700	(838,669)	34,900,873
Less accumulated depreciation:					
Buildings	3,717,837	279,936	-	712,133	4,709,906
Furniture and fixtures	406,747	3,599	-	(124,507)	285,839
Vehicles	2,177,061	266,247	61,804	281,893	2,663,397
Equipment	3,997,943	364,427	28,846	(2,239,207)	2,094,317
Facilities	2,737,407	447,908	2,811	(720,304)	2,462,200
Total accumulated depreciation	13,036,995	1,362,117	93,461	(2,089,992)	12,215,659
Total capital assets being depreciated, net	20,608,953	842,177	17,239	1,251,323	22,685,214
Governmental activities capital assets, net	$ 23,419,849	$ 10,403,054	$ 1,543,019	$ 1,042,590	$ 33,322,474

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

	Balance 09/30/08	Additions	Deletions	Adjustments	Balance 09/30/09
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 850,686	$ -	$ -	$(300)	$ 850,386
Construction in progress	1,707,542	2,929,860	-	(4,981)	4,632,421
Total assets not being depreciated	2,558,228	2,929,860	-	(5,281)	5,482,807
Capital assets, being depreciated:					
Buildings	372,818	-	-	13,523	386,341
Furniture and fixtures	64,506	-	-	(64,506)	-
Vehicles	2,707,250	219,674	38,721	252,041	3,140,244
Equipment	4,413,823	169,474	33,360	(2,513,343)	2,036,594
Facilities	67,425,522	79,828	-	1,057,965	68,563,315
Total capital assets being depreciated	74,983,919	468,976	72,081	(1,254,320)	74,126,494
Less accumulated depreciation:					
Buildings	227,924	15,454	-	16,482	259,860
Furniture and fixtures	29,745	-	-	(29,745)	-
Vehicles	2,224,863	223,003	38,720	(324,558)	2,084,588
Equipment	2,649,198	135,839	33,360	(891,875)	1,859,802
Facilities	26,880,370	1,392,326	-	(1,044,849)	27,227,847
Total accumulated depreciation	32,012,100	1,766,622	72,080	(2,274,545)	31,432,097
Total capital assets being depreciated, net	42,971,819	(1,297,646)	1	1,020,225	42,694,397
Business-type activities capital assets, net	$ 45,530,047	$ 1,632,214	$ 1	$ 1,014,944	$ 48,177,204

Depreciation expense was charged to functions/programs of the primary government as follows:

Government activities:	
General government	$ 284,605
Public safety	541,268
Community service	173,949
Highways and streets	359,229
Fleet maintenance	3,066
Total depreciation expense - governmental activities	$ 1,362,117
Business-type activities:	
Water and sewer	$ 1,383,139
Solid waste	296,295
Golf course	87,188
Total depreciation expense - business-type activities	$ 1,766,622

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

Discretely Presented Component Unit

Activity for the Copperas Cove Economic Development Corporation (CCEDC) for the year ended September 30, 2009, was as follows:

	Balance 10/01/08	Additions	Deletions	Balance 09/30/09
Capital assets, not being depreciated:				
Land	$ 3,264,860	$ -	$ 477,260	$ 2,787,600
Total assets not being depreciated	3,264,860	-	477,260	2,787,600
Capital assets, being depreciated:				
Buildings	945,295	-	767,916	177,379
Equipment	108,534	-	-	108,534
Total capital assets being depreciated	1,053,829	-	767,916	285,913
Less accumulated depreciation:				
Buildings	263,541	16,215	197,484	82,272
Equipment	86,375	6,395	-	92,770
Total accumulated depreciation	349,916	22,610	197,484	175,042
Total capital assets being depreciated, net	703,913	(22,610)	570,432	110,871
Governmental activities capital assets, net	$ 3,968,773	$(22,610)	$ 1,047,692	$ 2,898,471

F. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2009, is as follows:

	Interfund Receivables	Interfund Payables
General fund		
Water and sewer	$ -	$ 3,453
Nonmajor governmental funds	124,417	-
Nonmajor enterprise funds	180,000	-
Total general fund	304,417	3,453
2009 Capital Improvement General Obligation		
Nonmajor governmental funds	3,125	-
	3,125	-
Water and sewer		
General fund	3,453	-
Total nonmajor governmental funds	3,453	-
Nonmajor governmental funds		
General fund	-	124,417
2009 Capital Improvement General Obligation	-	3,125
Nonmajor enterprise funds	3,897	-
Total nonmajor governmental funds	3,897	127,542
Nonmajor enterprise funds		
General fund	-	180,000
Nonmajor governmental funds	-	3,897
Total nonmajor enterprise funds	-	183,897
Total	$ 314,892	$ 314,892

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Interfund Receivables, Payables, and Transfers (Continued)

Balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Transfers during the year ended September 30, 2009, were:

	Transfers in	Transfers out
Governmental activities:		
General fund	$ 1,250,500	$ 122,070
Nonmajor governmental funds	135,852	215,011
Business-type activities:		
Water and sewer	20,000	742,500
Solid waste	-	428,000
Nonmajor enterprise funds	101,229	-
Total	$ 1,507,581	$ 1,507,581

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

G. Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of solid waste equipment as well as heavy equipment for the golf course and water/sewer department. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at September 30, 2009.

Year Ending September 30,	Governmental Funds	Proprietary Funds
2010	$ 178,805	$ 360,782
2011	79,596	236,586
2012	7,939	94,053
Total minimum lease payments	266,340	691,421
Less amount representing interest	(10,930)	(26,135)
Present value of future minimum lease payments	$ 255,410	$ 665,286

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-term Debt

A summary of long-term debt transactions, including current position, for the year ended September 30, 2009 is as follows:

	Balance 09/30/08	Additions	Deletions	Balance 09/30/09	Due Within One Year
Governmental activities:					
General obligation bonds	$ 5,251,969	$ 4,770,000	$(515,145)	$ 9,506,824	$ 658,650
Certificates of obligation	8,487,000	-	(220,000)	8,267,000	180,000
Limited tax notes	2,460,000	2,125,000	(350,000)	4,235,000	420,000
Unamortized bond discounts	(9,095)	(5,234)	955	(13,374)	-
Deferred amount on refunding	(320,005)	-	16,747	(303,258)	-
Total bonds payable	15,869,869	6,889,766	(1,067,443)	21,692,192	1,258,650
Notes payable	23,032	-	(23,032)	-	-
Capital leases	398,253	50,612	(193,455)	255,410	170,290
Compensated absences	765,934	431,109	(490,271)	706,772	111,174
Net pension obligation	-	137,315	-	137,315	-
Net OPEB obligation	-	38,904	(16,181)	22,723	-
Governmental activites long-term debt	$ 17,057,088	$ 7,547,706	$(1,790,382)	$ 22,814,412	$ 1,540,114
Business-type activities:					
General obligation bonds	$ 15,008,031	$ -	$(714,854)	$ 14,293,177	$ 991,351
Certificates of obligation	9,853,000	-	(875,000)	8,978,000	630,000
Limited tax notes	1,215,000	2,575,000	(130,000)	3,660,000	350,000
Unamortized bond premiums	48,647	17,769	(14,606)	51,810	-
Unamortized bond discounts	(29,419)	(17,615)	4,562	(42,472)	-
Deferred amount on refunding	(437,767)	-	41,893	(395,874)	-
Total bonds payable	25,657,492	2,575,154	(1,688,005)	26,544,641	1,971,351
Estimated landfill postclosure care costs	409,500	-	(12,440)	397,060	-
Compensated absences	291,294	121,773	(183,546)	229,521	34,912
Capital leases	1,144,983	-	(479,697)	665,286	343,377
Net pension obligation	-	48,705	-	48,705	-
Net OPEB obligation	-	14,373	(6,314)	8,059	-
Business-type activites long-term debt	$ 27,503,269	$ 2,760,005	$(2,370,002)	$ 27,893,272	$ 2,349,640

The ordinances authorizing the issuance of general obligation bonds created an interest and sinking fund (Debt Service Fund). The ordinances require the City to ascertain a rate of ad valorem tax that will be sufficient to pay the principal and interest as they become due.

The ordinances authorizing the issuance of Waterworks and Sewer System Revenue Bonds created a sinking fund and a reserve fund. The gross revenue of the water and sewer system, after deduction of reasonable expenses for operations and maintenance, is pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the reserve fund. All bonded debt requires semi-annual payments of interest. The various bond ordinances provide the City with rights of redemption at par, plus accrued interest, at specific future dates.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-term Debt (Continued)

Bonds payable at September 30, 2009, includes the following individual issues:

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Outstanding
Governmental activities:					
General obligation bonds:					
1998 various purpose	3.70 - 4.50	09/01/98	08/15/13	$ 3,750,000	$ 1,060,000
2005 refunding	3.68	11/29/05	08/15/07	1,892,800	1,308,324
2006 refunding	3.78	03/09/06	08/15/21	996,000	990,000
2007 refunding	3.94	05/31/07	09/30/23	1,408,500	1,378,500
2009 various purpose	3.00 - 4.875	09/10/09	08/15/34	4,770,000	4,770,000
Limited tax notes:					
2006	3.50 - 4.00	09/26/06	08/15/13	1,260,000	670,000
2008	2.78	05/01/08	02/15/14	1,640,000	1,470,000
2008A	3.611	10/28/08	08/30/15	1,235,000	1,205,000
2009	2.00 - 3.00	09/10/09	08/15/16	890,000	890,000
Tax/revenue certificates of obligation:					
2001 various purpose	3.00 - 5.25	06/15/01	08/15/21	1,915,000	295,000
2003 various purpose	2.00 - 5.00	08/05/03	09/30/23	4,190,000	2,692,000
2007 various purpose	3.94	05/31/07	09/30/27	5,300,000	5,280,000
Total				$ 29,247,300	$ 22,008,824
Business-type Activities:					
General obligation bonds:					
2003A refunding	2.00 - 5.00	08/05/03	09/30/23	$ 4,720,000	$ 3,280,000
2005 refunding	3.68	11/29/05	08/15/19	4,022,200	3,836,677
2006 refunding	3.78	03/09/06	08/15/21	3,984,000	3,960,000
2007 refunding	3.94	05/31/07	09/30/23	3,286,500	3,216,500
Limited tax notes:					
2008	2.78	05/31/08	02/15/14	1,215,000	1,125,000
2008A	3.611	10/28/08	08/15/15	955,000	915,000
2009	2.00 - 3.00	09/10/09	08/15/16	1,620,000	1,620,000
Tax/revenue certificates of obligation:					
2001 various purpose	4.00 - 5.25	06/15/01	08/15/21	6,485,000	920,000
2003 various purpose	2.00 - 5.00	08/05/03	09/30/23	9,820,000	5,368,000
2005 various purpose	3.63	11/10/05	08/15/25	3,050,000	2,690,000
Total				$ 39,157,700	$ 26,931,177

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-term Debt (Continued)

Defeased Debt Outstanding

In prior years, the City defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. As of September 30, 2009, the amount of defeased debt outstanding amounted to $10,870,000.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2010	$ 658,650	$ 349,553	$ 991,351	$ 557,088
2011	728,269	335,519	1,061,731	518,629
2012	746,434	317,484	1,078,566	477,280
2013	411,627	300,703	1,513,372	433,276
2014	377,344	289,530	1,412,657	371,192
2015 - 2019	1,663,000	1,310,336	4,616,999	1,119,924
2020 - 2024	2,296,500	866,484	3,618,501	1,560,500
2025 - 2029	1,155,000	517,375	-	-
2030 - 2034	1,470,000	219,629	-	-
Total	$ 9,506,824	$ 4,506,613	$ 14,293,177	$ 5,037,889

Tax and Revenue Certificates of Obligation

Annual debt service requirements to maturity for Tax and Revenue Certificates of Obligation are as follows:

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2010	$ 180,000	$ 333,936	$ 630,000	$ 401,962
2011	195,000	325,787	660,000	376,597
2012	200,000	316,599	695,000	349,996
2013	305,000	307,440	355,000	320,594
2014	410,000	296,276	480,000	304,172
2015 - 2019	3,321,500	1,128,058	4,063,500	990,329
2020 - 2024	2,310,500	547,010	1,874,500	261,687
2025 - 2027	1,345,000	107,364	220,000	7,986
Total	$ 8,267,000	$ 3,362,470	$ 8,978,000	$ 3,013,323

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-term Debt (Continued)

Limited Tax Notes

Annual debt service requirements to maturity for the Limited Tax Notes are as follows:

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2010	$ 420,000	$ 130,651	$ 350,000	$ 102,153
2011	535,000	116,796	415,000	92,015
2012	640,000	99,074	535,000	79,388
2013	750,000	76,923	590,000	64,092
2014	860,000	49,694	665,000	46,084
2015 - 2017	1,030,000	40,302	1,105,000	46,419
Total	$ 4,235,000	$ 513,440	$ 3,660,000	$ 430,151

IV. OTHER INFORMATION

A. Risk Management

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool ("Pool"). The Pool was created for the purpose of providing coverage against risks that are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, property and workers' compensation coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums. The Pool agrees to handle all liability, property and workers' compensation claims and provides any defense as is necessary.

The Pool makes available to the City loss control services to assist the City in following a plan of loss control that may result in reduced losses. The City agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the Pool. The City also carries commercial insurance on all other risks of loss, including employee health and accident insurance. The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool or insurance coverage for any of the past three years.

B. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

(continued)

IV. OTHER INFORMATION (Continued)

B. Commitments and Contingencies (Continued)

The City has active governmental and water and sewer construction projects as of September 30, 2009. At year-end, the City's commitments with contractors are as follows:

	Contract Amount	Spent to Date	Remaining Commitment
Governmental	$ 2,834,004	$ 1,339,497	$ 1,494,507
Water and sewer	414,825	158,605	256,220
Total	$ 3,248,829	$ 1,498,102	$ 1,750,727

C. Employee Retirement Plan

Plan Description

The City provides pension benefits for all of its fulltime employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Deposit Rate:	6%
Matching Ratio (City to Employee)	2 to 1
A member is vested after:	5 years
Members can retire at certain ages, based on years of services with the City. The Service Retirement Eligibilities for the City are:	5 years/age 60 or 20 years/any age
Updated Service Credit	100% repeating, transfers
Annuity Increase (to retirees)	70% of CPI repeating

(continued)

IV. OTHER INFORMATION (Continued)

C. Employee Retirement Plan (Continued)

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Beginning in 2009, certain eligible member cities could elect to contribute a minimum amount equal to their ARC less a "Phase In" of the increase from the change to the Projected Unit Credit cost method in the 2007 valuation. The City elected to contribute the "Phase In" rate. This election will cause the City to have an actual contribution different than the actuarially determined Annual Required Contribution (ARC), and therefore, accrue a net pension obligation (asset) on its balance sheet. The annual pension cost and net pension obligation/(asset) are as follows:

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/08	12/31/07	12/31/06
Actuarial Value of Assets	$ 17,320,997	$ 15,913,254	$ 15,430,911
Actuarial Accrued Liabilities	26,423,899	24,515,869	18,806,345
Percentage Funded	65.6%	64.9%	82.1%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	9,102,902	8,602,615	3,375,434
Annual Covered Payroll	10,702,600	9,829,734	8,932,152
UAAL as a Percentage of Covered Payroll	85.1%	87.5%	37.8%
Net Pension Obligation (NPO) at the Beginning of Period	-	-	-
Annual Pension Cost:			
Annual Required Contribution (ARC)	1,175,778	831,512	718,866
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
	1,175,778	831,512	718,866
Contributions Made (100%)	987,729	831,512	718,866
Increase in NPO	188,049	-	-
NPO at the End of Period	$ 188,049	$ -	$ -

(continued)

IV. OTHER INFORMATION (Continued)

C. Employee Retirement Plan (Continued)

Contributions (Continued)

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/08	12/31/07	12/31/06
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29 years; closed period	30 years; closed period	25 years; open period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-living Adjustments	2.1%	2.1%	NA

D. Post-retirement Health Care Benefits

The City provides certain health care benefits through a single-employer defined benefit OPEB plan. Regular, full-time employees are eligible to participate in the City's health care plan as a retiree at their own expense. The retiree pays 100% of the premiums for the insurance. Members are eligible at any age with 20 years of service or at age 60 with 5 years of service. Spouses and dependents of retirees are also eligible. Currently, the City has 278 active employees and 6 retirees eligible to participate in the plan.

When a regular, full-time employee retires they are eligible to continue to participate in the City's group health insurance plan. Members who terminate employment prior to retirement are not eligible for retiree health care benefits.

Retirees are eligible for health care until they become Medicare eligible. The retiree pays full Medicare premiums. The City's coverage ceases when the retiree becomes eligible for Medicare coverage.

Retirees who decide to opt-out for the health care plan are not eligible to opt back in when coverage from another entity ceases.

(continued)

IV. OTHER INFORMATION (Continued)

D. Post-retirement Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	$ 53,277
Interest on Net OPEB Obligation	-
Adjustment to the ARC	-
Annual OPEB Cost	53,277
Employer Contributions with Interest	(22,159)
Increase (Decrease) in Net OPEB Obligation	31,118
Net OPEB Obligation, beginning of year	-
Net OPEB Obligation, end of year	$ 31,118

Expenses for post-retirement health care benefits are funded on a pay-as-you-go basis.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.5% discount rate, and level percent of pay amortization).

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/09	$ 53,277	$ 22,159	42%	$ 31,118

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll
12/31/08	$ -	$ 523,754	$ 523,754	- %	$ 10,702,600

This is the year of implementation for GASB Statement No.45 for the City. Accordingly, the two previous years of funding status and funding progress are not available.

(continued)

IV. OTHER INFORMATION (Continued)

D. Post-retirement Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial methods and significant assumptions used are as follows:

Actuarial Valuation Date	12/31/2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Payroll Growth Rate	3%
Projected Salary Increases	3.75% to 17%
General Inflation Rate	3%
Healthcare cost trend rate	10%
The number of active members is assumed to remain constant in the future	

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

(continued)

IV. OTHER INFORMATION (Continued)

D. Post-retirement Health Care Benefits (Continued)

Supplemental Death Benefits Fund (Continued)

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal year ended 2009 were $24,432, which equaled the required contributions. This is the year of implementation for GASB Statement No.45 for the City. Accordingly, the two previous years of funding status and funding progress are not available.

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/09	$ 24,432	$ 24,432	100%	$ -

E. Municipal Solid Waste Landfill

On October 9, 1991, the Environmental Protection Agency (EPA) approved Subtitle "D" regulations that mandate environmental controls over the development and operations of landfills throughout the United States. The Texas Commission on Environmental Quality (TCEQ) oversees the implementation of these regulations and provides guidelines that parallel those of the EPA. The City of Copperas Cove falls under these controls. Subtitle "D" regulations require that all landfills abide by specific criteria. Among these criteria are regulations on the closure and postclosure of municipal solid waste landfills.

The regulations require that once the landfill is closed, the owner/operator is responsible for maintaining the final cover, monitoring groundwater and methane gas, and continuing leachate management for 30 years.

The total current cost of closure and postclosure care is the amount that would be paid if all equipment, facilities and services included in the estimates were acquired during the current period. The cost estimates used were obtained by the City's environmental consultants who maintain the landfills. Each year, the City evaluates estimated closure costs and post closure care costs for changes due to inflation or deflation, technology, or applicable laws or regulations.

(continued)

IV. OTHER INFORMATION (Continued)

E. Municipal Solid Waste Landfill (Continued)

Estimated closure and postclosure care costs as of September 30, 2009 are $397,060. It is estimated that the landfill requires 20 years of postclosure care as of September 30, 2009.

F. Prior Period Adjustments

The following prior period adjustments were made during the year ended September 30, 2009, to correct errors made in prior years and to account for changes in accounting policies made during the year:

Government-wide Financial Statements:

Governmental activities

In prior years, the City had not recorded municipal court fines receivable.	$ 99,155
Receivables for ambulance services were overstated.	(1,665,953)
Sales taxes, franchise taxes and other taxes had not been accrued.	568,513
During the year, the City raised its capitalization threshold from $1,000 to $5,000. Additionally, errors were discovered in the capital asset balance from the prior year.	1,042,591
Net increase in beginning net assets	$ 44,306

Business-type activities

During the year, the City raised its capitalization threshold from $1,000 to $5,000. Additionally, errors were discovered in the capital asset balance from the prior year.	$ 1,112,667
Utility receivables (net) were understated.	277,939
Net increase in beginning net assets	$ 1,390,606

Governmental Funds Financial Statements

Sales taxes, franchise taxes and other taxes had not been accrued.	$ 568,513
Net increase in beginning net assets	$ 568,513

Proprietary Funds Financial Statements

During the year, the City raised its capitalization threshold from $1,000 to $5,000. Additionally, errors were discovered in the capital asset balance from the prior year.	$ 1,112,667
Utility receivables (net) were understated.	277,939
Net increase in beginning net assets	$ 1,390,606

[Form of Opinion of Bond Counsel]

[Closing Date]

$_____
CITY OF COPPERAS COVE, TEXAS
LIMITED TAX NOTES
SERIES 2010A

WE HAVE represented the City of Copperas Cove, Texas (the "Issuer"), as its bond counsel in connection with an issue of notes (the "Notes") described as follows:

> CITY OF COPPERAS COVE, TEXAS, LIMITED TAX NOTES, SERIES 2010A, dated November 15, 2010.
>
> The Notes mature, bear interest and may be transferred and exchanged as set out in the Notes and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Ordinance"). The Notes are not subject to redemption prior to stated maturity.

WE HAVE represented the Issuer as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Notes under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Notes from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Notes. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Notes has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Notes, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the

Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Notes. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Note No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Notes in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Notes constitute valid and legally binding obligations of the Issuer; and

(B) A continuing ad valorem tax upon all taxable property within the City of Copperas Cove, Texas, necessary to pay the interest on and principal of the Notes, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law.

THE RIGHTS OF THE OWNERS of the Notes are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes under existing law; and

(2) Interest on the Notes is not (a) a specific preference item subject to the alternative minimum tax on individuals and corporations, or (b) included in a corporation's adjusted current earnings for purposes of the alternative minimum tax.

In providing such opinions, we have relied on representations of the Issuer, the Issuer's financial advisor and the underwriters of the Notes with respect to matters solely within the knowledge of the Issuer, the Issuer's financial advisor and the underwriters, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Notes for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing provisions of the Ordinance, interest on the Notes could

become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Notes.

Owners of the Notes should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Notes).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Notes. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Notes as includable in gross income for federal income tax purposes.

City Council Regular **Item #: I. 2.**
Date: 11/16/2010

Information

SUBJECT

Consideration and action on approving an ordinance of the City of Copperas Cove, Texas, authorizing the issuance and sale of City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010, in the aggregate principal amount of $6,045,000; levying a tax in payment thereof; authorizing the execution and delivery of a paying agent/registrar agreement and an escrow agreement; calling certain bonds for redemption; approving the official statement; finding and determining that the meeting at which this ordinance is passed is open to the public as required by law; and enacting other provisions relating thereto. ***Andrea M. Gardner, City Manager***

BACKGROUND/HISTORY

In 1998, the City of Copperas Cove refunded $3,750,000 of Combination Tax & Revenue Certificates of Obligation.

In 2001, the City of Copperas Cove issued $8,400,000 Combination Tax & Revenue Certificates of Obligation for the purpose of paying contractual obligations to be incurred for the following purposes: (i) improvements to the City water and wastewater system; (ii) construction of and improvements to City municipal court facilities, animal control facilities, park facilities and public works facilities; (iii) construction of and improvements to City Fire Station No. 3; (iv) acquisition of firefighting equipment and vehicles; (v) construction of road and street improvements and the acquisition of land and interests in land in connection therewith; (vi) acquisition of road construction equipment; (vii) construction of communications facilities and acquisition of communications and computer equipment in connection therewith.

In 2003, the City of Copperas Cove issued $14,010,000 to fund improvements to City water and wastewater system; construction of and improvements to City park facilities and civic center facilities; renovation of and improvements to City administrative facilities; acquisition of firefighting equipment and vehicles; construction of road and street improvements and the acquisition of land and rights of way in connection with the acquisition of communications equipment.

In 2003, the City of Copperas Cove refunded $4,720,000 of Combination Tax & Revenue Certificates of Obligation.

FINDINGS/CURRENT ACTIVITY

Specialized Public Finance is recommending a total of $740,000 of the 1998 refunding bonds (due in 2011, 2012 & 2013) with an existing rate of 4.5%, $400,000 of the 2001 bonds (due in 2012) with an existing rate of 4.625%, $3,965,000 of the 2003 bonds (due 2012-2019) with an existing rate of 4.68% and $440,000 of the 2003A refunding bonds (due in 2014) with an existing rate of 4.5% be refinanced. City Staff is anticipating an estimated savings (net of all costs) of $23,000 per year for years 2012-2019 by lowering the interest rate on all refunded bonds to approximately 2.4%.

ACTION OPTIONS/RECOMMENDATION

City staff recommends that the City Council approve an ordinance providing for the issuance and sale of the City of Copperas Cove General Obligation Refunding Bond, Series 2010.

Fiscal Impact

Funds available Y/N?: Y

FINANCIAL IMPACT:

A copy of the debt service schedules and ordinance is attached.

Attachments

Link: Refunding bonds ordinance

Link: Refunding debt schedules

Link: Refunding Official Stmt & NOS

ORDINANCE NO. 2010-52

AUTHORIZING THE
ISSUANCE OF

CITY OF COPPERAS COVE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2010

Dated: November 15, 2010

Adopted: November 16, 2010

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EXECUTION

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ORDINANCE NO. 2010-52

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COPPERAS COVE, TEXAS, AUTHORIZING THE ISSUANCE AND SALE OF CITY OF COPPERAS COVE, TEXAS, GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010, IN THE AGGREGATE PRINCIPAL AMOUNT OF $6,045,000; LEVYING A TAX IN PAYMENT THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY OF A PAYING AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT; CALLING CERTAIN BONDS FOR REDEMPTION; APPROVING THE OFFICIAL STATEMENT; FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS ORDINANCE IS PASSED IS OPEN TO THE PUBLIC AS REQUIRED BY LAW; AND ENACTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the City of Copperas Cove, Texas (the "City") has previously issued and there are presently outstanding certain obligations of the City; and

WHEREAS, the City is authorized, pursuant to the general laws of the State of Texas, and particularly Chapter 1207, Texas government Code, as amended ("Chapter 1207"), to issue its bonds for the purpose of refunding all or a portion of its outstanding obligations; and

WHEREAS, by this Ordinance the City Council (the "City Council") of the City is authorizing the issuance of its bonds for the purpose of refunding the City's outstanding obligations identified and described on Schedule I attached hereto and incorporated herein by reference for all purposes (the "Refunded Obligations"); and

WHEREAS, the City Council hereby finds, determines and declares that the refunding of the Refunded Obligations will result in a debt service savings of approximately $_____, representing a net present value benefit of approximately $_____ or _____%, for the City and that the issuance of the bonds herein authorized is necessary in order to lower the overall annual debt service requirements of the City; and

WHEREAS, the City Council has found and determined that it is necessary and in the best interest of the City and its citizens that it authorize by this Ordinance the issuance and delivery of its bonds in a single series at this time; and

WHEREAS, the meeting at which this Ordinance is considered is open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended; therefore

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COPPERAS COVE, TEXAS:

ARTICLE I

DEFINITIONS AND OTHER PRELIMINARY MATTERS

Section 1.01 Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise in this Ordinance, the following terms shall have the meanings specified below:

"Bond" means any of the Bonds.

"Bond Date" means the date designated as the date of the Bonds by Section 3.02(a) of this Ordinance.

"Bonds" means the City's bonds authorized to be issued by Section 3.01 of this Ordinance and designated as "City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010."

"Business Day" means any day which is not a Saturday, Sunday or legal holiday, or day on which banking institutions in the State of Texas or the city in which the Designated Payment/Transfer Office is located are generally authorized or obligated by law or executive order to close.

"City" means the City of Copperas Cove, Texas.

"Closing Date" means the date of the initial delivery of and payment for the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named herein, its office in Austin, Texas, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

"DTC" means The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Escrow Agent" means The Bank of New York Mellon Trust Company, National Association.

"Escrow Agreement" means that certain Escrow Agreement, dated as of November 15, 2010, between the City and the Escrow Agent.

"Event of Default" means any event of default as defined in Section 10.01 of this Ordinance.

"Fiscal Year" means such fiscal year as shall from time to time be set by the City Council.

"Initial Bond" means the Initial Bond authorized by Section 3.04 of this Ordinance.

"Interest and Sinking Fund" means the interest and sinking fund established by Section 2.02 of this Ordinance.

"Interest Payment Date" means the date or dates on which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being February 15 and August 15, commencing February 15, 2011.

"MSRB" means the Municipal Securities Rulemaking Board.

"Owner" means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

"Paying Agent/Registrar" means initially Wells Fargo Bank, National Association, Austin, Texas, or any successor thereto as provided in this Ordinance.

"Purchaser" means the purchaser of the Bonds identified in Section 7.01.

"Record Date" means the last Business Day of the month next preceding an Interest Payment Date.

"Refunded Obligations" means the obligations of the City being refunded with a portion of the proceeds of the Bonds as described on Schedule I.

"Register" means the bond register specified in Section 3.06(a) of this Ordinance.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Special Payment Date" means the Special Payment Date prescribed by Section 3.03(b) of this Ordinance.

"Special Record Date" means the Special Record Date prescribed by Section 3.03(b) of this Ordinance.

"Unclaimed Payments" means money deposited with the Paying Agent/Registrar for the payment of principal of, redemption premium, if any, or interest on the Bonds as the same come due and payable or money set aside for the payment of Bonds duly called for redemption prior to maturity.

Section 1.02 Findings.

The declarations, determinations and findings declared, made and found in the preamble to this Ordinance are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.03 Table of Contents, Titles and Headings.

The table of contents, titles and headings of the Articles and Sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Ordinance or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.04 Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) Any action required to be taken on a date which is not a Business Day shall be taken on the next succeeding Business Day and have the same effect as if taken on the date so required.

(c) This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Ordinance.

(d) Article and section references shall mean references to articles and sections of this Ordinance unless otherwise designated.

ARTICLE II

SECURITY FOR THE BONDS; INTEREST AND SINKING FUND

Section 2.01 Tax Levy.

(a) Pursuant to the authority granted by the Texas Constitution and the laws of the State of Texas, there shall be levied and there is hereby levied for the current year and for each succeeding year thereafter while any of the Bonds or any interest thereon is outstanding and unpaid, an ad valorem tax on each one hundred dollars valuation of taxable property within the City, at a rate sufficient, within the limit prescribed by law, to pay the debt service requirements of the Bonds, being (i) the interest on the Bonds, and (ii) a sinking fund for their redemption at maturity or a sinking fund of 2% per annum (whichever amount is greater), when due and payable, full allowance being made for delinquencies and costs of collection.

(b) The ad valorem tax thus levied shall be assessed and collected each year against all property appearing on the tax rolls of the City most recently approved in accordance with law and the money thus collected shall be deposited as collected to the Interest and Sinking Fund.

(c) Said ad valorem tax, the collections therefrom, and all amounts on deposit in or required hereby to be deposited to the Interest and Sinking Fund are hereby pledged and committed irrevocably to the payment of the principal of and interest on the Bonds when and as due and payable in accordance with their terms and this Ordinance.

Section 2.02 Interest and Sinking Fund.

(a) The City hereby establishes a special fund or account, to be designated the "City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010, Interest and Sinking Fund," said fund to be maintained at an official depository bank of the City separate and apart from all other funds and accounts of the City.

(b) Money on deposit in or required by this Ordinance to be deposited to the Interest and Sinking Fund shall be used solely for the purpose of paying the interest on and principal of the Bonds when and as due and payable in accordance with their terms and this Ordinance.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.01 Authorization.

The City's bonds to be designated "City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010," are hereby authorized to be issued and delivered in accordance with Chapter 1207, Texas Government Code, as amended. The Bonds shall be issued in the aggregate principal amount of $6,045,000, for the purpose of providing funds to (i) refund the Refunded Obligations, and (ii) pay the costs of issuing the Bonds.

Section 3.02 Date, Denomination, Maturities and Interest.

(a) The Bonds shall be dated November 15, 2010. The Bonds shall be in fully registered form, without coupons, in the denomination of $5,000 or any integral multiple thereof, and shall be numbered separately from one upward or such other designation acceptable to the City and the Paying Agent/Registrar, except the Initial Bond, which shall be numbered T-1.

(b) The Bonds shall mature on August 15 in the years and in the principal amounts and shall bear interest at the per annum rates set forth in the following schedule:

Year	Principal Amount	Interest Rate
2011	$495,000	
2012	815,000	
2013	165,000	
2014	900,000	
2015	880,000	
2016	870,000	
2017	850,000	
2018	910,000	
2019	160,000	

(c) Interest shall accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of the Bond Date or the most recent Interest Payment Date to which interest has been paid or provided for at the rates per annum for each respective maturity specified in the schedule contained in subsection (b) above. Such interest shall be payable semiannually on each Interest Payment Date until maturity or prior redemption. Interest on the Bonds shall be calculated on the basis of a 360-day year composed of 12 months of thirty (30) days each.

Section 3.03 Medium, Method and Place of Payment.

(a) The principal of and interest on the Bonds shall be paid in lawful money of the United States of America.

(b) Interest on the Bonds shall be payable to the Owners as shown in the Register at the close of business on the Record Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which date shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) Business Days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Bond appearing in the Register at the close of business on the last Business Day next preceding the date of mailing of such notice.

(c) Interest on each Bond shall be paid by check, dated as of the Interest Payment Date, and mailed on or before such Interest Payment Date, by United States mail, first class, postage prepaid, by the Paying Agent/Registrar to each Owner at the address of each Owner as it appears in the Register, or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the Owner; provided, however, that such Owner shall bear all risk and expense of such other customary banking arrangements.

(d) The principal of each Bond shall be paid to the Owner thereof on the due date (whether at the maturity date or the date of prior redemption thereof) upon presentation and surrender of such Bond at the Designated Payment/Transfer Office.

(e) If the date for the payment of the principal of or interest on the Bonds is not a Business Day, the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due and no additional interest shall be due by reason of nonpayment on the date on which such payment is otherwise stated to be due and payable.

(f) Unclaimed Payments of amounts due hereunder shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which such Unclaimed Payments pertain. Subject to Title 6 of the Texas Property Code, any Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains three years after the retirement of all outstanding Bonds, such money shall be paid to the City to be used for any lawful purpose. Thereafter, neither the City, the Paying Agent/Registrar nor any other person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to Title 6 of the Texas Property Code.

Section 3.04 Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the City by the Mayor and the City Secretary, by their manual or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the City whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. It shall not be required that the same officer or authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered on the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by her duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the City, and that it has been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the representative of the Underwriters, or its designee, executed by the manual or facsimile signatures of the Mayor and City Secretary of the City, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the representative of the Underwriters or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to DTC on behalf of the representative of the Underwriters one registered definitive Bond for each year of maturity of the Bonds in the aggregate principal amount of all Bonds for such maturity, registered in the name of Cede & Co., as nominee of DTC.

Section 3.05 Ownership.

(a) The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof, for the further purpose of making and receiving payment of the interest thereon, and for all other purposes (except interest will be paid to the person in whose name such bond is registered on the Record Date or Special Record Date, as applicable), whether or not such Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of a Bond shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Section 3.06 Registration, Transfer and Exchange.

(a) So long as any Bonds remain outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Ordinance.

(b) The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond at the Designated Payment/Transfer Office with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office for a Bond or Bonds of the same maturity and interest rate and in any denomination or denominations of any integral multiple of $5,000 and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) Each exchange Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(e) No service charge shall be made to the Owner for the initial registration, subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

(f) Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, within forty-five (45) calendar days prior to the date fixed for redemption; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

Section 3.07 Cancellation.

All Bonds paid or redeemed before scheduled maturity in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Ordinance, shall be cancelled and proper records shall be made regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall dispose of cancelled Bonds in accordance with the Securities Exchange Act of 1934.

Section 3.08 Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Bonds, the proper officers of the City may execute and, upon the City's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Ordinance.

(c) The City, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and shall authenticate and deliver in exchange therefor Bonds of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount, as the Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.09 Replacement Bonds.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously

outstanding. The City or the Paying Agent/Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar to save it and the City harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

(c) If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the City or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.10 Book-Entry Only System.

The definitive Bonds shall be initially issued in the form of a separate typewritten fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of such Bonds shall be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 3.11 hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Bondholder, as shown in the Register of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of and interest on the Bonds, for the purpose of all matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective owners, as shown in the Register as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

Section 3.11 Successor Securities Depository; Transfer Outside Book-Entry Only System.

In the event that the City or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC, and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the Issuer or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

Section 3.12 Payments to Cede & Co.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

ARTICLE IV

NO REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01 Limitation on Redemption.

The Bonds shall not be subject to redemption before their scheduled maturity.

ARTICLE V

PAYING AGENT/REGISTRAR

Section 5.01 Appointment of Initial Paying Agent/Registrar.

Wells Fargo Bank, National Association, Austin, Texas, is hereby appointed as the initial Paying Agent/Registrar for the Bonds.

Section 5.02 Qualifications.

Each Paying Agent/Registrar shall be a commercial bank, a trust company organized under the laws of the State of Texas, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds.

Section 5.03 Maintaining Paying Agent/Registrar.

(a) At all times while any Bonds are outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Ordinance. The Mayor is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the City and the Paying Agent/Registrar in substantially the form presented at this meeting, the form, terms and provisions of which are hereby approved. The signature of the Mayor shall be attested by the City Secretary.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the City will promptly appoint a replacement, provided no such resignation shall be effective until a successor Paying Agent/Registrar has accepted the duties of Paying Agent/Registrar for the Bonds.

Section 5.04 Termination.

The City, upon not less than sixty (60) days notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice of such termination, provided, that such termination shall not be

effective until a successor Paying Agent/Registrar has been appointed and has accepted the duties of Paying Agent/Registrar for the Bonds.

Section 5.05 Notice of Change to Owners.

Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Owner by United States mail, first class, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.06 Agreement to Perform Duties and Functions.

By accepting the appointment as Paying Agent/Registrar and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 5.07 Delivery of Records to Successor.

If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

ARTICLE VI

FORM OF THE BONDS

Section 6.01 Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas to accompany the Initial Bond, the Certificate of the Paying Agent/Registrar, and the Assignment form to appear on each of the Bonds, (i) shall be substantially in the form set forth in this Article, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds shall be typewritten, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

(d) The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 6.02 Form of the Bonds.

The form of the Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, to accompany the Initial Bond, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Bonds, shall be substantially as follows:

(a) Form of Bonds.

REGISTERED REGISTERED

No. _____ $_____

United States of America
State of Texas

CITY OF COPPERAS COVE, TEXAS
GENERAL OBLIGATION REFUNDING BOND
SERIES 2010

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP NUMBER:
_____%	August 15, ____	November 15, 2010	_____ ___

The City of Copperas Cove, Texas (the "City"), in Coryell, Lampasas and Bell Counties, State of Texas, for value received, hereby promises to pay to

_____

or registered assigns, on the Maturity Date specified above, the sum of

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provided for, and to pay interest on such principal amount from the later of the Bond Date specified above or the most recent interest payment date to which interest has been paid or provided for until payment of such principal amount has been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2011.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the designated office in Austin, Texas, of Wells Fargo Bank, National Association, as Paying Agent/Registrar (the "Designated Payment/Transfer Office"), or, with respect to a successor paying agent/registrar, at the Designated Payment/Transfer Office of such successor. Interest on

this Bond is payable by check dated as of the interest payment date, and will be mailed on or before such interest payment date, by United States mail, first class, postage prepaid, by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar, or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expense of such other customary banking arrangements. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last Business Day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which date shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) Business Days (as hereinafter defined) prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last Business Day next preceding the date of mailing of such notice.

If the date for the payment of the principal of or interest on this Bond is not a Business Day, the date for such payment shall be the next succeeding day which is not a Saturday, Sunday or legal holiday, or day on which banking institutions in the State of Texas or the city in which the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are generally authorized or obligated by law or executive order to close (a "Business Day"), and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

This Bond is one of a series of fully registered bonds specified in the title hereof issued in the aggregate principal amount of $6,045,000 (herein referred to as the "Bonds"), issued pursuant to a certain ordinance of the City (the "Ordinance") for the purpose of providing funds to refund a portion of the City's outstanding debt and to pay the costs of issuing the Bonds.

The Bonds are not subject to redemption prior to stated maturity.

As provided in the Ordinance, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The City, the Paying Agent/Registrar, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the "Record Date" or "Special Record Date," as applicable) and for all other purposes, whether or

not this Bond be overdue, and neither the City, nor the Paying Agent/Registrar nor any other person shall be affected by notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law and has been authorized by a vote of the properly qualified electors of the City; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that ad valorem taxes upon all taxable property in the City have been levied for and pledged to the payment of the debt service requirements of the Bonds, within the limit prescribed by law.

IN WITNESS WHEREOF, the City has caused this Bond to be executed by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Secretary of the City, and the official seal of the City has been duly impressed or placed in facsimile on this Bond.

City Secretary, City of Copperas Cove, Texas	Mayor, City of Copperas Cove, Texas

[SEAL]

(b) Form of Comptroller's Registration Certificate.

The following Comptroller's Registration Certificate may be deleted from the definitive Bonds if such certificate on the Initial Bond is fully executed.

REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER	§	
OF PUBLIC ACCOUNTS	§	REGISTER NO. _____
OF THE STATE OF TEXAS	§	

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of the City of Copperas Cove, Texas, and that this Bond has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, _____.

_____
Comptroller of Public Accounts
of the State of Texas

[SEAL]

(c) Form of Certificate of Paying Agent/Registrar.

The following Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the executed Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within-mentioned Ordinance.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as
Paying Agent/Registrar

Dated: _____ By: _____
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee):

_____

_____

_____

(Social Security or other identifying number: _____) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: _____

_____

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner acceptable to the Paying Agent/Registrar.

Signature Guaranteed:

_____

Authorized Signatory

(e) The Initial Bond shall be in the form set forth in paragraphs (a), (b) and (d) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and the words "CUSIP NUMBER" deleted; and

(ii) in the first paragraph of the Bond, the words "on the Maturity Date specified above the sum of _____ DOLLARS," shall be deleted and the following will be inserted: "on August 15 in each of the years, in the principal installments and bearing interest at the per annum rates in accordance with the following schedule:

Years	Principal Installments	Interest Rate"

(Information to be inserted from
schedule in Section 3.02 of this Ordinance)

Section 6.03 CUSIP Registration.

The City may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the City nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 6.04 Legal Opinion.

The approving legal opinion of Vinson & Elkins L.L.P., Bond Counsel, may be printed on the reverse side of or attached to each Bond over the certification of the City Secretary of the City, which may be executed in facsimile.

ARTICLE VII

SALE AND DELIVERY OF BONDS, DEPOSIT OF PROCEEDS

Section 7.01 Sale of Bonds, Official Statement.

(a) The Bonds are hereby sold and awarded and shall be delivered to _____ (the "Purchaser"), at a price equal to the principal amount thereof, plus accrued interest from the Dated Date to the Closing Date. It is hereby found, determined and declared that the bid of the Purchaser is the best and lowest bid submitted for the Bonds. The Bonds shall be initially registered in the name of the Purchaser or its designee.

(b) The form and substance of the Preliminary Official Statement, and any addenda, supplement or amendment thereto, and the final Official Statement (the "Official Statement") presented to and considered at this meeting, are hereby in all respects approved and adopted, and the Preliminary Official Statement is hereby deemed final as of its date (except for the omission of pricing and related information) within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The Mayor and City Secretary of the City are hereby authorized and directed to execute the same and deliver appropriate numbers of copies thereof to the Purchaser. The Official Statement as thus approved and delivered, with such appropriate variations as shall be approved by the Mayor of the City and the Purchaser, may be used by the Purchaser in the public offering and sale thereof. The use and distribution of the Preliminary Official Statement in the public offering of the Bonds by the Purchaser is hereby ratified, approved and confirmed. The City Secretary is hereby authorized and directed to include and maintain a copy of the Official Statement and any addenda, supplement or amendment thereto thus approved among the permanent records of this meeting. The use and distribution of the Official Statement and the preliminary public offering of the Bonds by the Purchaser is hereby ratified, approved and confirmed.

(c) All officers of the City are authorized to execute such documents, certificates and receipts, and to make such elections with respect to the tax-exempt status of the Bonds, as they may deem appropriate in order to consummate the delivery of the Bonds.

(d) The obligation of the Purchaser to accept delivery of the Bonds is subject to the Purchaser being furnished with the final, approving opinion of Vinson & Elkins L.L.P., Bond Counsel for the City, which opinion shall be dated and delivered the Closing Date.

Section 7.02 Control and Delivery of Bonds.

(a) The Mayor of the City is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts of the State of Texas, delivery of the Bonds shall be made to the representative of the Underwriters thereof under and subject to the general supervision and direction of the Mayor, against receipt by the City of all amounts due to the City under the terms of sale.

(c) In the event the Mayor or City Secretary is absent or otherwise unable to execute any document or take any action authorized herein, the Mayor Pro Tem and the Assistant City Secretary, respectively, shall be authorized to execute such documents and take such actions, and the performance of such duties by the Mayor Pro Tem and the Assistant City Secretary shall for the purposes of this Ordinance have the same force and effect as if such duties were performed by the Mayor and City Secretary, respectively.

Section 7.03 Deposit of Proceeds.

(a) All amounts received on the Closing Date as accrued interest on the Bonds from the Bond Date to the Closing Date shall be deposited to the Interest and Sinking Fund.

(b) The amount of $_____ shall be deposited to the Escrow Fund and shall be applied as specified in the Escrow Agreement.

(c) The remaining balance shall be used to pay the costs of issuing the Bonds. Amounts remaining after payment of costs of issuance shall be deposited to the Interest and Sinking Fund and applied to the payment of debt service on the Bonds.

ARTICLE VIII

INVESTMENTS

Section 8.01 Investments.

(a) Money in the Interest and Sinking Fund created by this Ordinance, at the option of the City, may be invested in such securities or obligations as permitted under applicable law as in effect on the date of the investment.

(b) Any securities or obligations in which money in the Interest and Sinking Fund is so invested shall be kept and held in trust for the benefit of the Owners and shall be sold and the

proceeds of sale shall be timely applied to the making of all payments required to be made from the Interest and Sinking Fund.

Section 8.02 Investment Income.

(a) Interest and income derived from investment of the Interest and Sinking Fund shall be credited to such Fund.

(b) Interest and income derived from the investment of funds deposited pursuant to the Escrow Agreement shall be applied as provided in the Escrow Agreement.

ARTICLE IX

PARTICULAR REPRESENTATIONS AND COVENANTS

Section 9.01 Payment of the Bonds.

On or before each Interest Payment Date for the Bonds and while any of the Bonds are outstanding and unpaid, there shall be made available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, money sufficient to pay such interest on and principal of the Bonds as will accrue or mature on the applicable Interest Payment Date, maturity date or date of prior redemption. Such transfer of funds shall be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar not later than the close of business on the Business Day next preceding the date of payment for the Bonds.

Section 9.02 Other Representations and Covenants.

(a) The City will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance and in each Bond; the City will promptly pay or cause to be paid the principal of and interest on each Bond on the dates and at the places and manner prescribed in such Bond; and the City will, at the times and in the manner prescribed by this Ordinance, deposit or cause to be deposited the amounts of money specified by this Ordinance.

(b) The City is duly authorized under the laws of the State of Texas to issue the Bonds; all action on its part for the creation and issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the City in accordance with their terms.

Section 9.03 Provisions Concerning Federal Income Tax Exclusion.

The City intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations promulgated thereunder (the "Regulations"). The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in the gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the City

covenants and agrees to comply with each requirement of Sections 9.03 through 9.10, inclusive; provided, however, that the City shall not be required to comply with any particular requirement of Sections 9.03 through 9.10, inclusive, if the City has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the City has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in Sections 9.03 through 9.10, inclusive, will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in Sections 9.03 through 9.10, inclusive.

Section 9.04 No Private Use or Payment and No Private Loan Financing.

The City shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations. The City covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations.

Section 9.05 No Federal Guaranty.

The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Regulations, except as permitted by section 149(b)(3) of the Code and the Regulations.

Section 9.06 Bonds are not Hedge Bonds.

The City covenants and agrees not to take any action, or knowingly omit to take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code and the Regulations.

Section 9.07 No-Arbitrage Covenant.

The City shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the City will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations. Moreover, the City covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations.

Section 9.08 Arbitrage Rebate.

If the City does not qualify for an exception to the requirements of Section 148(f) of the Code, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issues of the City or moneys which do not represent gross proceeds of any bonds of the City, (ii) calculate at such times as are required by the Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under the Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

Section 9.09 Information Reporting.

The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the Regulations.

Section 9.10 Continuing Obligation.

Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of Sections 9.03 through 9.09, inclusive, shall survive the defeasance and discharge of the Bonds.

Section 9.11 Qualified Tax-Exempt Obligations.

The City hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of section 265(b) of the Code. In connection therewith, the City represents (a) that the aggregate amount of tax-exempt obligations issued by the City during calendar year 2010, including the Bonds, which have been designated as "qualified tax-exempt obligations" under section 265(b)(3) of the Code does not exceed $30,000,000, and (b) that the reasonably anticipated amount of its tax-exempt obligations which will be issued by the City during calendar year 2009, including the Bonds, will not exceed $30,000,000. For purposes of this Section 9.11, the term "tax-exempt obligations" does not include "private activity bonds" within the meaning of section 141 of the Code, other than "qualified 501(c)(3) bonds" within the meaning of

section 145 of the Code. In addition, for purposes of this Section 9.11, the City includes all entities which are aggregate with the City under the Code.

ARTICLE X

DEFAULT AND REMEDIES

Section 10.01 Events of Default.

Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the City, which default materially and adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of sixty (60) days after notice of such default is given by any Owner to the City.

Section 10.02 Remedies for Default.

(a) Upon the happening of any Event of Default, then any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.

Section 10.03 Remedies Not Exclusive.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

ARTICLE XI

DISCHARGE

Section 11.01 Discharge.

The Bonds may be refunded, discharged or defeased in any manner permitted by applicable law.

ARTICLE XII

CONTINUING DISCLOSURE UNDERTAKING

Section 12.01 Annual Reports.

(a) The City shall provide annually to the Municipal Securities Rulemaking Board within six (6) months after the end of each Fiscal Year, financial information and operating data with respect to the City of the general type included in the final Official Statement, being the information described in Exhibit A hereto. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit A hereto, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall provide notice that audited financial statements are not available and shall provide unaudited financial statements for the applicable Fiscal Year to the MSRB. Thereafter, when and if audited financial statements become available, the City shall provide such audited financial statements as required to the MSRB.

(b) If the City changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

(c) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

Section 12.02 Material Event Notices.

Section 12.03 The City shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after the occurrence of the event:

(i) principal and interest payment delinquencies

(ii) nonpayment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Owners, if material;

(viii) bond calls, if material and tender offers;

(ix) defeasance;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material; and

(xi) rating changes.

(xii) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the.

(b) The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 12.02 of this Ordinance by the time required by such Section.

Section 12.04 Limitations, Disclaimers and Amendments.

(a) The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with Article XI that causes Bonds no longer to be Outstanding.

(b) The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(c) No default by the City in observing or performing its obligations under this Article shall comprise a breach of or default under the Ordinance for purposes of any other provisions of this Ordinance.

(d) Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Article may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of this Ordinance that authorizes

such an amendment) of the Outstanding Bonds consent to such amendment or (B) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. The provisions of this Article may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 12.02 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

ARTICLE XIII

REDEMPTION OF REFUNDED OBLIGATIONS; APPROVAL OF ESCROW AGREEMENT; PURCHASE OF ESCROWED SECURITIES

Section 13.01 Redemption of Refunded Obligations.

(a) The Refunded Obligations are hereby called for redemption and shall be redeemed prior to the stated maturity thereof on the respective redemption dates specified in Schedule I. The Refunded Obligations shall be redeemed at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date.

(b) The City Secretary is hereby authorized and directed to cause to be delivered to the paying agent/registrar for the Refunded Obligations, notice of redemption of the Refunded Obligations by delivery thereto of a certified copy of this Ordinance, the delivery of such certified copy of this Ordinance to such paying agent/registrar constituting delivery of notice of redemption in accordance with the requirements of the respective ordinances authorizing the issuance of the Refunded Obligations.

(c) The paying agent/registrar for the Refunded Obligations is hereby authorized and directed to give notice of redemption and such other notices which may be required with respect to the Refunded Obligations as required by and in accordance with the terms and provision of the respective ordinances authorizing the issuance of the Refunded Obligations.

Section 13.02 Approval of Escrow Agreement.

The form, terms and provisions of the Escrow Agreement presented at this meeting, and the execution and delivery thereof, are hereby approved. The Mayor is hereby authorized and directed to execute and deliver the Escrow Agreement. The signature of the Mayor may be attested by the City Secretary of the City.

Section 13.03 Subscription of Federal Securities.

The Mayor and the City Manager of the City, either or both, are hereby authorized and directed to make necessary arrangements for the purchase of the Federal Securities referenced in

the Escrow Agreement as may be required for the Escrow Fund. The application for the acquisition of the Federal Securities is hereby approved and ratified.

ARTICLE XIV

EFFECTIVE IMMEDIATELY

Section 14.01 Effective Immediately.

Notwithstanding the provisions of the City Charter, this Ordinance shall become effective immediately upon its adoption at this meeting pursuant to Section 1201.028, Texas Government Code.

PASSED AND APPROVED this 16th day of November, 2010.

SCHEDULE I

REFUNDED OBLIGATIONS

[To come]

EXHIBIT A

DESCRIPTION OF ANNUAL DISCLOSURE OF FINANCIAL INFORMATION

The following information is referred to in Article XII of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Article are as specified (and included in the Appendix or other headings of the Official Statement referred to) below:

1. The portions of the financial statements of the City appended to the Official Statement as Appendix B, but for the most recently concluded Fiscal Year.

2. Statistical and financial data set forth in Tables numbered 1 through 4 and 6 through 16, each inclusive.

Accounting Principles

The accounting principles referred to in such Article are the accounting principles described in the notes to the financial statements referred to in Paragraph 1 above, as such principles may be changed from time to time to comply with State law.

City of Copperas Cove, Texas

General Obligation Refunding & Improvement Bonds, Series 1998

Paying Agent: Wells Fargo

Call Option: August 15, 2008 @ 100%

Debt Service To Maturity And To Call

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S
08/15/2011	740,000.00	13,621.14	753,621.14	335,000.00	4.450%	33,132.50	368,132.50
08/15/2012	-	-	-	320,000.00	4.500%	18,225.00	338,225.00
08/15/2013	-	-	-	85,000.00	4.500%	3,825.00	88,825.00
Total	**$740,000.00**	**$13,621.14**	**$753,621.14**	**$740,000.00**	**-**	**$55,182.50**	**$795,182.50**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/15/2010
Average Life	1.412 Years
Average Coupon	4.4879785%
Weighted Average Maturity (Par Basis)	1.345 Years

Refunding Bond Information

Refunding Dated Date	11/15/2010
Refunding Delivery Date	12/09/2010

City of Copperas Cove, Texas

Combination Tax & Revenue Certificates of Obligation, Series 2001

Paying Agent: Wells Fargo

Call Option: August 15, 2011 @ 100%

Debt Service To Maturity And To Call

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S
08/15/2011	400,000.00	18,500.00	418,500.00	-	4.500%	18,500.00	18,500.00
08/15/2012	-	-	-	400,000.00	4.625%	18,500.00	418,500.00
Total	**$400,000.00**	**$18,500.00**	**$418,500.00**	**$400,000.00**	-	**$37,000.00**	**$437,000.00**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/15/2010
Average Life	1.750 Years
Average Coupon	4.6250000%
Weighted Average Maturity (Par Basis)	1.683 Years

Refunding Bond Information

Refunding Dated Date	11/15/2010
Refunding Delivery Date	12/09/2010

City of Copperas Cove, Texas

Combination Tax & Revenue Certificates of Obligation, Series 2003

Paying Agent: Wells Fargo

Call Option: August 15, 2012 @ 100%

Debt Service To Maturity And To Call

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S
08/15/2011	-	185,247.50	185,247.50	-	4.000%	185,247.50	185,247.50
08/15/2012	3,965,000.00	185,247.50	4,150,247.50	-	4.250%	185,247.50	185,247.50
08/15/2013	-	-	-	-	4.500%	185,247.50	185,247.50
08/15/2014	-	-	-	380,000.00	4.500%	185,247.50	565,247.50
08/15/2015	-	-	-	820,000.00	4.500%	168,147.50	988,147.50
08/15/2016	-	-	-	830,000.00	5.000%	131,247.50	961,247.50
08/15/2017	-	-	-	835,000.00	4.600%	89,747.50	924,747.50
08/15/2018	-	-	-	915,000.00	4.625%	51,337.50	966,337.50
08/15/2019	-	-	-	185,000.00	4.875%	9,018.76	194,018.76
08/15/2020	-	-	-	-	5.000%	-	-
08/15/2021	-	-	-	-	5.000%	-	-
08/15/2022	-	-	-	-	5.000%	-	-
08/15/2023	-	-	-	-	5.000%	-	-
Total	**$3,965,000.00**	**$370,495.00**	**$4,335,495.00**	**$3,965,000.00**	-	**$1,190,488.76**	**$5,155,488.76**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/15/2010
Average Life	6.164 Years
Average Coupon	4.6818143%
Weighted Average Maturity (Par Basis)	6.097 Years

Refunding Bond Information

Refunding Dated Date	11/15/2010
Refunding Delivery Date	12/09/2010

City of Copperas Cove, Texas

General Obligation Refunding Bonds, Series 2003A

Paying Agent: Wells Fargo

Call Option: August 15, 2012 @ 100%

Debt Service To Maturity And To Call

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S
08/15/2011	-	19,800.00	19,800.00	-	4.000%	19,800.00	19,800.00
08/15/2012	440,000.00	19,800.00	459,800.00	-	4.250%	19,800.00	19,800.00
08/15/2013	-	-	-	-	4.500%	19,800.00	19,800.00
08/15/2014	-	-	-	440,000.00	4.500%	19,800.00	459,800.00
Total	**$440,000.00**	**$39,600.00**	**$479,600.00**	**$440,000.00**	-	**$79,200.00**	**$519,200.00**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/15/2010
Average Life	3.750 Years
Average Coupon	4.5000000%
Weighted Average Maturity (Par Basis)	3.683 Years

Refunding Bond Information

Refunding Dated Date	11/15/2010
Refunding Delivery Date	12/09/2010

NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON

$6,045,000
CITY OF COPPERAS COVE, TEXAS
(Coryell, Lampasas and Bell Counties)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010

Sealed Bids Due Tuesday, November 16, 2010 at 9:30 AM, CST

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Copperas Cove, Texas (the "City"), is offering for sale its $6,045,000 General Obligation Refunding Bonds, Series 2010 (the "Bonds").

ADDRESS OF BIDS . . . Signed sealed bids, plainly marked "Bid for Bonds," should be addressed to "Mayor and City Council, City of Copperas Cove, Texas," and delivered to Garry Kimball, Specialized Public Finance Inc., 7000 North MoPac Expressway, Suite 410, Austin, Texas 78731, prior to 9:30 AM, CST, on the date of the sale. All bids must be submitted on the Official Bid Form, without alteration or interlineation.

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Bidders must submit, prior to 9:30 AM, CST, on the date of the sale, SIGNED Official Bid Forms to Garry Kimball, Specialized Public Finance Inc., 7000 North MoPac Expressway, Suite 410, Austin, Texas 78731. Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale and Bidding Instructions, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale and Bidding Instructions shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale and Bidding Instructions shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under "Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and Bidding Instructions and the Official Bid Form.

BIDS BY TELEPHONE OR FACSIMILE . . . Bidders must submit SIGNED Official Bid Forms to Garry Kimball, Specialized Public Finance Inc., 7000 North MoPac Expressway, Suite 410, Austin, Texas 78731, and submit their bid by telephone or facsimile (fax) on the date of the sale.

Telephone bids will be accepted at (512) 275-7300, between 9:00 AM and 9:30 AM, CST.

Fax bids must be received between 9:00 AM and 9:30 AM, CST, on the date of the sale at (512) 275-7305, attention: Garry Kimball.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the above deadlines.

Specialized Public Finance Inc. assumes no responsibility or liability with respect to any irregularities associated with the submission of bids if telephone or fax options are exercised.

PLACE AND TIME OF BID OPENING . . . The bids for the Bonds will be publicly opened and read in the Council Chambers of the City Hall at 7:00 PM, CST on Tuesday, November 16, 2010.

AWARD OF THE BONDS . . . The City Council will take action to award the Bonds (or reject all bids) at a meeting scheduled to convene at 7:00 PM, CST, on the date of the sale, and adopt an ordinance authorizing the Bonds and approving the Official Statement (the "Bond Ordinance").

THE BONDS

DESCRIPTION . . . The Bonds will be dated November 15, 2010 (the "Dated Date"). Interest will accrue from the Dated Date and will be due on February 15, 2011, and each August 15 and February 15 thereafter until the earlier of maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity. The Bonds will mature on August 15 in each year as follows:

MATURITY SCHEDULE

Maturity (August 15)	Principal Amount
2011	$ 495,000
2012	815,000
2013	165,000
2014	900,000
2015	880,000
2016	870,000
2017	850,000
2018	910,000
2019	160,000

NO OPTIONAL REDEMPTION . . . The Bonds are not subject to redemption prior to their stated maturities.

SERIAL BONDS AND/OR TERM BONDS . . . Bidders may provide that all of the Bonds be issued as serial bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term bonds (the "Term Bonds").

If the successful bidder designates principal amounts to be combined into a Term Bond, such Term Bond will be subject to mandatory sinking fund redemption commencing on August 15 of the first year which has been combined to form such Term Bond and continuing on August 15 in each year thereafter until the stated maturity date of the Term Bond. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table under the caption "MATURITY SCHEDULE" above. Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Bonds then subject to such mandatory sinking fund redemption.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable stated maturity to be redeemed on the next following August 15 from moneys set aside for that purpose in the Interest and Sinking Fund (as defined in the Bond Ordinance). Any Term Bond not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Bonds for a stated maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Bonds of like stated maturity which, at least fifty (50) days prior to the mandatory redemption date, shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation.

The final Official Statement will incorporate the mandatory redemption provisions for the Bonds in the event the successful bidder elects to convert serial maturities into a Term Bond.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapters 1207, Texas Government Code, as amended, and the Bond Ordinance.

BOOK-ENTRY-ONLY SYSTEM . . . The City intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"). See "THE OBLIGATIONS - Book-Entry-Only System" in the Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar will be Wells Fargo Bank, National Association, Austin, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar" in the Official Statement).

SOURCE OF PAYMENT . . . The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "THE OBLIGATIONS - Security and Source of Payment" in the Official Statement).

Further details regarding the Bonds are set forth in the Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . The Bonds will be sold in one block on an "All or None" basis, and at a price equal to their par value plus accrued interest from the Dated Date of the Bonds to the date of delivery of the Bonds. Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2% in rate. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Bonds of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered. No bid generating a cash premium greater than $5,000 will be considered.

After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the City and its Financial Advisor in cooperation with the Bond Purchaser in $5,000 increments to reflect the actual interest rates and to create a level savings to the City. Such adjustments will not change the aggregate principal amount of the Bonds by more than 2% from the amount set forth herein or change the principal amount due on the Bonds in any year by more than 10%. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. Any such adjustment will be communicated to the winning bidder within two (2) hours after the opening of the bids.

BASIS FOR AWARD . . . Subject to the City's right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Bonds will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the "Bond Purchaser") making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Bonds on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Bonds (but not interest accrued from the Dated Date to the date of their delivery). In the event of a bidder's error in interest cost rate calculations, the interest rates set forth in the Official Bid Form will be considered as the intended bid.

GOOD FAITH DEPOSIT . . . A Good Faith Deposit, payable to the "City of Taylor", in the amount of $120,900, is required. Such Good Faith Deposit shall be a wire transfer, bank cashier's check or certified check (which is to be retained uncashed by the City pending the Bond Purchaser's compliance with the terms of the bid and the Notice of Sale and Bidding Instructions). The Good Faith Deposit may be provided to the City via wire transfer (the City will provide wire instructions to the winning bidder), or in the form of a certified or cashier's check. The Good Faith Deposit will be retained by the City and: (a) (i) if the purchaser utilizes a cashier's check as its Good Faith Deposit, said cashier's check will be returned to the purchaser after delivery of the Bonds, (ii) if the purchaser utilizes a wire transfer method for its Good Faith Deposit, said wire transfer will be applied to the purchase price at the delivery of the Bonds or (b) will be retained by the City as liquidated damages if the winning bidder defaults with respect to its purchase of the Bonds in accordance with its bid or (c) will be returned to the winning bidder if the Bonds are not issued by the City for any reason which does not constitute a default by the winning bidder.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Bond Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. All expenses in relation to the printing or typing of CUSIP numbers on the Bonds shall be paid by the City; provided, however, that the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Bond Purchaser.

DELIVERY OF BONDS . . . Delivery will be accomplished by the issuance of one Initial Bond either in typed or printed form, in the aggregate principal amount of $6,045,000, payable in stated installments to the Bond Purchaser, signed by the Mayor and City Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Bond, it shall be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's book-entry-only system. Delivery will be at the principal office of the Paying Agent/Registrar. Payment for the Bonds must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Bond Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that delivery of the Bonds can be made on or about December 9, 2010, and it is understood and agreed that the Bond Purchaser will accept delivery and make payment for the Bonds by 10:00 AM, CST, on December 9, 2010, or thereafter on the date the Bonds are tendered for delivery, up to and including December 23, 2010. If for any reason the City is unable to make delivery on or before December 23, 2010, the City shall immediately contact the Bond Purchaser and offer to allow the Bond Purchaser to extend its offer for an additional thirty days. If the Bond Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit check will be returned, and both the City and the Bond Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the City's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Bond Purchaser to take up and pay for the Bonds is subject to the Bond Purchaser's receipt of (a) the legal opinion of Vinson & Elkins L.L.P., Austin, Texas, Bond Counsel for the City ("Bond Counsel") and (b) the no-litigation certificate, all as further described in the Official Statement. In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the exemption of interest on the Bonds from the gross income of their owners, the Bond Purchaser will be required to complete, execute, and deliver to the City (no later than the close of business on the business day following the award of the bid) a certification as to their "issue price" substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions. In the event the successful bidder will not reoffer the Bonds for sale, such certificate may be modified in a manner approved by the City. In no event will the City fail to deliver the Bonds as a result of the Bond Purchaser's inability to sell a substantial amount of the Bonds at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate not later than the close of business on the business day following the award of the bid, if its bid is accepted by the City. It will be the responsibility of the Bond Purchaser to institute such syndicate reporting requirements to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

LEGAL OPINION . . . The Bonds are offered for delivery when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Bonds is subject to the receipt by the Bond Purchaser of an opinion of Bond Counsel, to the effect that the Bonds are valid and binding obligations of the City and that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Official Statement.

QUALIFIED TAX-EXEMPT OBLIGATIONS . . . The City will, pursuant to the Bond Ordinance, designate the Bonds as "qualified tax-exempt obligations." Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the 100 percent disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code.

However, interest expense incurred by a financial institution which is allocable to the interest on the Bonds would be subject to the 20 percent disallowance of interest expense rule which is generally applicable under section 291 of the Internal Revenue Code of 1986. See discussion under the caption "TAX MATTERS - Purchase of Tax-Exempt Obligations by Financial Institutions" contained in the Official Statement.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the City to deliver the Bonds and of the Bond Purchaser to accept delivery of and pay for the Bonds are subject to the condition that at the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition of the City from those set forth in or contemplated by the Preliminary Official Statement as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Bonds to the Bond Purchaser, the City will deliver to the Bond Purchaser a certificate, as of the same date, to the effect that to the best of the City's knowledge no litigation of any nature is pending or, to the officials' knowledge , threatened against the City, contesting or affecting the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officials of the City.

CERTIFICATION OF OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Initial Bond, the City will execute and deliver to the Bond Purchaser a certificate in the form set forth in the Official Statement.

GENERAL

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc. may **NOT** submit a bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Bond Purchaser represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Bond Purchaser will register the Bonds in accordance with the securities law of the states in which the Bonds are offered or sold. The City agrees to cooperate with the Bond Purchaser, at the Bond Purchaser's written request and sole expense, in registering the Bonds or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to qualify as a foreign corporation or execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Bonds, but is merely notice of the sale of the Bonds. The offer to sell the Bonds is being made by means of this Notice of Sale and Bidding

Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Bonds.

ISSUANCE OF ADDITIONAL DEBT . . . The City is issuing its $1,915,000 principal amount of tax notes concurrently with the issuance of the Bonds. The City does anticipate issuing additional ad valorem tax supported debt within the next six months.

RATING . . . The outstanding tax supported debt of the City is rated "AA-" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and "Aa3" by Moody's Investors Service ("Moody's"). The City also has various issues outstanding which are rated by S&P and Moody's by virtue of insurance issued by various commercial insurance companies. An application for a rating on the Bonds has been made to S&P.

MUNICIPAL BOND INSURANCE . . . The City has applied for bond insurance to insure the timely payment of the principal of and interest on the Bonds. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the Bond Purchaser.

THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15C2-12 . . . The City has prepared the accompanying Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12, deems such Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Official Statement.

The City will furnish to the Bond Purchaser, acting through a designated senior representative, in accordance with instructions received from the Bond Purchaser, within seven business days from the sale date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Bonds. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Bond Purchaser. The Bond Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Bonds.

CONTINUING DISCLOSURE AGREEMENT . . . The City will agree in the Bond Ordinance to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Bond Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Bond Purchaser or its agent of a certified copy of the Bond Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . . The City became obligated to file annual reports and financial statements in an offering that took place in 1998. All reports were timely filed with the applicable information repositories; however the City's financial information for years' ending 2005 and 2007 were not timely filed due to administrative oversight. The financial information has since been filed as required.

The City Council has approved the form and content of this Notice of Sale and Bidding Instructions, the Official Bid Form and Official Statement, and authorized the use thereof in its initial offering of the Bonds. On the date of the sale, the City Council will, in the Bond Ordinance authorizing the issuance of the Bonds, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Bonds by the Bond Purchaser.

/s/ JOHN HULL
Mayor
City of Copperas Cove, Texas

ATTEST:

/s/ JANE LEES
City Secretary
City of Copperas Cove, Texas

November 3, 2010

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OFFICIAL BID FORM

Honorable Mayor and City Council
City of Copperas Cove, Texas
507 South Main
Copperas Cove, Texas 76522

November 16, 2010

Members of the City Council:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated November 3, 2010, of $6,045,000 City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010, both of which constitute a part hereof.

For your legally issued Bonds, as described in said Notice of Sale and Bidding Instructions and Official Statement, we will pay you a price of $_____, representing _____% of the par value, plus accrued interest from November 15, 2010 to the date of delivery to us for Bonds maturing and bearing interest as follows:

Maturity (August 15)	Principal Amount	Interest Rate
2011	$ 495,000	%
2012	815,000	%
2013	165,000	%
2014	900,000	%
2015	880,000	%
2016	870,000	%
2017	850,000	%
2018	910,000	%
2019	160,000	%

Of the principal maturities set forth in the table above, term bonds have been created as indicated in the following table (which may include multiple term bonds, one term bond or no term bond if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date shall mature in such year. The term bonds created are as follows:

Term Bond Maturing August 15	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		$	%
		$	%
		$	%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST _____%

We are having the Bonds of the following maturities _____ insured by _____ at a premium of $_____, **said premium to be paid by the Bond Purchaser.** Any fees to be paid to the rating agencies as a result of said insurance **will be paid by the City.**

The Initial Bond shall be registered in the name of _____, which will, upon payment for the Bonds, be cancelled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

A wire transfer or a cashiers or certified check to the City in the amount of $120,900 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

We agree to accept delivery of the Bonds utilizing the book-entry-only system through DTC and make payment for the Initial Bond in immediately available funds in the Corporate Trust Division, Wells Fargo Bank, National Association, Austin, Texas, not later than 10:00 AM, CST, on December 9, 2010, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the City, not later than the close of business on the business day following the award of the sale of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

_____
Name of Initial Bond Purchaser or Manager

_____
Authorized Representative

_____
Phone Number

_____
Signature

Syndicate Members:

_____

_____

_____

_____

Please check one of the options below regarding Good Faith Deposit:

Submit by Wire Transfer ☐

Submit by Bank Cashier's/Certified Check ☐

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of Copperas Cove, Texas, this the 16th day of November, 2010.

ATTEST:

_____
City Secretary
City of Copperas Cove, Texas

_____
Mayor
City of Copperas Cove, Texas

CERTIFICATE OF PURCHASER

The undersigned hereby certifies as follows with respect to the bid and purchase of the $6,045,000 City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010 (the "Bonds"):

1. The undersigned is the duly authorized representative of the purchaser (the "Bond Purchaser") of the Bonds from the City of Copperas Cove, Texas (the "Issuer").

2. All of the Bonds have been offered to members of the public in a bona fide initial offering. For purposes of this Bond, the term "public" does not include any bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers (including the Bond Purchaser or members of the selling group or persons that are related to, or controlled by, or are acting on behalf of or as agents for the undersigned or members of the selling group).

3. Each maturity of the Bonds was offered to the public at a price which, on the date of such offering, was reasonably expected by the Bond Purchaser to be equal to the fair market value of such maturity.

4. Other than the obligations set forth in paragraph 5 hereof (the "Retained Maturity" or "Retained Maturities"), the first price/yield at which a substantial amount (i.e., at least ten (10) percent) of the principal amount of each maturity of the Bonds was sold to the public is set forth below.

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
$ 495,000	2011	%
815,000	2012	%
165,000	2013	%
900,000	2014	%
880,000	2015	%
870,000	2016	%
850,000	2017	%
910,000	2018	%
160,000	2019	%

5. In the case of the Retained Maturities, the Bond Purchaser reasonably expected on the offering date to sell a substantial amount (i.e., at least ten (10) percent) of each Retained Maturity at the initial offering price/yield as set forth below:

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
$_____	2011	%
_____	2012	%
_____	2013	%
_____	2014	%
_____	2015	%
_____	2016	%
_____	2017	%
_____	2018	%
_____	2019	

6. Based on the foregoing, the aggregate of such issue prices for the Bonds is $_____ (the "Issue Price"), which price includes pre-issuance accrued interest in the amount of $_____.

7. Please choose the appropriate statement:

(___) The Bond Purchaser will not purchase bond insurance for the Bonds.
(___) The Bond Purchaser will purchase bond insurance from _____ (the "Insurer") for a fee/premium of $_____ (the "Fee"). The Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. The Bond Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

8. The Bond Purchaser understands that the statements made herein will be relied upon, by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, and by Bond Counsel in rendering their opinion that the interest on the Bonds is excludable from the gross income of the owners thereof.

EXECUTED and DELIVERED this _____ day of _____, 2010.

_____
(Name of Purchaser or Manager of Purchasing Syndicate)

By: _____

Title: _____

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

Dated November 3, 2010

Rating:
S&P: Applied For
(See "OTHER INFORMATION - Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$6,045,000
CITY OF COPPERAS COVE, TEXAS
(Coryell, Lampasas and Bell Counties)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010

Dated Date: November 15, 2010 **Due: August 15, as shown on the inside cover page**

PAYMENT TERMS . . . Interest on the $6,045,000 City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010 (the "Bonds"), will accrue from November 15, 2010 (the "Dated Date"), and will be payable on February 15 and August 15 of each year, commencing February 15, 2011, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE OBLIGATIONS - Book-Entry-Only System"). The initial Paying Agent/Registrar is Wells Fargo Bank, National Association, Austin, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, an ordinance adopted by the City Council of the City of Copperas Cove, Texas (the "City") adopted on November 16, 2010 authorizing the issuance of the Bonds (the "Bond Ordinance"). The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance (see "THE OBLIGATIONS – Authority for Issuance" and "THE OBLIGATIONS – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to refund certain of the City's outstanding obligations and to pay the costs of issuing the Bonds.

INSURANCE . . . The City has applied for bond insurance to insure the timely payment of the principal of and interest on the Bonds. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the initial purchaser of the Bonds (the "Bond Purchaser").

CUSIP PREFIX: 217597
MATURITY SCHEDULE
See Inside Front Cover Page

NO OPTIONAL REDEMPTION . . . The Bonds are not subject to redemption prior to their stated maturities (see "THE OBLIGATIONS – No Optional Redemption"). Additionally, the Bonds may be subject to mandatory redemption in the event the Bond Purchaser elects to aggregate one or more maturities as Term Bonds.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Bond Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Vinson & Elkins L.L.P., Bond Counsel, Austin, Texas (see APPENDIX C - "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Bonds will be available for initial delivery through DTC on December 9, 2010.

BIDS DUE ON TUESDAY, NOVEMBER 16, 2010, AT 9:30 AM, CST

CUSIP PREFIX: 217597

MATURITY SCHEDULE

8/15 Maturity	Principal Amount	Rate	Initial Yield	CUSIP Numbers[1]
2011	$ 495,000			
2012	815,000			
2013	165,000			
2014	900,000			
2015	880,000			
2016	870,000			
2017	850,000			
2018	910,000			
2019	160,000			

(Accrued Interest from November 15, 2010 to be added)

(1) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the City nor the Financial Advisor shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Copperas Cove, Texas, Limited Tax Notes, Series 2010A" (the "Notes"), under a common Official Statement, and such Bonds and Notes are hereinafter sometimes referred to collectively as the "Obligations." The Bonds and Notes are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

Dated November 3, 2010

Rating:
S&P: Applied For
(See "OTHER INFORMATION - Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$6,045,000
CITY OF COPPERAS COVE, TEXAS
(Coryell, Lampasas and Bell Counties)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010

Dated Date: November 15, 2010 **Due: August 15, as shown on the inside cover page**

PAYMENT TERMS . . . Interest on the $6,045,000 City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010 (the "Bonds"), will accrue from November 15, 2010 (the "Dated Date"), and will be payable on February 15 and August 15 of each year, commencing February 15, 2011, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE OBLIGATIONS - Book-Entry-Only System"). The initial Paying Agent/Registrar is Wells Fargo Bank, National Association, Austin, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, an ordinance adopted by the City Council of the City of Copperas Cove, Texas (the "City") adopted on November 16, 2010 authorizing the issuance of the Bonds (the "Bond Ordinance"). The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance (see "THE OBLIGATIONS – Authority for Issuance" and "THE OBLIGATIONS – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to refund certain of the City's outstanding obligations and to pay the costs of issuing the Bonds.

INSURANCE . . . The City has applied for bond insurance to insure the timely payment of the principal of and interest on the Bonds. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the initial purchaser of the Bonds (the "Bond Purchaser").

CUSIP PREFIX: 217597
MATURITY SCHEDULE
See Inside Front Cover Page

NO OPTIONAL REDEMPTION . . . The Bonds are not subject to redemption prior to their stated maturities (see "THE OBLIGATIONS – No Optional Redemption"). Additionally, the Bonds may be subject to mandatory redemption in the event the Bond Purchaser elects to aggregate one or more maturities as Term Bonds.

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DELIVERY . . . It is expected that the Bonds will be available for initial delivery through DTC on December 9, 2010.

BIDS DUE ON TUESDAY, NOVEMBER 16, 2010, AT 9:30 AM, CST

CUSIP PREFIX: 217597

MATURITY SCHEDULE

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2015	880,000			
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2017	850,000			
2018	910,000			
2019	160,000			

(Accrued Interest from November 15, 2010 to be added)

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NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON

$1,915,000
CITY OF COPPERAS COVE, TEXAS
(Coryell, Lampasas and Bell Counties)
LIMITED TAX NOTES, SERIES 2010A

Sealed Bids Due Tuesday, November 16, 2010 at 9:30 AM, CST

THE NOTES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

THE SALE

NOTES OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Copperas Cove, Texas (the "City"), is offering for sale its $1,915,000 Limited Tax Notes, Series 2010A (the "Notes").

ADDRESS OF BIDS . . . Signed sealed bids, plainly marked "Bid for Notes," should be addressed to "Mayor and City Council, City of Copperas Cove, Texas," and delivered to Garry Kimball, Specialized Public Finance Inc., 7000 North MoPac Expressway, Suite 410, Austin, Texas 78731, prior to 9:30 AM, CST, on the date of the sale. All bids must be submitted on the Official Bid Form, without alteration or interlineation.

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Bidders must submit, prior to 9:30 AM, CST, on the date of the sale, SIGNED Official Bid Forms to Garry Kimball, Specialized Public Finance Inc., 7000 North MoPac Expressway, Suite 410, Austin, Texas 78731. Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Notes on the terms provided in this Notice of Sale and Bidding Instructions, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale and Bidding Instructions shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale and Bidding Instructions shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under "Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and Bidding Instructions and the Official Bid Form.

BIDS BY TELEPHONE OR FACSIMILE . . . Bidders must submit SIGNED Official Bid Forms to Garry Kimball, Specialized Public Finance Inc., 7000 North MoPac Expressway, Suite 410, Austin, Texas 78731, and submit their bid by telephone or facsimile (fax) on the date of the sale.

Telephone bids will be accepted at (512) 275-7300, between 9:00 AM and 9:30 AM, CST.

Fax bids must be received between 9:00 AM and 9:30 AM, CST, on the date of the sale at (512) 275-7305, attention: Garry Kimball.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the above deadlines.

Specialized Public Finance Inc. assumes no responsibility or liability with respect to any irregularities associated with the submission of bids if telephone or fax options are exercised.

PLACE AND TIME OF BID OPENING . . . The bids for the Notes will be publicly opened and read in the Council Chambers of the City Hall at 7:00 PM, CST on Tuesday, November 16, 2010.

AWARD OF THE NOTES . . . The City Council will take action to award the Notes (or reject all bids) at a meeting scheduled to convene at 7:00 PM, CST, on the date of the sale, and adopt an ordinance authorizing the Notes and approving the Official Statement (the "Note Ordinance").

THE NOTES

DESCRIPTION . . . The Notes will be dated November 15, 2010 (the "Dated Date"). Interest will accrue from the Dated Date and will be due on February 15, 2011, and each August 15 and February 15 thereafter until the earlier of maturity or prior redemption. The Notes will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity. The Notes will mature on August 15 in each year as follows:

MATURITY SCHEDULE

Maturity (August 15)	Principal Amount
2011	$ 125,000
2012	25,000
2013	50,000
2014	160,000
2015	185,000
2016	600,000
2017	770,000

NO OPTIONAL REDEMPTION . . . The Notes will not be optional prior to their stated maturities.

SERIAL NOTES AND/OR TERM NOTES . . . Bidders may provide that all of the Notes be issued as serial notes or may provide that any two or more consecutive annual principal amounts be combined into one or more term notes (the "Term Notes").

If the successful bidder designates principal amounts to be combined into a Term Note, such Term Note will be subject to mandatory sinking fund redemption commencing on August 15 of the first year which has been combined to form such Term Note and continuing on August 15 in each year thereafter until the stated maturity date of the Term Note. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table under the caption "MATURITY SCHEDULE" above. Notes to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Notes then subject to such mandatory sinking fund redemption.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Notes, the Paying Agent/Registrar shall select by lot the numbers of the Term Notes within the applicable stated maturity to be redeemed on the next following August 15 from moneys set aside for that purpose in the Interest and Sinking Fund (as defined in the Note Ordinance). Any Term Note not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Notes for a stated maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Notes of like stated maturity which, at least fifty (50) days prior to the mandatory redemption date, shall have been acquired by the City at a price not exceeding the principal amount of such Term Notes plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation.

The final Official Statement will incorporate the mandatory redemption provisions for the Notes in the event the successful bidder elects to convert serial maturities into a Term Note.

AUTHORITY FOR ISSUANCE . . . The Notes are being authorized and issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1431 Texas Government Code, as amended, and the Note Ordinance (see "THE OBLIGATIONS - Authority for Issuance" in the Official Statement).

BOOK-ENTRY-ONLY SYSTEM . . . The City intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"). See "THE OBLIGATIONS - Book-Entry-Only System" in the Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be Wells Fargo Bank, National Association, Austin, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar" in the Official Statement).

SOURCE OF PAYMENT . . . The Notes constitute direct obligations of the City secured by a continuing ad valorem tax levied within the limits prescribed by law on all taxable property located within the City (see "THE OBLIGATIONS – Security and Source of Payment" in the Official Statement).

Further details regarding the Notes are set forth in the Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . The Notes will be sold in one block on an "All or None" basis, and at a price equal to their par value plus accrued interest from the Dated Date of the Notes to the date of delivery of the Notes. Bidders are invited to name the rate(s) of interest to be borne by the Notes, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2% in rate. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Notes of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered. No bid generating a cash premium greater than $5,000 will be considered.

After selecting the winning bid, the principal authorization schedule may be adjusted as determined by the City and its Financial Advisor in cooperation with the Note Purchaser in $5,000 increments to reflect the actual interest rates and to create level debt service to the City. Such adjustments will not change the principal amounts due on the Notes in any year by more than 10%. Any such adjustment will be communicated to the winning bidder within two (2) hours after the opening of the bids.

BASIS FOR AWARD . . . Subject to the City's right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Notes will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the "Note Purchaser") making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Notes on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Notes (but not interest accrued from the Dated Date to the date of their delivery). In the event of a bidder's error in interest cost rate calculations, the interest rates set forth in the Official Bid Form will be considered as the intended bid.

GOOD FAITH DEPOSIT . . . A Good Faith Deposit, payable to the "City of Taylor", in the amount of $38,300, is required. Such Good Faith Deposit shall be a wire transfer, bank cashier's check or certified check (which is to be retained uncashed by the City pending the Note Purchaser's compliance with the terms of the bid and the Notice of Sale and Bidding Instructions). The Good Faith Deposit may be provided to the City via wire transfer (the City will provide wire instructions to the winning bidder), or in the form of a certified or cashier's check. The Good Faith Deposit will be retained by the City and: (a) (i) if the purchaser utilizes a cashier's check as its Good Faith Deposit, said cashier's check will be returned to the purchaser after delivery of the Notes, (ii) if the purchaser utilizes a wire transfer method for its Good Faith Deposit, said wire transfer will be applied to the purchase price at the delivery of the Notes or (b) will be retained by the City as liquidated damages if the winning bidder defaults with respect to its purchase of the Notes in accordance with its bid or (c) will be returned to the winning bidder if the Notes are not issued by the City for any reason which does not constitute a default by the winning bidder.

DELIVERY OF THE NOTES AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Notes, but neither the failure to print or type such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Note Purchaser to accept delivery of and pay for the Notes in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. All expenses in relation to the printing or typing of CUSIP numbers on the Notes shall be paid by the City; provided, however, that the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Note Purchaser.

DELIVERY OF NOTES . . . Delivery will be accomplished by the issuance of one Initial Note either in typed or printed form, in the aggregate principal amount of $1,915,000, payable in stated installments to the Note Purchaser, signed by the Mayor and City Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Note, it shall be immediately cancelled and one definitive Note for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's book-entry-only system. Delivery will be at the principal office of the Paying Agent/Registrar. Payment for the Notes must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Note Purchaser will be given six business days' notice of the time fixed for delivery of the Notes. It is anticipated that delivery of the Notes can be made on or about December 9, 2010, and it is understood and agreed that the Note Purchaser will accept delivery and make payment for the Notes by 10:00 AM, CST, on December 9, 2010, or thereafter on the date the Notes are tendered for delivery, up to and including December 23, 2010. If for any reason the City is unable to make delivery on or before December 23, 2010, the City shall immediately contact the Note Purchaser and offer to allow the Note Purchaser to extend its offer for an additional thirty days. If the Note Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit check will be returned, and both the City and the Note Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Notes, provided such failure is due to circumstances beyond the City's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Note Purchaser to take up and pay for the Notes is subject to the Note Purchaser's receipt of (a) the legal opinion of Vinson & Elkins L.L.P., Austin, Texas, Bond Counsel for the City ("Bond Counsel") and (b) the no-litigation certificate, all as further described in the Official Statement. In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the exemption of interest on the Notes from the gross income of their owners, the Note Purchaser will be required to complete,

execute, and deliver to the City (no later than the close of business on the business day following the award of the bid) a certification as to their "issue price" substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions. In the event the successful bidder will not reoffer the Notes for sale, such certificate may be modified in a manner approved by the City. In no event will the City fail to deliver the Notes as a result of the Note Purchaser's inability to sell a substantial amount of the Notes at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate not later than the close of business on the business day following the award of the bid, if its bid is accepted by the City. It will be the responsibility of the Note Purchaser to institute such syndicate reporting requirements to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

LEGAL OPINION . . . The Notes are offered for delivery when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Notes is subject to the receipt by the Note Purchaser of an opinion of Bond Counsel, to the effect that the Notes are valid and binding obligations of the City and that the interest on the Notes will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Official Statement.

QUALIFIED TAX-EXEMPT OBLIGATIONS . . . The City will, pursuant to the Note Ordinance, designate the Notes as "qualified tax-exempt obligations." Accordingly, it is anticipated that financial institutions that purchase the Notes will not be subject to the 100 percent disallowance of interest expense allocable to interest on the Notes under section 265(b) of the Code.

However, interest expense incurred by a financial institution which is allocable to the interest on the Notes would be subject to the 20 percent disallowance of interest expense rule which is generally applicable under section 291 of the Internal Revenue Code of 1986. See discussion under the caption "TAX MATTERS - Purchase of Tax-Exempt Obligations by Financial Institutions" contained in the Official Statement.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the City to deliver the Notes and of the Note Purchaser to accept delivery of and pay for the Notes are subject to the condition that at the time of delivery of and receipt of payment for the Notes, there shall have been no material adverse change in the condition of the City from those set forth in or contemplated by the Official Statement as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Notes to the Note Purchaser, the City will deliver to the Note Purchaser a certificate, as of the same date, to the effect that to the best of the City's knowledge no litigation of any nature is pending or, to the officials' knowledge, threatened against the City, contesting or affecting the Notes; restraining or enjoining the authorization, execution, or delivery of the Notes; affecting the provision made for the payment of or security for the Notes; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Notes; or affecting the validity of the Notes or the title of the present officials of the City.

CERTIFICATION OF OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Initial Note, the City will execute and deliver to the Note Purchaser a certificate in the form set forth in the Official Statement.

GENERAL

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. Specialized Public Finance Inc. may **NOT** submit a bid for the Notes, either independently or as a member of a syndicate organized to submit a bid for the Notes. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Notes, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Note Purchaser represents that the sale of the Notes in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Note Purchaser will register the Notes in accordance with the securities law of the states in which the Notes are offered or sold. The City agrees to cooperate with the Note Purchaser, at the Note Purchaser's written request and sole expense, in registering the Notes or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to qualify as a foreign corporation or execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Notes, but is merely notice of the sale of the Notes. The offer to sell the Notes is being made by means of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Notes.

ISSUANCE OF ADDITIONAL DEBT . . . The City is issuing its $6,045,000 principal amount of general obligation bonds concurrently with the issuance of the Notes. The City does anticipate issuing additional ad valorem tax supported debt within the next six months.

RATING . . . The outstanding tax supported debt of the City is rated "AA-" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and "Aa3" by Moody's Investors Service ("Moody's"). The City also has various issues outstanding which are rated by S&P and Moody's by virtue of insurance issued by various commercial insurance companies. An application for a rating on the Notes has been made to S&P.

MUNICIPAL BOND INSURANCE . . . The City has applied for bond insurance to insure the timely payment of the principal of and interest on the Notes. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the Note Purchaser.

THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15C2-12 . . . The City has prepared the accompanying Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12, deems such Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Notes. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Official Statement.

The City will furnish to the Note Purchaser, acting through a designated senior representative, in accordance with instructions received from the Note Purchaser, within seven business days from the sale date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Notes. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Note Purchaser. The Note Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Notes.

CONTINUING DISCLOSURE AGREEMENT . . . The City will agree in the Note Ordinance to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Note Purchaser's obligation to accept and pay for the Notes is conditioned upon delivery to the Note Purchaser or its agent of a certified copy of the Note Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . . The City became obligated to file annual reports and financial statements in an offering that took place in 1998. All reports were timely filed with the applicable information repository; however the City's financial information for years' ending 2005 and 2007 were not timely filed due to administrative oversight. The financial information has since been filed as required.

The City Council has approved the form and content of this Notice of Sale and Bidding Instructions, the Official Bid Form and Official Statement, and authorized the use thereof in its initial offering of the Notes. On the date of the sale, the City Council will, in the Note Ordinance authorizing the issuance of the Notes, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Notes by the Note Purchaser.

/s/ JOHN HULL
Mayor
City of Copperas Cove, Texas

ATTEST:

/s/ JANE LEES
City Secretary
City of Copperas Cove, Texas

November 3, 2010

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OFFICIAL BID FORM

Honorable Mayor and City Council
City of Copperas Cove, Texas
507 South Main
Copperas Cove, Texas 76522

November 16, 2010

Members of the City Council:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated November 3, 2010, of $1,915,000 CITY OF COPPERAS COVE, TEXAS LIMITED TAX NOTES, SERIES 2010A, both of which constitute a part hereof.

For your legally issued Notes, as described in said Notice of Sale and Bidding Instructions and Official Statement, we will pay you a price of $_____, representing _____% of the par value, plus accrued interest from November 15, 2010 to the date of delivery to us for Notes maturing and bearing interest as follows:

Maturity (August 15)	Principal Amount	Interest Rate
2011	$ 125,000	%
2012	25,000	%
2013	50,000	%
2014	160,000	%
2015	185,000	%
2016	600,000	%
2017	770,000	%

Of the principal maturities set forth in the table above, term notes have been created as indicated in the following table (which may include multiple term notes, one term note or no term note if none is indicated). For those years which have been combined into a term note, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term note maturity date shall mature in such year. The term notes created are as follows:

Term Note Maturing August 15	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		$	%
		$	%
		$	%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST _____%

We are having the Notes of the following maturities _____ insured by _____ at a premium of $_____, **said premium to be paid by the Note Purchaser.** Any fees to be paid to the rating agencies as a result of said insurance **will be paid by the City.**

The Initial Note shall be registered in the name of _____, which will, upon payment for the Notes, be cancelled by the Paying Agent/Registrar. The Notes will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

A wire transfer or a cashiers or certified check to the City in the amount of $38,300 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Notes in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

We agree to accept delivery of the Notes utilizing the book-entry-only system through DTC and make payment for the Initial Note in immediately available funds in the Corporate Trust Division, Wells Fargo Bank, National Association, Austin, Texas, not later than 10:00 AM, CST, on December 9, 2010, or thereafter on the date the Notes are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Notes to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the City, not later than the close of business on the business day following the award of the sale of the Notes, a certificate relating to the "issue price" of the Notes in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

_____
Name of Initial Note Purchaser or Manager

_____
Authorized Representative

_____
Phone Number

_____
Signature

Syndicate Members:

_____

_____

_____

_____

Please check one of the options below regarding Good Faith Deposit:

Submit by Wire Transfer ☐

Submit by Bank Cashier's/Certified Check ☐

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of Copperas Cove, Texas, this the 16th day of November, 2010.

ATTEST:

_____
City Secretary
City of Copperas Cove, Texas

_____
Mayor
City of Copperas Cove, Texas

CERTIFICATE OF PURCHASER

The undersigned hereby certifies as follows with respect to the bid and purchase of the $1,915,000 City of Copperas Cove, Texas Limited Tax Notes, Series 2010A (the "Notes"):

1. The undersigned is the duly authorized representative of the purchaser (the "Note Purchaser") of the Notes from the City of Copperas Cove, Texas (the "Issuer").

2. All of the Notes have been offered to members of the public in a bona fide initial offering. For purposes of this Note, the term "public" does not include any bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers (including the Note Purchaser or members of the selling group or persons that are related to, or controlled by, or are acting on behalf of or as agents for the undersigned or members of the selling group).

3. Each maturity of the Notes was offered to the public at a price which, on the date of such offering, was reasonably expected by the Note Purchaser to be equal to the fair market value of such maturity.

4. Other than the obligations set forth in paragraph 5 hereof (the "Retained Maturity" or "Retained Maturities"), the first price/yield at which a substantial amount (i.e., at least ten (10) percent) of the principal amount of each maturity of the Notes was sold to the public is set forth below.

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
$ 125,000	2011	%
25,000	2012	%
50,000	2013	%
160,000	2014	%
185,000	2015	%
600,000	2016	%
770,000	2017	%

5. In the case of the Retained Maturities, the Note Purchaser reasonably expected on the offering date to sell a substantial amount (i.e., at least ten (10) percent) of each Retained Maturity at the initial offering price/yield as set forth below:

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
$	2011	%
	2012	%
	2013	%
	2014	%
	2015	%
	2016	%
	2017	%

6. Based on the foregoing, the aggregate of such issue prices for the Notes is $_____ (the "Issue Price"), which price includes pre-issuance accrued interest in the amount of $_____.

7. Please choose the appropriate statement:
(___) The Note Purchaser will not purchase bond insurance for the Notes.
(___) The Note Purchaser will purchase bond insurance from _____ (the "Insurer") for a fee/premium of $_____ (the "Fee"). The Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Notes and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. The Note Purchaser represents that the present value of the Fee for each obligation constituting the Notes to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Notes. The Fee has been paid to a person who is not exempt from federal income taxation and who is

not a user or related to the user of any proceeds of the Notes. In determining present value for this purpose, the yield of the Notes (determined with regard to the payment of the guarantee fee) has been used as the discount rate. No portion of the Fee is refundable upon redemption of any of the Notes in an amount which would exceed the portion of such Fee that has not been earned.

8. The Note Purchaser understands that the statements made herein will be relied upon, by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, and by Bond Counsel in rendering their opinion that the interest on the Notes is excludable from the gross income of the owners thereof.

EXECUTED and DELIVERED this _____ day of _____, 2010.

_____
(Name of Purchaser or Manager of Purchasing Syndicate)

By: _____

Title: _____

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

Dated November 3, 2010

Rating:
S&P: Applied For
(See "OTHER INFORMATION - Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Notes is excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein, and is not a specific preference item or included in a corporation's alternative minimum tax. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

THE NOTES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

City of Copperas Cove

$1,915,000
CITY OF COPPERAS COVE, TEXAS
(Coryell, Lampasas and Bell Counties)
LIMITED TAX NOTES, SERIES 2010A

Dated Date: November 15, 2010 **Due: August 15, as shown on the next page**

PAYMENT TERMS . . . Interest on the $1,915,000 City of Copperas Cove, Texas, Limited Tax Notes, Series 2010A (the "Notes"), will accrue from November 15, 2010 (the "Dated Date"), will be payable on February 15 and August 15 of each year commencing February 15, 2011, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Notes will be made to the beneficial owners thereof.** Principal of and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes (see "THE OBLIGATIONS - Book-Entry-Only System"). The initial Paying Agent/Registrar is Wells Fargo Bank, National Association, Austin, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Notes are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1431, Texas Government Code, as amended. The Notes constitute direct obligations of the City of Copperas Cove, Texas (the "City"), secured by a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the ordinance authorizing the issuance of the Notes (the "Note Ordinance") (see "THE OBLIGATIONS – Authority for Issuance" and "THE OBLIGATIONS – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Notes will be used for (i) water and sewer system improvements; (ii) road and street improvements within the City; and (iii) payment of the costs of issuing the Notes.

INSURANCE . . . The City has applied to several bond insurance companies to insure the timely payment of the principal of and interest on the Notes. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the initial purchaser of the Notes (the "Note Purchaser").

CUSIP PREFIX: 217597
MATURITY SCHEDULE
See Next Page

NO OPTIONAL REDEMPTION . . . The Notes are not subject to redemption prior to their stated maturities (see "THE OBLIGATIONS – No Optional Redemption"). Additionally, the Notes may be subject to mandatory redemption in the event the Note Purchaser elects to aggregate one or more maturities as Term Notes.

LEGALITY . . . The Notes are offered for delivery when, as and if issued and received by the Note Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Vinson & Elkins L.L.P., Bond Counsel, Austin, Texas (see APPENDIX C - "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Notes will be available for initial delivery through DTC on December 9, 2010.

BIDS DUE ON TUESDAY, NOVEMBER 16, 2010, AT 9:30 AM, CST

MATURITY SCHEDULE

8/15 Maturity	Principal Amount	Rate	Initial Yield	CUSIP Numbers[1]
2011	$ 125,000			
2012	25,000			
2013	50,000			
2014	160,000			
2015	185,000			
2016	600,000			
2017	770,000			

(Accrued Interest from November 15, 2010 to be added)

(1) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Notes. Neither the City nor the Financial Advisor shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

SEPARATE ISSUES . . . The Notes are being offered by the City concurrently with the "City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010" (the "Bonds"), under a common Official Statement, and such Notes and Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Notes and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

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For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes a preliminary official statement of the City with respect to the Obligations that has been "deemed final" by the City as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.

No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Obligations in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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The cover page hereof, this page, the appendices and schedule included herein and any addenda, supplement or amendment hereto, are part of the Preliminary Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Obligations to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE OBLIGATIONS

THE OBLIGATIONS..... The Bonds are issued as $6,045,000 General Obligation Refunding Bonds, Series 2010. The Bonds are issued as serial bonds maturing on August 15 in the years 2011 through and including 2019, unless the Bond Purchaser designates one or more maturities as Term Bonds.

The Notes are issued as $1,915,000 Limited Tax Notes, Series 2010A. The Notes are issued as serial Notes maturing on August 15 in the years 2011 through and including 2017, unless the Note Purchaser designates one or more maturities as Term Notes (see "THE OBLIGATIONS – Description of the Obligations").

The Bonds and the Notes are collectively referred to as the "Obligations."

PAYMENT OF INTEREST..... Interest on the Obligations accrues from November 15, 2010, and is payable on February 15, 2011, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS – Description of the Obligations").

AUTHORITY FOR ISSUANCE..... The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance adopted by the City Council of the City on November 16, 2010 (the "Bond Ordinance"). The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance authorizing the issuance of the Bonds.

The Notes are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1431, Texas Government Code, as amended, and an ordinance passed by the City Council (the "Note Ordinance," and together with the Bond Ordinance, the "Ordinances") (see "THE OBLIGATIONS – Authority for Issuance").

SECURITY..... The Obligations constitute direct obligations of the City of Copperas Cove, Texas (the "City"), payable from the levy and collection of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinances.

NO OPTIONAL REDEMPTION..... Neither the Bonds nor the Notes are subject to optional redemption prior to their stated maturities (see "THE OBLIGATIONS – No Optional Redemption").

TAX EXEMPTION..... In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

In the opinion of Bond Counsel, under existing law interest on the Notes is excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein, and is not a specific preference item or included in a corporation's adjusted current earnings for purposes of the alternative minimum tax. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

QUALIFIED TAX-EXEMPT OBLIGATIONS..... The City expects to designate the Obligations as "qualified tax-exempt obligations" for financial institutions (see "TAX MATTERS – Purchase of Tax-Exempt Obligations by Financial Institutions").

USE OF PROCEEDS..... Proceeds from the sale of the Bonds will be used to refund certain of the City's outstanding obligations as described in "SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS" (the "Refunded Obligations") and to pay the costs of issuing the Bonds.

Proceeds from the sale of the Notes will be used for (i) water and sewer system improvements; (ii) road and street improvements within the City; and (iii) payment of the costs of issuing the Notes.

GENERAL

THE CITY ..... The City of Copperas Cove, Texas (the "City"), is a political subdivision and municipal corporation located in Coryell, Lampasas and Bell Counties operating under the laws of the State and its home-rule charter approved by the voters in 1979. The City operates under the council/manager form of government in which the Mayor and seven Councilmembers are elected for staggered three-year terms. Policy making and supervisory functions are the responsibility of, and are vested in, the City Council. The Council delegates the responsibility of daily operations of the City to the City Manager who is the chief executive of the City.

The City is approximately 17.1 square miles in area (see "INTRODUCTION – Description of the City").

RATING ..... The outstanding tax supported debt of the City is rated "AA-" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and "Aa3" by Moody's Investors Service ("Moody's"). The City also has various issues outstanding which are rated by S&P and Moody's by virtue of insurance issued by various commercial insurance companies. An application for a rating on the Obligations has been made to S&P (see "OTHER INFORMATION – Rating").

BOOK-ENTRY-ONLY SYSTEM ..... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS – Book-Entry-Only System").

PAYMENT RECORD ..... The City has never defaulted in the payment of its tax-supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Ratio Funded Debt to Taxable Assessed Valuation	% of Total Tax Collections
2007	30,944	$ 919,785,031	$ 29,724	$ 46,790,000	$ 1,512	5.09%	99.02%
2008	30,944	1,035,057,214	33,449	44,465,000	1,437	4.30%	99.19%
2009	31,732	1,106,910,237	34,883	48,940,000	1,542	4.42%	99.30%
2010	31,732	1,101,717,562	34,719	54,445,000	1,716	4.94%	98.80%
2011	31,732 [3]	1,149,921,957	36,239	53,590,000 [4]	1,689 [4]	4.66% [4]	N/A

(1) Source: The City.
(2) Valuations shown are certified taxable assessed values reported by the Coryell County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(3) Population estimate for 2011 is unavailable, 2010 population used.
(4) Includes the Obligations and self-supporting debt; does not include the Refunded Obligations.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires
John Hull Mayor	June 2012
Frank Seffrood Mayor Pro Tem	May 2011
Cheryl Meredith Councilmember	June 2012
Charlie Youngs Councilmember	June 2012
Gary Kent Councilmember	June 2013
Danny Palmer Councilmember	June 2013
Kenn Smith Councilmember	June 2013
Jim Schmitz Councilmember	May 2011

CITY OFFICIALS

Name	Position
Andrea Gardner	City Manager
Jane Lees	City Secretary

CONSULTANTS AND ADVISORS

Auditors ..... Pattillo, Brown & Hill, L.L.P.
Waco, Texas

Bond Counsel ..... Vinson & Elkins L.L.P.
Austin, Texas

Financial Advisor ..... Specialized Public Finance Inc.
Austin, Texas

For additional information regarding the City, please contact:

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City Manager
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(254) 547-4221
(254) 547-4301 Fax

or

Garry Kimball
Managing Director
Specialized Public Finance Inc.
7000 North MoPac Expressway
Suite 410
Austin, Texas 78731
(512) 275-7300
(512) 275-7305 Fax

OFFICIAL STATEMENT
RELATING TO

$6,045,000
CITY OF COPPERAS COVE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010

$1,915,000
CITY OF COPPERAS COVE, TEXAS
LIMITED TAX NOTES, SERIES 2010A

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $6,045,000 City of Copperas Cove, Texas, General Obligation Refunding Bonds, Series 2010 (the "Bonds") and the $1,915,000 City of Copperas Cove, Texas, Limited Tax Notes, Series 2010A (the "Notes"). The Bonds and the Notes are collectively referred to herein as the "Obligations". The Obligations are being issued pursuant to two separate ordinances approved by the City Council on November 16, 2010. The ordinance authorizing the issuance of the Bonds (the "Bond Ordinance") and the ordinance authorizing the issuance of the Notes (the "Note Ordinance") are collectively referred to herein as the "Ordinances." Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective Ordinances, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc., Austin, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Obligations will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City of Copperas Cove, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State") located in Coryell, Lampasas and Bell Counties, duly organized and existing under the laws of the State and the City's Home Rule Charter. The City first adopted its Home Rule Charter in 1979. The City operates under the council/manager form of government with a City Council compromised of the Mayor and seven Councilmembers. The term of office is three years with the terms of Mayor and the Councilmembers expiring annually in staggered succession. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police, EMS and fire protection), highways and streets, water and sanitary sewer utilities, library, public improvements, planning and zoning, and general administrative services. The City has estimated that its 2010 population is 31,732. The City covers approximately 17.1 square miles. For more information regarding the City, see APPENDIX A – "General Information Regarding the City".

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to refund certain of the City's outstanding obligations, as more particularly described in "SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS" (the "Refunded Obligations") and to pay the costs of issuing the Bonds.

Proceeds from the sale of the Notes will be used for (i) water and sewer system improvements; (ii) road and street improvements within the City; and (iii) payment of the costs of issuing the Notes.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds and Notes will be applied approximately as follows:

	The Bonds	The Notes
Sources:		
Principal		
Accrued Interest		
Total Sources		
Uses:		
Deposit to Escrow Fund		
Deposit to Project Fund		
Deposit to Debt Service Fund		
Costs of Issuance		
Total Uses		

REFUNDED OBLIGATIONS . . . The principal of and interest due on the Refunded Obligations are to be paid on their scheduled interest payment dates, maturity date and respective redemption dates from cash and the proceeds of direct obligations of the United States of America (the "Escrow Securities") to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, Dallas, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, together with other funds of the City, if any, the City will deposit with the Escrow Agent cash and Escrow Securities in amounts necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective maturity date and redemption dates. Grant Thornton LLP, independent certified public accountants, will verify that the cash and Escrow Securities in the Escrow Fund will mature and pay interest at the times and in the amounts that will be sufficient to pay principal of and interest on the Refunded Obligations as the same became due (see "OTHER INFORMATION – Verification of Arithmetical Computations"). Such funds and Escrow Securities will be held by the Escrow Agent in a special escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. **The money and investments on deposit in the Escrow Fund will not be available to pay the Bonds.**

By the deposit of such funds and Escrow Securities with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all the Refunded Obligations in accordance with applicable law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance on the report of Grant Thornton LLP, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the cash and investments held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated November 15, 2010 (the "Dated Date") and mature on August 15 in each of the years and in the amounts shown on pages 2 and 4 hereof. Interest on the Obligations will accrue from the Dated Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2011 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and the general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and the Bond Ordinance.

The Notes are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1431, Texas Government Code, as amended, and the Note Ordinance passed by the City Council.

SECURITY AND SOURCE OF PAYMENT . . . The Obligations constitute direct obligations of the City secured by a continuing direct ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, at a rate sufficient to provide for the payment of principal and interest on the Obligations.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities to $2.50 per $100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all tax-supported debt service calculated at the time of issuance based on 90% tax collections.

NO OPTIONAL REDEMPTION . . . **The Obligations are not subject to redemption prior to their stated maturities.**

DEFEASANCE . . . The Ordinances provide that the Obligations may be defeased, refunded and discharged in any manner permitted by applicable law.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Obligations are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this

Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act initially as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and the Notes, in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and online dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those

Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Obligations are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered in accordance with the Ordinances. In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Financial Advisor.

Paying Agent/Registrar . . . The initial Paying Agent/Registrar is Wells Fargo Bank, National Association, Austin, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid. Any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration . . . In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "THE OBLIGATIONS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

OBLIGATIONHOLDERS' REMEDIES . . . The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinances, the Ordinances provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the Obligationholders upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, Obligationholders may not be able to bring such a suit against the City for breach of the Obligation or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

BOND INSURANCE . . . The City has applied for bond insurance to insure the timely payment of the principal of and interest on the Obligations. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the respective Bond Purchaser and Note Purchaser.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Coryell County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the appraised value of the property for the preceding tax year, (b) the appraised value of the property for the preceding tax year and (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of eleven members appointed by the Board of Directors of the Appraisal District.

The Appraisal District is required to review the value of property with the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Texas Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) an exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000 depending upon the degree of disability or whether the exemption is applicable to a surviving spouse or children.

Under Article VIII, Section 1-b(h) and State law, a city at its option may provide a prohibition on increasing the total ad valorem tax, except for increases attributable to certain improvements, on the residence homestead of a disabled person or person 65 years of age or older above the amount of tax imposed in the later of (1) the year such residence qualified for an exemption based on the disability or age of the owner or (2) the year the city chooses to establish the tax limitation. The above-referenced tax limitation is transferable to (1) a different residence homestead within the city and (2) to a surviving spouse so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. On the receipt of a petition signed by five percent of the registered voters of the City, the City shall call an election to determine by majority vote whether to establish such a tax limitation. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax limitation may not be repealed or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and Section 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a Freeport exemption or a goods-in-transit exemption for items of personal property.

Article VIII, Section 1-I, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

The City may create one or more tax increment financing zones within the City ("TIRZ"), under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. Other overlapping taxing units levying taxes in the TIRZ may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIRZ in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIRZ. Taxes levied by the City against the values of real property in the TIRZ in excess of the "frozen" value are not available for general City use but are restricted to paying or financing "project costs" within the TIRZ. The City also may enter into tax abatement agreements to encourage economic development. Under such tax abatement agreements, a property owner agrees to construct certain

improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. A tax abatement agreement could last for a period of up to 10 years.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public fund for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year. Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 15 of each year and the final installment due on August 15.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur the penalty as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, up to 20% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any

petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $12,000.

The City has not granted an additional exemption of up to 20% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the Coryell County Tax Assessor-Collector collects taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City has taken action to tax freeport property.

The City does collect a one-half cent sales tax for economic development.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2010/11 Market Valuation Established by Coryell and Lampasas Counties Appraisal Districts (excluding totally exempt property and exempt agricultural use value)		$ 1,297,170,903
Less Exemptions/Reductions		147,248,946
2010/11 Taxable Assessed Valuation		$ 1,149,921,957
Debt Payable from Ad Valorem Taxes (as of 9/30/10)[1]		
General Obligation Debt	$ 48,900,000 [2]	
The Bonds	6,045,000	
The Notes	1,915,000	
Debt Payable from Ad Valorem Taxes		$ 56,860,000
Less: Self-Supporting Debt[1]		32,482,260
Net Debt Payable from Ad Valorem Taxes		$ 24,377,740
Interest and Sinking Fund (as of 8/31/10)		$ 1,338,386
Ratio Net Tax Supported Debt to Taxable Assessed Valuation		2.12%

2010 Estimated Population - 31,732
Per Capita Taxable Assessed Valuation - $36,239
Per Capita Net Debt Payable from Ad Valorem Taxes - $768

(1) Any transfer of system revenues for the payment of general obligation debt is discretionary. The self-supporting debt figure only includes those bond issues which are actually paid from Waterworks and Sewer System, Drainage Utility System, Solid Waste System, Golf Course and Hotel Occupancy revenues. To the extent such discretionary payments are not made, such debt would be paid from ad valorem taxes.
(2) Excludes the Refunded Obligations.

TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End Of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2007	30,944	$ 919,785,031	$ 29,724	$ 46,790,000	5.09%	1,512
2008	30,944	1,035,057,214	33,449	44,465,000	4.30%	1,437
2009	31,732	1,106,910,237	34,883	48,940,000	4.42%	1,542
2010	31,732	1,101,717,562	34,719	54,445,000	4.94%	1,716
2011	31,732 [3]	1,149,921,957	36,239	53,590,000 [4]	4.66% [4]	1,689

(1) Source: The City.
(2) Valuations shown are certified taxable assessed values reported by the Coryell County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(3) Population estimate for 2011 is unavailable, 2010 population used.
(4) Includes the Obligations and self-supporting debt; excludes the Refunded Obligations.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2007	$ 0.7400	$ 0.6070	$ 0.1330	$ 6,806,409	98.00%	99.02%
2008	0.7400	0.5980	0.1420	7,659,423	98.60%	99.19%
2009	0.7400	0.6071	0.1329	8,427,999	97.00%	99.30%
2010	0.7600	0.5997	0.1603	8,373,053	98.80%	98.80%
2011	0.7600	0.5997	0.1603	N/A	N/A	N/A

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2010/11 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Wal-Mart Real Estate	$ 11,500,000	1.00%
Oncor Electric Delivery Co.	9,519,340	0.83%
Wal-Mart Properties Stores East	8,443,870	0.73%
Cinergy Cinemas LP	7,402,570	0.64%
Cove Terrace Associates I Ltd.	7,000,000	0.61%
Colonial Plaza Partnership	5,870,950	0.51%
TWE-ADV/Newhouse Partnership	5,634,530	0.49%
H.E. Butt Grocery Co.	4,913,210	0.43%
Central Telephone Co. of Texas	4,890,220	0.43%
Crosstowne Ltd.	4,415,230	0.38%
	$ 69,589,920	6.05%

GENERAL BOND DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE OBLIGATIONS - Tax Rate Limitation").

TABLE 5 – ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	Total G.O. Tax Debt	Estimated % Applicable	City's Overlapping G.O. Tax Debt as of 9/30/10
City of Copperas Cove	$ 22,377,740 (1)	100.00%	$ 22,377,740 (1)
Copperas Cove ISD	38,653,682	81.76%	31,603,250
Coryell County	-	37.33%	-
Lampasas County	7,125,000	2.36%	168,150
Lampasas ISD	47,630,000	17.89%	8,521,007
Total Direct and Overlapping Net Funded Debt			$ 62,670,147
Ratio of Direct and Overlapping Net Funded Debt to Taxable Assessed Valuation			5.45%
Per Capita Direct and Overlapping Net Funded Debt			$ 1,974.98

(1) Includes the Obligations and includes the self-supporting debt; excludes the Refunded Obligations.

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DEBT INFORMATION

TABLE 6 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Total Outstanding Debt	The Bonds[1]			The Notes[2]			Less: Self-Supported Debt Service	Total Tax-Supported Debt Service
		Principal	Interest	Total	Principal	Interest	Total		
2011	$ 5,183,705	$ 495,000	$ 96,994	$ 591,994	$ 125,000	$ 34,500	$ 159,500	$ 3,663,556	$ 2,271,643
2012	5,189,384	815,000	119,425	934,425	25,000	43,500	68,500	3,928,742	2,263,567
2013	5,743,754	165,000	103,125	268,125	50,000	43,000	93,000	3,746,912	2,357,967
2014	5,092,594	900,000	99,825	999,825	160,000	42,000	202,000	3,744,719	2,549,700
2015	4,853,570	880,000	81,825	961,825	185,000	38,800	223,800	3,464,305	2,574,890
2016	7,109,801	870,000	64,225	934,225	600,000	35,100	635,100	6,090,987	2,588,139
2017	3,102,921	850,000	46,825	896,825	770,000	23,100	793,100	2,315,776	2,477,070
2018	3,032,510	910,000	29,825	939,825	-	-	-	2,367,025	1,605,310
2019	3,571,390	160,000	4,800	164,800	-	-	-	2,280,996	1,455,194
2020	3,454,368	-	-	-	-	-	-	1,973,049	1,481,319
2021	3,420,762	-	-	-	-	-	-	1,953,616	1,467,146
2022	2,758,325	-	-	-	-	-	-	1,429,788	1,328,537
2023	2,681,459	-	-	-	-	-	-	1,375,107	1,306,352
2024	1,359,022	-	-	-	-	-	-	444,665	914,357
2025	1,363,429	-	-	-	-	-	-	451,824	911,605
2026	1,141,051	-	-	-	-	-	-	223,238	917,813
2027	1,140,021	-	-	-	-	-	-	227,438	912,583
2028	657,550	-	-	-	-	-	-	226,238	431,312
2029	667,550	-	-	-	-	-	-	229,838	437,712
2030	665,663	-	-	-	-	-	-	227,613	438,050
2031	667,348	-	-	-	-	-	-	230,175	437,173
2032	672,925	-	-	-	-	-	-	232,313	440,612
2033	666,644	-	-	-	-	-	-	234,025	432,619
2034	668,725	-	-	-	-	-	-	234,800	433,925
2035	334,400	-	-	-	-	-	-	235,125	99,275
	$ 65,198,871	$ 6,045,000	$ 646,869	$ 6,691,869	$ 1,915,000	$ 260,000	$ 2,175,000	$ 41,531,870	$ 32,533,870

(1) Interest on the Bonds calculated at a True Interest Cost of 2.23% for purposes of illustration. Preliminary, subject to change.
(2) Interest on the Notes calculated at a True Interest Cost of 2.50% for purposes of illustration. Preliminary, subject to change.

TABLE 7 – INTEREST AND SINKING FUND BUDGET PROJECTION

Estimated Debt Service Requirements, Fiscal Year Ending 9-30-11		$ 2,271,643 (1)
Interest and Sinking Fund, 9-30-10	$ 1,339,217	
Interest and Sinking Fund Tax Levy at 98% Collection	1,806,458	3,145,675
Estimated Balance, 9-30-11		$ 874,032

(1) Net of self-supporting debt service.

TABLE 8 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Streets	11/04/2008	$ 8,025,000	$ 1,070,000	$ 0	$ 5,530,000
Water & Sewer	11/04/2008	5,125,000	0	0	1,865,000
Total		$ 13,150,000	$ 1,070,000	$ 0	$ 7,395,000

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . After the issuance of the Bonds and Notes, the City does anticipate the issuance of additional tax-supported debt within the next six months.

OTHER OBLIGATIONS . . . The City has no unfunded obligations as of November 15, 2010.

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B - "Excerpts from the City's Annual Financial Report".)

OTHER POST-EMPLOYMENT BENEFITS . . . In addition to the contributions made to TMRS, the City provides other post-employment benefits to its retirees and dependents. For more detailed information, see Note C in APPENDIX B – Excerpts from the City's Annual Financial Report".

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FINANCIAL INFORMATION

TABLE 9 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2009	2008	2007	2006	2005
Revenues:					
Taxes	$ 10,651,961	$ 9,978,042	$ 9,106,880	$ 8,500,837	$ 7,654,530
Licenses	51,347	38,848	39,784	49,830	47,858
Permits	143,658	181,354	178,795	216,373	181,123
City Services Provided	892,749	887,895	747,192	736,547	574,041
Fines	868,420	753,080	761,074	657,147	683,799
Interest	43,019	166,942	253,593	199,280	105,695
Miscellaneous	313,686	260,382	264,388	175,863	173,020
Intergovernmental	22,513	39,226	103,226	165,967	314,466
Contributions	-	1,405,516	368,295	4,240	-
Total Revenues	$ 12,987,353	$ 13,711,285	$ 11,823,227	$ 10,706,084	$ 9,734,532
Expenditures:					
General Government	$ 2,432,167	$ 2,049,143	$ 1,749,763	$ 1,811,443	$ 1,841,329
Community Services	1,597,105	1,460,503	1,402,104	1,295,281	1,176,729
Fleet and Facility Services	347,946	400,647	376,342	361,661	341,005
Highway and Streets	542,810	596,775	545,509	556,902	488,492
Public Safety	8,141,642	7,869,801	7,247,564	6,760,706	6,284,241
Capital Outlay	412,655	2,328,563	993,164	2,116,289	544,773
Debt Service	177,729	-	-	-	-
Total Expenditures	$ 13,652,054	$ 14,705,432	$ 12,314,446	$ 12,902,282	$ 10,676,569
Excess (Deficiency) of Revenues Over Expenditures	$ (664,701)	$ (994,147)	$ (491,219)	$ (2,196,198)	$ (942,037)
Budgeted Transfers In	$ 1,250,500	$ 1,417,312	$ 1,201,644	$ 2,514,981	$ 1,366,286
Budgeted Transfers Out	(122,070)	(217,594)	(88,298)	(87,920)	(84,335)
Total Transfers	$ 1,128,430	$ 1,199,718	$ 1,113,346	$ 2,427,061	$ 1,281,951
Net Increase (Decrease)	$ 463,729	$ 205,571	$ 622,127	$ 230,863	$ 339,914
Beginning Fund Balance	4,742,603 (1)	3,986,337	3,364,210	3,133,347	2,793,433
Ending Fund Balance	$ 5,206,332	$ 4,191,908	$ 3,986,337	$ 3,364,210	$ 3,133,347

Source: City's audited financial statements.
(1) Restated.

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TABLE 10 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1.0% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, which remits the proceeds of the tax after deduction of a 2% service fee to the City monthly.

Fiscal Year Ended 9/30	Total Collected[1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2006	$ 2,122,243	35.0%	$ 0.2713	$ 68.58
2007	2,275,752	33.0%	0.2442	73.54
2008	2,582,748	34.0%	0.2516	83.47
2009	2,309,693	27.0%	0.2087	72.79
2010[2]	2,418,651	N/A	N/A	N/A

(1) Excludes amounts collected for economic development.
(2) Partial collections as of September 30, 2010.

THE SYSTEM

WATERWORKS SYSTEM

The City owns and operates its water distribution and supply systems and purchases its water supply from the Bell County WC&ID #1. The water supply is received in ground storage tanks located throughout the system on hilltops which surround the City, which function as elevated tanks because of the static head differential with the developed areas of the City. The City's waterworks system is comprised of 11 storage/pump facilities with a present combined permitted capacity of 13.5 MGD. The system consists of approximately 225 miles of water mains.

TABLE 11 - WATER RATES (EFFECTIVE OCTOBER 1, 2010)

Inside the City Limits:

Meter Size	Monthly Flow Minimum Fee	Rate/1,000 gal
3/4" meter	$ 11.00	$ 2.98
1" meter	$ 15.50	$ 3.24
1½" meter	$ 23.00	$ 3.62
2" meter	$ 34.00	$ 3.78
3" meter	$ 90.00	$ 3.78
4" meter	$ 141.00	$ 3.78
6" meter	$ 239.00	$ 3.78
Contractor	$ 11.00	$ 4.62
Bulk	$ 11.00	$ 4.62

Outside the City Limits:

3/4" meter	$ 16.00
1" meter	$ 22.00
1½" meter	$ 34.00
2" meter	$ 50.00
3" meter	$ 120.00
4" meter	$ 200.00
6" meter	$ 350.00

TABLE 12 – TOP TEN WATER CUSTOMERS

Customer	Gallons Billed
Central Texas College	51,756,900
Topsey Water District	24,303,200
Copperas Cove ISD/High School	17,498,900
Cedar Grove Mobile Home Park	11,650,000
Willow Creek Apartments	8,032,400
Clear Creek Meadows Apartments	7,859,800
Copperas Cove ISD/High School	5,314,900
Mickey's Grocery	4,618,700
Hill Country Rehab & Nursing	4,078,000
Five Hills Apartments	3,893,000
	139,005,800

WASTEWATER SYSTEM

The City currently owns and operates three wastewater treatment facilities with a present combined permitted capacity of 9.0 MGD. The system consists of approximately 375 miles of collection lines with 16 lift stations.

Storm water is collected in an entirely separate gravity fed storm sewer system and is completely segregated from the wastewater system. The storm sewer system is operated and maintained by the City's Department of Public Works.

Maintenance and inspection of the City's wastewater system is accomplished by maintenance personnel employed by the City's Wastewater Treatment Department.

TABLE 13 - MONTHLY SEWER RATES (AS OF OCTOBER 1, 2010)

Sewer minimum rate (all customers)	$ 11.00
Rate per 1,000 Gallons of Water	$ 3.60
6" Sewer Tap	$750.00
Sewer Tap larger than 6" 6" tap fee + additional time and materials	

TABLE 14 – TOP TEN SEWER CUSTOMERS

Customer	Gallons Billed
Cedar Grove Mobile Home Park	11,650,000
Willow Creek Apartments	8,032,400
Housing Authority	6,799,800
Mickey's Grocery	4,619,000
Hill Country Rehab & Norsing	4,078,000
Five Hills Apartments	3,893,000
Clear Creek Meadows Apartments	3,706,200
Wells Laundry	3,413,700
Windcrest Nursing Home	3,191,700
Cactus Inn & Suites	2,575,100
	51,958,900

TABLE 15 – WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Years Ended September 30,				
	2009	2008	2007	2006	2005
Revenues:					
Waterworks and Sewer System	$ 8,531,284	$ 8,669,048	$ 8,152,305	$ 7,853,281	$ 7,254,279
Miscellaneous	251,087	232,599	373,794	182,533	214,303
Total	$ 8,782,371	$ 8,901,647	$ 8,526,099	$ 8,035,814	$ 7,468,582
Expenses:					
Waterworks and Sewer System[1]	$ 5,814,507	$ 5,659,695	$ 4,824,370	$ 4,622,498	$ 4,023,862
Net Available for Debt Service	$ 2,967,864	$ 3,241,952	$ 3,701,729	$ 3,413,316	$ 3,444,720
Water Customers	11,937	11,966	12,472	11,195	10,801
Sewer Customers	10,929	10,947	9,813	9,813	9,813

(1) Excludes depreciation expense.

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INVESTMENTS

The City invests its investable funds in investments authorized by State law in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under current State law, the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (9) securities lending programs if (i) the securities loaned under the program are collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City and held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with the Securities and Exchange Commission that have a dollar-weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of no less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. The City is required to designate one or more officers or employees as investment officers to be responsible for the investment of its funds. In the administration of the duties of an investment officer, the person so designated shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of the person's own affairs. Unless authorized by law, a person may not deposit, withdraw, or manage in any other manner the funds of the City.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report for the period. The report must: (1) describe the investment position of the City, (2) be prepared jointly and signed by each investment officer, (3) contain a summary statement prepared in compliance with generally accepted accounting principles of each pooled fund group that states: the beginning market value, any additions and changes to market value and the ending value for the period and fully accrued interest for the reporting period, (4) state the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) state the maturity date of each separately invested asset, (6) state the account or pooled fund group for which each individual investment was acquired, and (7) state the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. If the City invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers shall be reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer, and other investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and prohibit the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service, and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

The City's current investment policy is in compliance with the State law requirements described above.

TABLE 16 – CURRENT INVESTMENTS

As of June 30, 2010, the City's investable funds were invested in the following categories:

Description	Purchase Price	Percent
TexPool	$ 18,320,625	80.99%
TexSTAR	3,513,473	15.53%
Other Funds	787,980	3.48%
TOTAL	$ 22,622,078	100.00%

The market value of the investment portfolio was approximately 100% of its purchase price.

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TAX MATTERS

TAX EXEMPTION . . . In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations. In the opinion of Vinson & Elkins L.L.P., Bond Counsel, under existing law (i) interest on the Notes is excludable from gross income for federal income tax purposes under existing law and (ii) interest on the Notes is not (a) a specific preference item subject to the alternative minimum tax on individuals and corporations, or (b) included in a corporation's adjusted current earnings for purposes of the alternative minimum tax..

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Obligations, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Obligations for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Bond Purchaser and the Note Purchaser with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Bond Purchaser and the Note Purchaser, respectively, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Obligations could become includable in gross income from the date of delivery of the Obligations, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of, interest on, or disposition of the Obligations.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." However, interest on tax-exempt bonds issued in 2009 and 2010 for new money projects or to refund tax-exempt bonds originally issued anytime between 2004 through 2008, inclusive, is not includable in the "adjusted current earnings" of a corporation for purposes of computing its alternative minimum tax liability. Therefore, interest on the Notes is not includable in the adjusted current earnings of a corporation for purposes of computing its alternative minimum tax liability, but interest on the Bonds is so included and, as such, could subject a corporation investing in the Bonds to alternative minimum tax consequences.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of result and is not binding on the Service; rather, such opinion represents Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinion. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local bonds is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Obligations. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations regardless of the ultimate outcome of the audit.

PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides a limited exception for a limited amount of new money tax-exempt obligation holdings if such obligations were issued in 2009 and 2010. Section 265(b) of the Code also provides an exception for financial institutions for tax-exempt obligations that are properly designated by an issuer as "qualified tax-exempt obligations."

The Obligations will be designated as "qualified tax-exempt obligations" based, in part, on the Issuer's representation that the amount of the Obligations when added to the amount of all other tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) issued is not expected to exceed $30,000,000. Further, the Issuer and entities aggregated with the Issuer under the Code have not designated more than $30,000,000 in "qualified tax-exempt obligations" (including the Obligations) during 2009.

Notwithstanding the designation of the Obligations as "qualified tax-exempt obligations" under this exception, financial institutions acquiring the Obligations will be subject to a 20% disallowance of allocable interest expense.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax exempt interest such as interest on the Obligations. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Obligations should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Obligations, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM . . . The issue price of all or a portion of the Obligations may exceed the stated redemption price payable at maturity of such Obligations. Such Obligations (the "Premium Obligations") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Obligation in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Obligation in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Obligation by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of premium on a Premium Obligation that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Obligation) is determined using the yield to maturity on the Premium Obligation based on the initial offering price of such Obligation.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Obligations that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Obligations should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Obligation and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Obligation.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT OBLIGATIONS . . . The issue price of all or a portion of the Obligations may be less than the stated redemption price payable at maturity of such Obligations (the "Original Issue Discount Obligations"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation constitutes original issue discount with respect to such Original Issue Discount Obligation in the hands of any owner who has purchased such Original Issue Discount Obligation in the initial public offering of the Obligations. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Obligation continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Obligations under the captions "- Tax Exemption" and "- Additional Federal Income Tax Considerations - Collateral Tax Consequences" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Obligation was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Bond Purchaser and the Note Purchaser have purchased the Obligations for contemporaneous sale to the public and (ii) all of the Original Issue Discount Obligations have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the Issuer nor Obligation Counsel has made any investigation or offers any comfort that the Original Issue Discount Obligations will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Obligation accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Obligations and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Obligation for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and

properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Obligation.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Obligations that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Obligations should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreements for so long as it remains obligated to advance funds to pay the Obligations. Under the agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). Beginning July 1, 2009, this information is available free of charge from the MSRB via the Electronic Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 4 and 6 through 16 and in APPENDIX B. The City will update and provide this information within 6 months after the end of each fiscal year ending in and after 2009.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

MATERIAL EVENT NOTICES . . . The City shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after the occurrence of the event: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Owners, if material; (viii) bond calls, if material and tender offers; (ix) defeasance; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the District.

The District shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the foregoing provisions by the time required therein.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its

usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City became obligated to file annual reports and financial statements with the state information depository ("SID") and each nationally recognized municipal securities information repository ("NRMSIR") in an offering that took place in 1998. All reports were filed with the SID and each NRMSIR; however, the City's information for fiscal years' ending 2005 and 2007 were not timely filed due to administrative oversight financial statements were filed late. The financial information has since been filed, as well as a notice of late filing. The City and its financial advisor have implemented procedures to ensure timely filing of all financial information.

OTHER INFORMATION

RATING . . . The outstanding tax supported debt of the City is rated "AA-" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and "Aa3" by Moody's Investors Service ("Moody's"). The City also has various issues outstanding which are rated by S&P and Moody's by virtue of insurance issued by various commercial insurance companies. An application for a rating on the Obligations has been made to S&P. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Obligations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE . . . The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL MATTERS

LEGAL OPINIONS . . . Issuance of the Obligations is subject to the approving legal opinions of the Attorney General of Texas to the effect that the Initial Bond and Initial Note are valid and binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits provided by law, upon all taxable property within the City. Issuance of the Obligations is also subject to the legal opinion of Vinson & Elkins L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Obligations, to the effect that the Obligations are valid and binding obligations of the City payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described above under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Obligations. In connection with the issuance of the Obligations, Bond Counsel has been engaged by, and only represents, the City. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Ordinances. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations are based upon a percentage of Obligations actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Obligations.

The various legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO-LITIGATION CERTIFICATE . . . The City will furnish to the respective Bond Purchaser or Note Purchaser a certificate, dated as of the date of delivery of the Obligations, executed by both the Mayor and City Secretary, to the effect that no litigation of any nature has been filed or, to their knowledge, is then pending or threatened, either in state or federal courts, contesting or attacking the Obligations; restraining or enjoining the issuance, execution or delivery of the Obligations; affecting the provisions made for the payment of or security for the Obligations; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Obligations; or affecting the validity of the Obligations.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the respective Bond Purchaser or Note Purchaser to take and pay for the Obligations, and of the City to deliver the Obligations, are subject to the condition that, up to the time of delivery of and receipt of payment for the Obligations, there shall have been no material adverse change in the condition (financial or otherwise) of the City from that set forth or contemplated in the Official Statement.

VERIFICATION OF ARITHMETICAL COMPUTATIONS . . . The arithmetical accuracy of certain computations included in the schedules provided by Specialized Public Finance Inc., on behalf of the City relating to (a) computation of the sufficiency of the anticipated receipts from the Federal Securities, together with the initial cash deposit, if any, to pay, when due, the principal, interest and redemption price of the Refunded Obligations, and (b) computation of the yields on Federal Securities and the Bonds were verified by Grant Thornton LLP, Minneapolis, Minnesota ("Grant Thornton"). Such computations were completed using certain assumptions and information provided by Specialized Public Finance Inc., on behalf of the City. Grant Thornton has restricted its procedures to recalculating the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based, and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. The report of Grant Thornton will be relied upon by Bond Counsel in rendering its opinion with respect to the excludability from federal income taxation of the interest on the Bonds.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

INITIAL PURCHASERS . . . After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the "Bond Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of par. The Bond Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Bond Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Bond Purchaser.

After requesting competitive bids for the Notes, the City accepted the bid of _____ (the "Note Purchaser") to purchase the Notes at the interest rates shown on page 4 of the Official Statement at a price of par. The Note Purchaser can give no assurance that any trading market will be developed for the Notes after their sale by the City to the Note Purchaser. The City has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Note Purchaser.

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Reference is made to original documents in all respects. The Ordinances authorizing the issuance of the Obligations will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the respective Bond or Note Purchaser.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Obligations, the respective Bond or Note Purchaser will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in the final Official Statement, and any addenda, supplement or amendment thereto, for the Obligations, on the date of such final Official Statement, on the date of sale of said Obligations and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such final Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such final Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2009, the date of the last financial statements of the City appearing in the final Official Statement as APPENDIX B.

Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the City delivers the Obligations to the respective Bond or Note Purchaser at closing, unless extended by such Bond or Note Purchaser. All information with respect to the resale of the Obligations subsequent to the "end of the underwriting period" is the responsibility of the respective Bond or Note Purchaser.

This Official Statement has been approved by the City Council of the City for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

_____
Mayor
City of Copperas Cove, Texas

ATTEST:

_____
City Secretary
City of Copperas Cove, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

General Obligation Refunding
and Improvement Bonds, Series 1998

Amount	Maturity	Coupon
$ 335,000	8/15/2011	4.45%
320,000	8/15/2012	4.50%
85,000	8/15/2013	4.50%
$ 740,000		

Redemption Date: 1/13/2011
Redemption Price: 100%

Combination Tax and Revenue
Certificates of Obligation, Series 2001

Amount	Maturity	Coupon
$ 400,000	8/15/2012	4.625%

Redemption Date: 8/15/2011
Redemption Price: 100%

Combination Tax and Revenue
Certificates of Obligation, Series 2003

Amount	Maturity	Coupon
$ 380,000	8/15/2014	4.50%
820,000	8/15/2015	4.50%
830,000	8/15/2016	5.00%
835,000	8/15/2017	4.60%
915,000	8/15/2018	4.625%
185,000	8/15/2019	4.875%
$ 3,965,000		

Redemption Date: 8/15/2012
Redemption Price: 100%

General Obligation Refunding Bonds, Series 2003A

Amount	Maturity	Coupon
$ 440,000	8/15/2014	4.50%

Redemption Date: 8/15/2012
Redemption Price: 100%

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY . . . The City of Copperas Cove is a residential city that has experienced rapid growth and benefited economically from its proximity to Fort Hood, the largest United States military base. The City's 2001 census was 29,592, an increase of 22.8% from 1990. The City estimates the current population to be approximately 31,782. Many of Fort Hood's military and civilian personnel reside in the City. The City's economy is primarily service-oriented, tied closely to the operations at Fort Hood. The City is also located on the main east-west line of the Santa Fe Railroad. Small scale manufacturers produce window blinds, industrial electronics, cabinets, van windows and concrete.

COUNTY CHARACTERISTICS . . . Coryell and Lampasas Counties were created in 1854 from Bell County. The central Texas county of Coryell was named after local pioneer, James Coryell, and is a part of the Killeen-Temple metropolitan statistical area. The Texas Almanac designates livestock, grains, hay and pecans as principal sources of agricultural income.

The City of Gatesville is the county seat and has a population of 16,500. Other towns within Coryell and Lampasas Counties include Lampasas and Gatesville. The economy is diversified by agribusiness, military business, boat and trailer manufacturing, canvas products, clothing and plastic medical products. Fort Hood, home of the 2nd Armored Division, the 1st Calvary Division, 13th Corps Support Command (COSCOM), 3rd Signal Brigade, 4th Calvary Brigade (Aviation), 44th Air Defense Artillery Brigade, 89th Military Police Brigade, 504th Military Intelligence Brigade, 1st Training Support Battalion-291st Aviation, 3rd Personnel Group, 13th Finance Group and other units, covers 335 square miles in Bell and Coryell Counties.

LABOR MARKET PROFILE

Coryell County	August 2010	August 2009
Total Civilian Labor Force	25,363	24,521
Total Unemployment	2,391	2,184
Percent Unemployed	9.4%	8.9%
Total Employment	22,972	22,340

State of Texas	August 2010	August 2009
Total Civilian Labor Force	12,190,876	11,996,356
Total Unemployment	1,021,742	974,702
Percent Unemployed	8.4%	8.1%
Total Employment	11,169,134	11,021,654

Source: Texas Employment Commission, Austin, Texas

MAJOR AREA EMPLOYERS

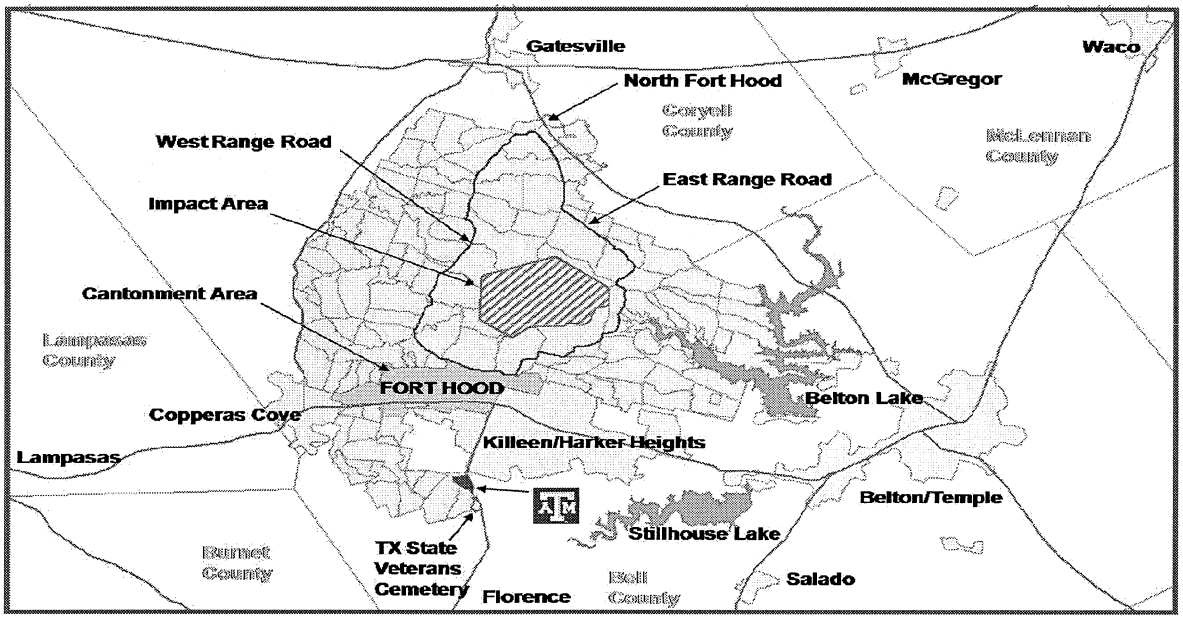
Name	# of Employees
Fort Hood-Military	44,000
Fort Hood-Civilian	17,098
Central Texas College	1,798
Copperas Cove ISD	1,300
GC Services	1,200
Metroplex Hospital	1,000
Wal-Mart	400
City of Copperas Cove	303
HEB Grocery	145
Windcrest Nursing Home	101

CURRENT DEVELOPMENTS . . . Development within the City includes the House Creek North Phase III development consisting of 320 lots, Summers Place development located on Summers Road adjoining the south side of House Creek North with 64 lots, Skyline Flats single family development along west Big Divide south of Grimes Crossing with 300 lots and the single family development of Walker Place Phase 7, Section 2 located off west US 190 and consisting of 115 lots. The City also created a Tax Increment Reinvestment Zone (TIRZ), which is planned to include approximately 470 single family homes, 20 acres of multi-family, and commercial development along US 190.

The largest transportation project in Copperas Cove, referred to as the Reliever Route, continues to move forward. The current project cost estimate is slightly over $52 million. Contracts and payment for the right-of-way acquisition process were executed with the Texas Department of Transportation in February 2006 as required for the FM 2657 Widening Project which will serve as an access entrance to the Reliever Route from US Highway 190 on the west side of the City. The current funding availability for construction has been moved up from the year 2015 to 2010. An application to the Texas Department of Transportation for Pass-Through Financing is currently being prepared for the project with funding targeted for late 2010.

MILITARY FACILITIES – FORT HOOD

GENERAL . . . Fort Hood is the Army's premier armored force installation and strategic power projection platform. In 2001, Fort Hood was authorized 41,000 Soldiers. Since the inception of the Global War on Terrorism, Fort Hood has increased and maintained a current assigned strength of over 49,000 Soldiers – with a peak in assigned troop strength of 55,800 Soldiers in March 2008. One out of every 10 active duty Soldiers in the Army is assigned to Fort Hood. Located 60 miles north of Austin and 50 miles south of Waco, the fort occupies 335 square miles (almost 215,000 acres) of Bell and Coryell Counties. There are more than 136,000 acres of maneuver area on post with 62,605 acres identified for live fire impact. With 2 airfields and 6 Air Strips, Fort Hood has more than 770 miles of paved roads and 471 miles of tank trails. There are currently 7,238 active buildings on post with more than 33.14 million square feet of floor space.



Supported Population – approximately 425,000

- Post Population - ***95,000***:
  - Military, On Post Family Members, Civilian Employees, Contractors, Other Employees.
- Off Post Family Members – ***89,933***
- Retirees, Survivors & Family Members is ***246,000***

ECONOMIC IMPACT . . . Seven surrounding cities (with a regional population of 335,000) are partnered with and provide substantial quality of life support to Fort Hood. Almost 98 percent of the 49,000-plus Soldiers assigned – and their family members – live within 10 miles of the installation. These Soldiers are complemented by more than 18,850 civilian employees at the Central Texas post, making Fort Hood the largest single site employer in the state and directly inserting nearly $6 billion annually into the Texas economy. As of 2008, the direct economic impact of Fort Hood on the Texas economy was $4.4 billion dollars, with a total statewide impact of $10.8 billion dollars.

Mission of III Corps and Fort Hood

Prepare Soldiers and Units for Combat and Take Care of Soldiers, Families, and Civilians at the "Great Place"

Since 2005, Fort Hood has deployed 135,738 Soldiers in support of Operation Iraqi Freedom (OIF) & Operation Enduring Freedom (OEF).

Tactical Units Assigned to Fort Hood

III Corps Headquarters
1st Cavalry Division
13th Sustainment Command (E)
3rd Armored Cavalry Regiment
15th Sustainment Brigade
4th Sustainment Brigade
1st Medical Brigade
41st Fires Brigade
36th Engineer Brigade
89th MP Brigade
504th Battlefield Surveillance BDE
13th Finance Management Center
4th Combat Aviation Brigade

Tenant Units Assigned to Fort Hood

1st Army Division West Headquarters
Operational Test Command
U.S. Army Garrison Ft Hood
MEDCOM
407th AFSB & CTSF
57th SIG BN (E)/62nd SIG BN (E)
69th Air Defense Artillery BDE
120th TSB
15th MI BN
21st CAV BDE
48th Chemical BDE
11th CID BN
166th AVN BDE

Reserve Component (RC) Mobilization . . . Fort Hood is one of the Army's six Enduring Mobilization Training Centers (EMTC) for Army National Guard and Army Reserve. It serves as the home of First Army Division West Headquarters and three of its Training Support Brigades. North Fort Hood serves as Fort Hood's principal location for all Reserve Component post-mobilization training. The primary mission sets trained at Fort Hood in support of overseas contingency operations are: aviation operations, transportation operations, and Division and Brigade level Command and Control operations. The Directorate of Plans, Training, Mobilization, and Security (DPTMS) has overall responsibility for mobilization on Fort Hood. The Mobilization Division of DPTMS manages the execution of installation support with the Hood Mobilization Brigade providing Command and Administrative Control of mobilizing units. Since October 2001, 44,676 Soldiers have mobilized through Fort Hood with over 15,000 soldiers being from Texas.

The ability of Fort Hood to sustain this extremely high volume of mobilized Soldiers is due in large part to newly expanded facilities on the north side of Post. North Fort Hood provides facilities and resources which support an overall capacity of 2,636 mobilizing troops. Facilities and services which support both mobilization and non-mobilization training at NFH include; billeting, dining facilities, troop medical services, vehicle maintenance, supply and services support, fuel operations, airfield (2) support, Fitness Center, and many other critical support services.

Capacity Utilization . . . The Army has consistently recognized the unique ability of Fort Hood and Central Texas to house, support and sustain 50,000 Soldiers and their Families in whatever formations today's and tomorrow's forces will find themselves. The Government Accounting Office (GAO) also supports the Army's contention that on a per capita basis, Soldier training at Fort Hood continues to be more economically accomplished than at any other major Army installation. Fort Hood is fully capable to support current and future Army, joint and combined force mission requirements.

- The post's largest single on-post training segment is called the Western Maneuver Area (WMA) which stretches 20 miles from north to south and from the western boundary of the installation eastward to the live fire impact area. The WMA easily accommodates a full-up, modern, digitally equipped heavy battalion task force exercising in multiple scenarios over several weeks at a time.
- Direct access to Lake Belton provides training in all phases of water obstacle and river crossing operations, from small unit to division level.
- The Army's largest Battle Command Training Center is located at Fort Hood.
- The largest combat aviation training area in the free world, comprised of 15,900 square miles, begins on Fort Hood and continues west from Bell and Coryell Counties to Runnels and Tom Green Counties. This allows U.S. and allied military helicopter crews to train in a realistic environment that affords the distances and depths required in combat aviation operations.

Community Partnerships . . . Fort Hood's ability to preserve its world-class training capability requires fostering productive partnerships with our surrounding communities that address the preservation of Economic, Environmental, and Land Initiatives within surrounding communities. The Central Texas Sustainable Communities Partnership, a regional alliance for the long term sustainability of our Central Texas Community, was started at the Earth Fest celebration in April 2009. This alliance has direct involvement by the cities of Killeen, Harker Heights, Copperas Cove, and Gatesville, with Fort Hood as the 5th partner. The primary purpose of this partnership is to foster long term sustained economic growth, improve quality of life for the region, and improve the environmental quality of the region. Since 1998, assisted by The Nature Conservancy, the Texas Parks and Wildlife Department, Texas Agrilife Research (Institute for Renewable Natural Resources), and the State of Texas Fort Hood has made substantial progress in restoring the state's populations of the Black Capped Vireo and the Golden Cheeked Warbler after both faced extinction. Fort Hood has identified 800 sites with possible sensitive cultural ties to early Native Americans or western settlers who occupied the area prior to the 1942 founding of Fort Hood. The installation is working with the Texas State Historical Preservation Office under the Alternative Procedures Program to identify the sites which are historically significant. In late 2008, Fort Hood partnered with Gatesville to begin the collection and treatment of sanitary sewage from the ever-growing North Fort Hood cantonment area, replacing a very old and labor-intensive lagoon system that had been operated by the Installation for many years.

CAPITAL INVESTMENT . . . The Army has consistently demonstrated its commitment to long term infrastructure improvements at Fort Hood. These include new or renovated barracks, state of the art command and control facilities, the 21st century Krueger Soldier Development & Education Center, the one-stop Copeland Soldier Service Center, an aggressive range modernization program and modern installation support facilities.

Ft. Hood Capital Investment	
2006	$60M
2007	$79M
2008	$182M
2009	$1.044B
2010	$43M

HEALTH INFRASTRUCTURE . . . Fort Hood's Carl R. Darnall Army Medical Center (CRDAMC) is a teaching hospital affiliated with Scott & White Memorial Hospital, the Dept. of Veterans Affairs (VA) Central Texas Health Care System in Temple, and with Texas A&M University Health Science Center College of Medicine in Bryan-College Station. CRDAMC has residency programs in Emergency Medicine and Family Practice, and combined graduate medical programs in obstetrics and gynecology, pediatrics and medicine with Wilford Hall Air Force and Brooke Army Medical Centers in San Antonio. Darnall serves more than 172,000 military beneficiaries in a 40 mile radius of Fort Hood.

The Fort Hood leadership, in conjunction with federal assistance, is moving forward this year with the construction of a new Carl R. Darnall Army Medical Center on Fort Hood with an estimated cost of 1 billion dollars. There is no question the need exists. CRDAMC lacks specialists to provide comprehensive care and refers patients to local civilian hospitals for advanced diagnostics and healthcare. Recent and future projects to expand medical services to our military community include:

- Construction of a Traumatic Brain Injury Center
- A 46,000 Square foot Women's Health Clinic Addition
- Renovation of three Dental Clinics
- Construction of West and North Fort Hood Primary Care Clinics
- Intensive Outpatient Addiction Treatment Facility

MCA CONSTRUCTION . . . Military Construction Army (MCA) is the primary funding program to reduce large square foot deficits while improving facility conditions. Fort Hood has nine MCA projects for a total of $161M under construction, and 12 projects for a total of $1.13B under design that will reduce our deficits in the critical facilities by 1.15M square feet, or approximately 22 percent. These projects are scheduled for completion between Fiscal Year 2010 and Fiscal Year 2017. Fort Hood currently has 6 Child Development Centers, one Youth Center, and one Kids On Site Center scheduled to be constructed between FY10 and FY13. Fort Hood is scheduled to activate two Thermal High Altitude Aerial Defense (THAAD) Battery's in FY13 and FY14. Additionally, one Unmanned Aerial System (UAS) Company is scheduled to activate in FY11 and a second anticipated in FY13.

WARRIORS IN TRANSITION . . . Fort Hood's Warriors in Transition Unit (WTU) provides Soldiers and their families with a receptive, hassle-free and supportive environment where they can focus on their primary mission of healing. To further enhance the investment in infrastructure for the personnel assigned to the unit, Fort Hood has begun construction of a 320-person barracks facility, a Soldier and Family Assistance Center, and two administrative buildings. Ft. Hood is pursuing the construction of a Warrior Transition Brigade Physical Fitness Center, which will provide a more private and conducive atmosphere for the warriors faced with physical challenges, and a WTU Dining Facility, to provide the Soldiers with a closer, more centralized location for meals. The total cost for the Physical Fitness Center is estimated at $12.6 million, and $17.5 million for the WTU Dining Facility. Both are unfunded for the current year.

ARMY FAMILY COVENANT (AFC) . . . The Fort Hood leadership is committed to providing Soldiers and their families a strong and supportive environment where they can thrive. These efforts include:

- AFC has injected over $3.622 million to increase Soldier and Family Services
- Increased Army Community Services Staff by 41 people
- Discounting full/part day child care fees by 20%
- Provide "Free" registration to all Child, Youth and School Services eligible youth
- Implementing the Survivor Outreach Services program which provides support services to survivors of loved ones who have died while on Active Duty.

SOLDIER AND FAMILY HOUSING . . . Fort Hood has 96 barracks that house approximately 14,880 Soldiers and 6,408 family quarters that house about 30 percent of the active duty population. The family quarters are managed through Actus Lend Lease, the Residential Community Initiative (RCI) housing partner. Under this program more than 4,500 sets of quarters have been renovated and 1,186 new units have been built with 212 (eventually 232) built with new "green" energy efficient materials. The RCI Partnership has provided the absolute highest quality of housing for our Soldiers and their families on post with a noticeable difference in quality of maintenance compared to previously worn and outdated housing provided by Army Installations. Fort Hood understands the community impact of On Post housing, and is committed to keeping our volume the same to avoid any negative economic impacts to the local housing market.

PRIVATIZATION OF ARMY LODGING (PAL) . . . PAL, an Army-wide program, was established as a means of revitalizing on-post transient housing facilities. The program is a natural extension of the success achieved in the privatization of Family housing

through the Residential Communities Initiative (RCI). Fort Hood's partners for PAL are Actus Lend Lease and the InterContinental Hotels Group. The Keith L. Ware Hall transient lodging facility is currently being renovated to Holiday Inn Express standards and will be completed within the year. One 139-room Candlewood Suites hotel will be built on Fort Hood at Battalion Ave. and 37th Street during Phase II, years 6-8 following the 15 August 2009 closing. This public/private initiative will provide a significant improvement in quality and service and a unique "off-post" atmosphere to these buildings.

SECOND RUNWAY . . . A second runway at Robert Gray Army Air Field (RGAAF) – as part of the Killeen Fort Hood Regional Airport (KFHRA) Master Plan – would provide safety and redundancy, additional opportunities for airfield operations, and facilitate future joint training and basing options for military personnel to train airfield operations. It would also significantly enhance commercial aviation capabilities for the airport. KFHRA currently receives 42 flights daily and manifested more than 200,000 passengers last year. The 1st step to developing the 2nd runway would be the construction of the 4,000 ft. Assault Landing Strip (ALS) on West Fort Hood that has been approved by the City of Killeen 2nd Runway Task Force to be built using Army troop construction personnel. After the ALS is finished, construction will move forward on the completion of a second runway at RGAAF that would support civilian and military commercial airliners. Both projects have a total estimated cost of $230 million that is unfunded.

TEXAS A&M UNIVERSITY-CENTRAL TEXAS . . . Fort Hood and Texas A&M share the vision to establish an upper level college on 672 acres of Fort Hood land that has transferred to the Texas A&M University System (TAMUS). TAMUS is establishing a stand-alone university named Texas A&M University-Central Texas-and will reimburse Fort Hood for the cost of the land by providing classroom space as in-kind consideration. By establishing Texas A&M-CT, Soldiers and Family Members will be able to earn their academic degrees from a nationally recognized university offering programs tailored to the local population needs. In-state tuition rates would apply to Soldiers and Family Members, even when the sponsor leaves the state. In May 2009 the Texas Legislature authorized the Texas A&M University System to issue Tuition Revenue Bonds (TRB) for up to $25M to begin construction of a Central Texas campus.

TEXAS HIGHWAYS & BYWAYS . . . State officials have been extremely gracious and patient in the funding of our major roadway projects. These projects have strengthened the strategic projection capability of forces from Fort Hood to and through Gulf Coast seaports. The Texas Department of Transportation (TXDOT) has embarked on a $161.7 million dollar initiative to widen Highway 195 from Fort Hood to Georgetown. Scheduled for completion by 2020, this expansion will provide an uninterrupted four lane divided highway from Fort Hood to IH-35 and on to the ports. The State of Texas also committed more than $39.1 million in local highway infrastructure construction, which has nominally improved regional mobility by improving traffic flow on and off-post. The money has funded projects such as: Hwy. 195 extension and Access Control Point was completed December 2009, Tank Destroyer Rd. improvements from Clarke Rd. to FM 116, Hwy. 190 dedicated military vehicle overpass to be completed Fall of 2010, Hwy. 201 & Mohawk Ave. intersection improvements to be completed Fall of 2010. Even with these enormous improvements our largest problem is now congestion at the intersection of our main entrance and Hwy 190. Traffic continues to be Fort Hood's largest issue in terms of effect on quality of life, safety, and community relations.

INDEPENDENT SCHOOL DISTRICTS (ISDS) . . . On post, Fort Hood has 9 schools: 2 middle schools and 7 elementary with a total enrollment of almost 5,916 students and a total operating budget of more than $37 million. DFMWR coordinates the Adopt-A-School (AAS) program through the Child, Youth & School (CYS) Services, School Liaison Office (SLO). AAS contributes military resources and services to schools in order to nurture the intellectual, emotional, social, and physical growth of children in the greater Fort Hood area, to increase public awareness of the Army's mission and to foster good relations. AAS's focus is on providing Soldier resources to teach, coach, mentor, and inspire students.

INSTALLATION NEEDS . . . Fort Hood is especially grateful for the cooperation, support, and influence the community, state, regional and federal partners have given to address our infrastructure and expansion shortfalls. Our success as the premier deployment platform for the Army is in large part due to the capabilities that our training lands, infrastructure, and personnel offer Soldiers that are training to fight overseas. That capability can be directly linked to our monetary augmentation and political support of programs by state and federal legislative assistance. The Future of Fort Hood is constantly being molded by the requirements that we are presented with as a leading training installation in the Army. Because of the growth and expansion of our infrastructure to support these future requirements our Garrison has developed a deliberate process to rank potential projects that would improve our capabilities. This process is the Installation Planning Board, and takes into consideration the opinions of our Soldiers, commanders, Soldier's families, the community, and our immediate needs as an installation. A list of projects is developed according to how money should be allocated in an order of merit. This will provide everyone on post a look into how we see our infrastructure projects developing, and a clear picture of how outside funding sources can be applied using an analytical approach. This planning process allows us to gain a strategic perspective into how we want to develop our infrastructure and improve the installation. Through this process we have also identified potential issues that need the attention once more of our state and federal partners to bring to fruition. The following initiatives are where Fort Hood sees an opportunity for state and federal agencies to influence our installation and the community for the better:

CONGESTION ON HWY. 190 (MAIN GATE TO FM 2410) . . . Solving this one issue would immediately improve the lives of hundreds of thousands in our surrounding area. In early 2010, over 80 percent of assigned Soldiers were physically at Fort Hood for the first time since the Global War on Terrorism began. Expansion and repaving of roads into Copperas Cove were completed during 2009, but funding has not been approved to address the largest congestion issue from the Fort Hood main gate east to FM 2410 (where traffic counts exceed 90,000 per day.). Any citizen in the area can tell you that the congestion is "big city" and our civilians, military, and families waste millions of hours waiting in unnecessary lines of traffic due to unnecessary congestion.

The traffic volume at Fort Hood has surpassed the capacity of our local roadways and is a serious issue for our regions quality of life, safety, and workforce utilization.

TEXAS A&M CENTRAL TEXAS . . . The influence of a major university would no doubt change the dynamics of our local economy and workforce. The university would bring jobs, students, opportunities for higher education, research and development opportunities in the defense and health care/bioscience clusters, and revenue to Fort Hood and the Community. The university's construction has recently broken ground, and the plans are moving forward. This monumental addition to our area and a unique opportunity to raise the education level in our surrounding communities carries large financial and political hurdles. Supporting this project is the right thing to do to enhance quality of life, improve the workforce, and generate needed dollars.

CENTEX SUSTAINABILITY PARTNERSHIP . . . This partnership is the newest advancement in a regional alliance aimed at improving our local areas economic and environmental progress. Five local cities and Fort Hood have teamed up to improve the Quality of Life, implement better environmental practices, and develop a sustainable regional community. All participants realize the symbiotic relationship necessary to properly support the future growth our community will experience. This regional partnership is in its infancy and conducted its first major step in solidifying a useful entity by holding a Centex Sustainability Conference in Jan 2010 with participation by local governments, community citizens, and sustainability experts. Any monetary and legislative help that could be offered from state or federal agencies could act as a catalyst to create a Regional agency that could have some serious influence on the improvement in our local area.

CONCLUSION . . . Fort Hood will remain a model Army installation, with outstanding infrastructure, ranges and power projection capabilities. On a per capita basis, Soldier training is accomplished more economically at Fort Hood than at any other Army installation. The Army has consistently recognized the unique ability of Fort Hood and Central Texas to house, support and sustain upwards of 50,000 Soldiers and their families in whatever formations today's and tomorrow's forces might find themselves. Lastly, we would like to thank our state and federal political leaders who fight to preserve our Soldiers world class training capabilities at Fort Hood.

APPENDIX B

EXCERPTS FROM THE
CITY OF COPPERAS COVE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

The information contained in this APPENDIX consists of excerpts from the City of Copperas Cove, Texas Annual Financial Report for the Year Ended September 30, 2009, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information

PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of City Council
City of Copperas Cove, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Copperas Cove, Texas, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Copperas Cove, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Copperas Cove, Texas, as of September 30, 2009, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2010, on our consideration of the City of Copperas Cove, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 55 through 56, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Copperas Cove, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pattillo, Brown & Hill, L.L.P.

March 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Copperas Cove

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Copperas Cove, Texas, we offer readers of the City of Copperas Cove's financial statements this narrative overview and analysis of the financial activities of the City of Copperas Cove, Texas for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report as well as the City's financial statements beginning on page 15 and the accompanying notes to the financial statements.

Financial Highlights

- The total net assets of the City of Copperas Cove increased to $53.1 million from the prior years $50.6 million, an increase of 5.0 percent.

- As of September 30, 2009, the City of Copperas Cove's governmental funds reported combined ending fund balances of $13.1 million, a decrease of $1.4 million in comparison with prior year.

- At September 30, 2009, unreserved fund balance for the General Fund was $5.0 million, or 36.5 percent of total General Fund expenditures. The unreserved fund balance includes $1 million that has been designated for contingencies. Compared to prior year, unreserved fund balance increased 35.5 percent. The unreserved and undesignated fund balance was $4.0 million, or 29.2 percent of total General Fund expenditures.

Overview of the Financial Statements

The City has implemented the Governmental Accounting Standards Board (GASB) Statement 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (the new model) with the financial statements for the year ended September 30, 2003. The new model contains a number of changes to the requirements for governmental reporting. The major changes are as follows:

- Government-wide reporting – while governments have traditionally focused reporting on groupings of funds (i.e. General Fund, Special Revenue Funds, Capital Project Funds, etc.), the new model also contains financial statements on a government-wide basis.

- Fund financial statements – the new model maintains governmental and proprietary fund financial statements, but the focus is on major funds within each fund type.

- New focus for governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resource measurement focus and accrual basis of accounting. The traditional current financial resources focus and modified accrual basis of accounting are maintained for the governmental fund financial statements in the new model.

- Infrastructure reporting – the new model requires governments to report the value of infrastructure assets of governmental activities (roads, bridges, storm drainage systems, parks, etc.). The City completed implementation of this requirement in the

FY 2006-07 year end close process. The City has recorded infrastructure in the appropriate funds as it was built or donated over the years.

- Changes in budgetary reporting – the new model requires the display of both the original adopted budget and the amended budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds, although they may be presented for other funds as additional information. The City does not have any major special revenue funds.

- Required narrative analysis – the new model requires that the financial statements be accompanied by narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide Financial Statements
The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other indicators, including non-financial indicators like the City's property tax base and condition of infrastructure, should be considered.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The statement of activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, community services, fleet and facility maintenance, highways and streets, and public safety. The business-type activities of the City include water and sewer, solid waste and a golf course.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements
Also presented are the traditional fund financial statements for governmental funds and proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Copperas Cove, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, 2007 Capital Improvement Certificates of Obligation Fund, and the 2009 Capital Improvement General Obligation Fund since they are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for the General Fund. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with the budget. The budgetary comparison schedules can be found on pages 55, and 69-84.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds – Proprietary funds are used to account for business-type activities of the City. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The City maintains one type of proprietary fund. Proprietary funds are used for activities that primarily serve customers outside the governmental unit for which fees are charged. The City has three enterprise funds: Water and Sewer Fund, Solid Waste Fund and Golf Course Fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Notes to the financial statements – The notes to the financial statements 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 can be found on pages 26-54 of this report.

Other information – The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required

supplementary information. Combining statements can be found on pages 58-68 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis illustrate the financial position and changes to the financial position for the City as a whole as of and for the year ended September 30, 2009.

Net Assets

The following table reflects the Condensed Statement of Net Assets as of September 30, 2009.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 15,884,806	$ 18,726,820	$ 10,313,303	$ 11,323,706	$ 26,198,109	$ 30,050,526
Capital assets	33,322,474	23,419,849	48,177,204	45,530,047	81,499,678	68,949,896
Total Assets	49,207,280	42,146,669	58,490,507	56,853,753	107,697,787	99,000,422
Other liabilities	1,929,572	2,880,280	1,972,867	3,782,776	3,902,439	6,663,056
Long-term liabilities	22,814,412	16,064,848	27,893,272	25,701,451	50,707,684	41,766,299
Total Liabilities	24,743,984	18,945,128	29,866,139	29,484,227	54,610,123	48,429,355
Net assets:						
Invested in capital assets net of related debt	11,374,872	15,403,434	25,553,411	23,052,050	36,928,283	38,455,484
Restricted	5,812,263	709,379	1,075,085	901,595	6,887,348	1,610,974
Unrestricted	7,276,161	7,088,728	1,995,872	3,415,881	9,272,033	10,504,609
Total Net Assets	**$ 24,463,296**	**$ 23,201,541**	**$ 28,624,368**	**$ 27,369,526**	**$ 53,087,664**	**$ 50,571,067**

The City's combined net assets were $53.1 million as of September 30, 2009. Of the $53.1 million, $24.5 million was in the governmental activities and $28.6 million was in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of $2.5 million or 5.0 percent. The increase includes increases in governmental and business-type capital assets.

Net Assets consist of three components, investment in capital assets net of related debt, restricted net assets and unrestricted net assets. The first and largest portion of net assets ($36.9 million or 69.5 percent) reflects the City's investment in capital assets, less any related debt used to acquire or construct the assets that are still outstanding. Compared to last year, the City's investment in capital assets net of related debt decreased $1.5 million or 4.0 percent. The City uses the capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second portion consists of restricted net assets totaled in at $6.9 million at September 30, 2009 or 13.0 percent of overall total net assets. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets increased $5.3 million or 327.5 percent compared to September 30, 2008.

The third portion consists of unrestricted net assets totaled $9.3 million or 17.5 percent of total net assets. Unrestricted net assets may be used to meet the City's ongoing obligation to citizens and creditors. Unrestricted net assets decreased $1.2 million or 11.7 percent compared to September 30, 2008.

Changes in Net Assets. The City's total revenues for the fiscal year ended September 30, 2009 were $29.3 million. Total revenues decreased when compared to the prior year by $4.4 million or 13.0 percent. The City's total cost of all programs and services increased from the prior year's $27.4 million to $28.2 million, an increase of 3.0 percent. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2009.

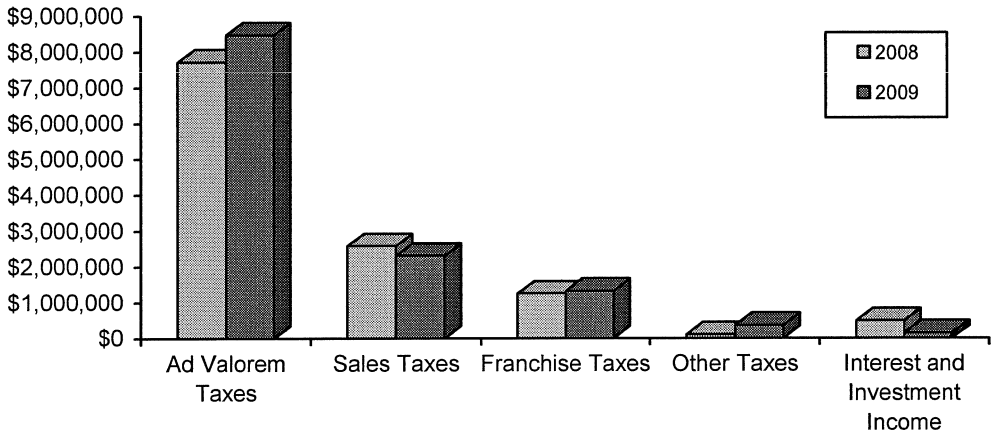
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services	$ 3,197,611	$ 4,730,596	$ 12,304,707	$ 12,599,838	$ 15,502,318	$ 17,330,434
Operating Grants and contributions	299,511	821,392	-	-	299,511	821,392
Capital Grants and contributions	507,970	1,805,607	-	1,345,220	507,970	3,150,827
General Revenues:						
Ad valorem taxes	8,468,730	7,717,778	-	-	8,468,730	7,717,778
Franchise taxes	1,321,777	1,246,655	-	-	1,321,777	1,246,655
Sales taxes	2,309,693	2,582,748	-	-	2,309,693	2,582,748
Other taxes	362,779	103,775	-	-	362,779	103,775
Miscellaneous	344,326	-	-	-	344,326	-
Interest and investment income	143,829	489,974	60,154	260,206	203,983	750,180
Total Revenues	$ 16,956,226	$ 19,498,525	$ 12,364,861	$ 14,205,264	$ 29,321,087	$ 33,703,789
Expenses:						
General Government	$ 3,034,581	$ 2,175,856	$ -	$ -	$ 3,034,581	$ 2,175,856
Community services	2,289,134	2,344,074	-	-	2,289,134	2,344,074
Fleet and Facility Maintenance	354,495	414,669	-	-	354,495	414,669
Highways and Streets	1,178,405	1,598,678	-	-	1,178,405	1,598,678
Public Safety	9,165,778	8,893,527	-	-	9,165,778	8,893,527
Interest on Long-term debt	765,655	679,576	-	-	765,655	679,576
Water and Sewer	-	-	8,380,368	8,095,813	8,380,368	8,095,813
Solid Waste	-	-	2,329,168	2,435,324	2,329,168	2,435,324
Golf Course	-	-	741,818	789,415	741,818	789,415
Total Expenses	16,788,048	16,106,380	11,451,354	11,320,552	28,239,402	27,426,932
Increase (decrease) in net assets before transfers	168,178	3,392,145	913,507	2,884,712	1,081,685	6,276,857
Transfers	1,049,271	1,065,087	(1,049,271)	(1,065,087)	-	-
Increase in net assets after transfers	1,217,449	4,457,232	(135,764)	1,819,625	1,081,685	6,276,857
Prior Period Adjustment	-	-	-	-	-	-
Net Assets - October 1	23,245,847	18,744,309	28,760,132	25,549,901	52,005,979	44,294,210
Net Assets - September 30	$ 24,463,296	$ 23,201,541	$ 28,624,368	$ 27,369,526	$ 53,087,664	$ 50,571,067

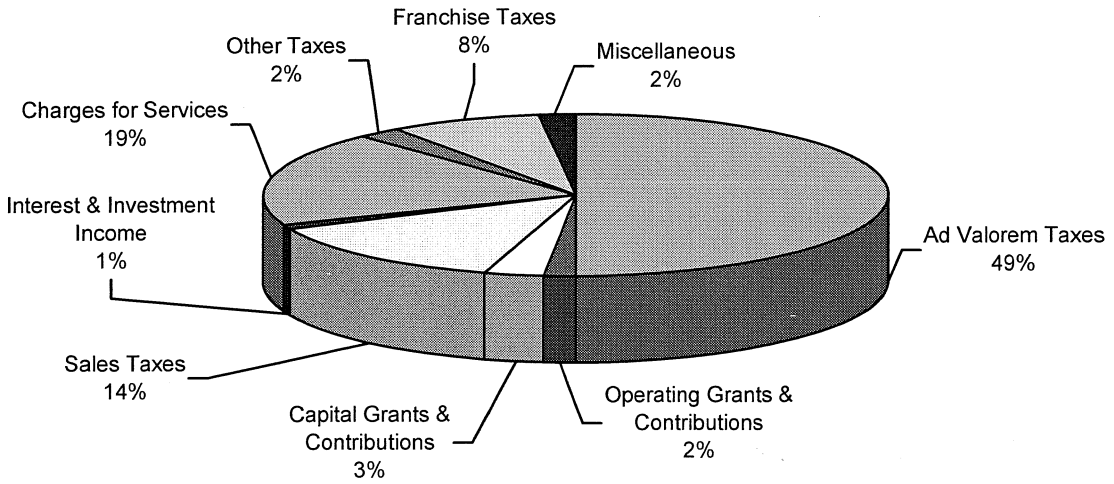
Program Revenues – Governmental Activities

Governmental Activities' revenues such as ad valorem, sales and franchise taxes are not shown by program, but are effectively used to support program activities citywide. Charges for services reflected the largest decrease when compared to the prior year with a decrease of $1,532,985 or 32.4 percent. The specific decreases were in public safety and community service activities. Ad valorem taxes increased $750,952, which is an increase of 9.7 percent compared to last year. Sales tax decreased by $273,055 or 10.6 percent compared to last year partially due to proper recording of sales tax revenues and receivables in 2009. Interest and investment income showed a decrease compared to the prior year. Franchise taxes and other taxes showed increases compared to the prior fiscal year.

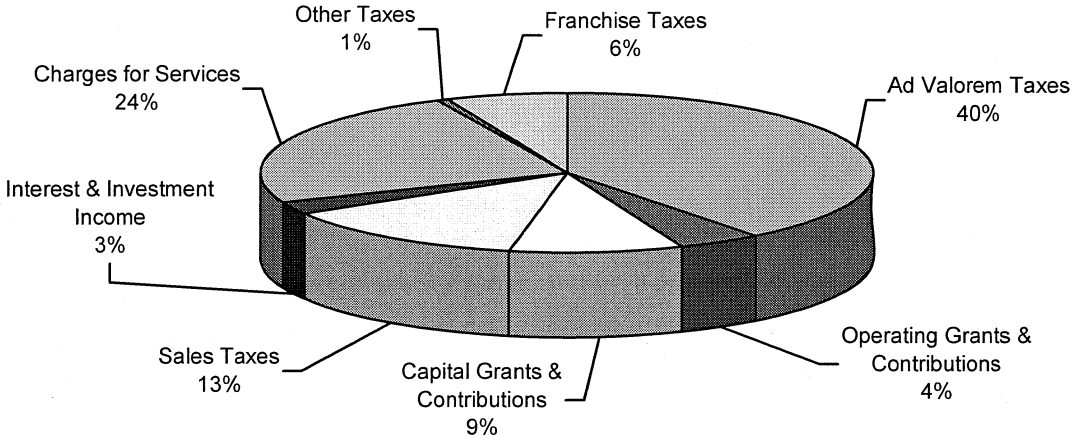
General Revenues - Governmental Activities



Revenues by Source – Governmental Activities - FY 2009



Revenues by Source – Governmental Activities - FY 2008



Program Expenditures – Governmental Activities

The Expenditures – Governmental Activities chart below illustrates the City's governmental expenditures by function. As shown, public safety is the largest function in expenditures at $9.2 million or 54.6 percent compared to the prior years $8.9 million or 55.2 percent, followed by General Government $3.0 million or 18.1 percent compared to prior year's $2.2 million or 13.5 percent. Community Services recorded $2.3 million or 13.6 percent compared to prior year's $2.3 million or 14.6 percent. Highways and Streets recorded $1.2 million or 7.0 percent compared to prior year's $1.6 million or 9.9 percent.

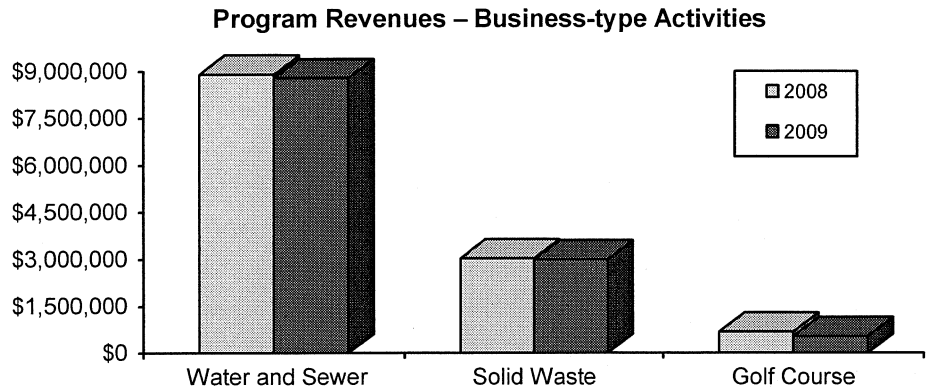
Expenditures - Governmental Activities

Business-type Activities - Revenues

Business-type activities increased the City's net assets by $1.3 million. Charges for services provided the largest share of revenues at 99.5 percent, followed by interest earnings at 0.5 percent for all business-type activities.

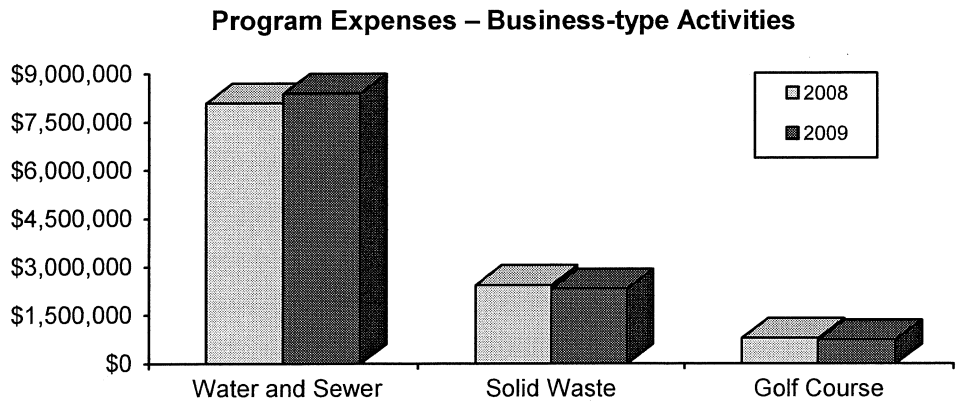
Water and sewer fees are the major revenue source for the business-type activities of the City, which recorded $8.8 million in revenue. Compared to the prior year, water and sewer revenues decreased $119,276 or 1.3 percent. Solid Waste revenues decreased $32,067 or

1.1 percent. The Golf Course fund also decreased from $674,696 in 2008 to $530,908 in 2009 a decrease of $143,788 or 21.3 percent.



Business-type Activities - Expenses

Total expenses for business-type activities were $11.5 million, an increase of $130,802 or 1.2 percent compared to the prior year. Water and Sewer, the largest proprietary fund recorded $8.4 million in expenses, an increase of $284,555 or 3.5 percent compared to the prior year. Solid Waste expenses decreased $106,156 or 4.4 percent. Golf Course expenses also decreased from $789,415 in 2008 to $741,818 in 2009, a decrease of $47,597 or 6.0%.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Copperas Cove, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a discussion of financial highlights from the fund financial statements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful

measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $13.1 million, a decrease of $1,943,402 in comparison with the prior year. The primary reason for the decrease is the net effect of the 2007 Capital Improvement Certificate of Obligation expenditures and the issue of the 2009 General Obligation Bonds for Capital Improvements with only a small portion expended as of September 30, 2009.

The General Fund is the chief operating fund of the City. At September 30, 2009, unreserved fund balance of the General Fund was slightly below $5.0 million, while total fund balance reached just over $5.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36.5 percent of total General Fund expenditures, while total fund balance represents 38.1 percent of that same amount.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water & Sewer Fund as of the end of the year amounted to $1,322,685 a decrease of $1,201,322 or 47.6 percent. The decrease is due to a significant increase in the investments in capital assets. The Solid Waste Fund was $885,690, an increase of $83,570 or 10.4 percent. Unrestricted net assets for the Golf Course Fund decreased from prior year's $89,754 to ($212,503) in 2009. The golf course had a decrease in operating revenues and a decrease in operating expenses. The decrease in operating revenues was significantly greater than the decrease in operating expenses which contributed to the decrease in unrestricted net assets.

The total increase in net assets for the three funds was $1,255,823, $242,155, and ($243,136), respectively. Total operating revenues in fiscal year 2008-09 were $12.3 million, a decrease of 2.3 percent below the year ending September 2008. Total operating expenses totaled $10.2, million, an increase of 1.0 percent. Total operating income was $2.1 million, a decrease of $392,652 or 15.7 percent.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison schedules are required for the General Fund and all major Special Revenue Funds. Since the City did not have a major Special Revenue Fund in the current year, only a budgetary comparison for the General Fund is required in this report; however, numerous budget comparisons presented in this statement compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see page 56 for more information on budget policies).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2009, the City has $81.5 million invested in various capital assets, net of accumulated depreciation. Of the $81.5 million, $33.3 million is invested in governmental activities and $48.2 million is invested in business-type activities. Compared to last year, total capital assets increased $12.5 million or 18.2 percent. Included in the $12.5 million is a $2.1 million adjustment that was necessary due to a reconciliation between the general ledger and the fixed asset register. Capital assets in Governmental Activities increased $9,902,625 or 42.3 percent from the prior year. The largest increase is identified within the construction in progress line item with an increase of $8.0 million from prior year primarily due to the construction of the new police facility. Facilities/infrastructure line item increased $1,734,813 or 11.5%. Capital assets in Business-type Activities increased $2,647,157 or 5.8 percent from the prior year with the construction in progress line item increased by $2.9 million from prior year.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2009. Additional information on the City's capital assets may be found in Note III-E on pages 40-41.

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 1,332,322	$ 1,541,055	$ 850,386	$ 850,686	$ 2,182,708	$ 2,391,741
Buildings / Improvements	3,810,555	3,345,797	126,481	144,894	3,937,036	3,490,691
Furniture and Fixtures	8,728	160,129	-	34,761	8,728	194,890
Vehicles	886,594	557,721	1,055,656	482,387	1,942,250	1,040,108
Equipment	1,169,896	1,470,678	176,792	1,764,625	1,346,688	3,235,303
Facilities / Infrastructure	16,809,441	15,074,628	41,335,468	40,545,152	58,144,909	55,619,780
Construction in Progress	9,304,938	1,269,841	4,632,421	1,707,542	13,937,359	2,977,383
Total	$ 33,322,474	$ 23,419,849	$ 48,177,204	$ 45,530,047	$ 81,499,678	$ 68,949,896

Long Term Debt

The City's total debt increased by $6,665,000 during the current fiscal year. The key factor in the increase was the issuance of the following debt:

- 2008A Limited Tax Notes for various equipment and machinery for various City departments, fire station roof repair, new ambulance and Summers Road improvements, water and sewer projects, solid waste projects, and drainage projects;
- 2009 Limited Tax Notes for a fire apparatus, south park pool renovations, retrofit of west clarifier, Long Mountain tank rehab, vac con for sewer department, recycling center expansion, transfer station tipping floor renovations, rearloader and sideloader for the Solid Waste Department, and Allin House and Civic Center renovations; and
- 2009 General Obligation Bonds for construction of the Policy Facility and Lutheran Church Road and Lutheran Church Road Drainage.

The following schedule shows the outstanding debt of the City (both current and long-term) for September 30, 2009. Further details can be found in Note III-H on pages 44-47.

Outstanding Debt

General Obligation Bonds and Tax/Revenue Certificates of Obligation

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation	$ 9,506,824	$ 5,251,969	$ 14,293,177	$ 15,008,031	$ 23,800,001	$ 20,260,000
Tax/Revenue Certificates of Obligation	8,267,000	8,487,000	8,978,000	9,853,000	17,245,000	18,340,000
Tax Notes	4,235,000	2,460,000	3,660,000	1,215,000	7,895,000	3,675,000
Total	$ 22,008,824	$ 16,198,969	$ 26,931,177	$ 26,076,031	$ 48,940,001	$ 42,275,000

The most recent debt issues of the City of Copperas Cove have earned ratings from Standard & Poor's and Moody's:

Bonded Debt Ratings

September 30, 2009

Bond Type	Standard & Poor's	Moody's
General Obligation Bonds*	A+	A3
Certificates of Obligation	A-	A3
Revenue Bonds	BBB	Baa1

*Standard & Poor's upgraded the City's General Obligation Bond rating from A- to A+ after review of credit strength in June 2009.

Additional information on the City's long-term debt can be found in Note III-H of the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The FY 2009-10 Budget may have an appearance identical to previous years, however; the process by which the budget was prepared is unique.

One of the factors considered when preparing the fiscal year 2009-10 budget was the economy (local, state and federal). With the state of the national economy, the executive team began its preparation for FY 2009-10 early in FY 2008-09 to ensure the economic downturn did not have drastic financial impacts on City operations. The executive team, realizing the impact one fiscal year has on another, worked together to ensure the expenses incurred in the current fiscal year were absolute to providing the necessary service levels the citizens expect and deserve. The economy and troop movement also impacted the FY 2008-09 revenues in multiple areas. The decrease in the number of utility connections (accounts) is indicative of the troop movement from Fort Hood which impacts water, sewer, solid waste and drainage revenues. In addition to the troop levels declining, new home construction continues to decrease. With both influences on the decline, the City is monitoring revenues and expenditures closely and continues to be optimistic and expects an increase in economic development.

The City's first ever Capital Improvement Plan (CIP) was introduced to the City Council in June 2009 and was adopted by the governing body in October 2009.

The unemployment rate for the City of Copperas Cove area as of September 30, 2009 was at 7.3 percent, which was up from 5.2 percent a year ago. The City's sales tax revenues in FY 2008-09 maintained at a rate only slightly (0.5%) below FY 2007-08 revenues. Residential home construction declined in the past year. Building permits issued in FY 2008-09 recorded a slight decrease from 1,354 in FY 2007-08 to 1,277 in FY 2008-09. The value of the permits issued in FY 2008-09 was $29,127,185, which decreased from $35,712,399 in FY 2007-08.

The factors considered in preparing the City's budget for FY 2009-10 include:

- Conservative projections of major revenue sources. For example, the decline in sales tax revenue over recent months created concern when considering future projected revenues, thus the increase in sales tax revenues for FY 2009-10 is projected with a 4 percent increase over FY 2008-09. Recent commercial development is anticipated to generate healthy sales tax revenue, thus providing the justification for the percentage increase over the current year.
- Ad valorem tax revenue is budgeted conservatively at a 99% collection rate. The City has been experiencing an increased growth in its assessed valuation from 18.1% in FY 2006-07, 12.5% in FY 2007-08, and 10.0% in FY 2008-09. The assessed valuation for FY 2009-10 was estimated by the appraisal district to decline by 0.1% which is significantly below the prior fiscal years.
- Essential expenditures to maintain current service levels.
- Employee benefits remain intact with moderate adjustments.

The ad valorem tax rate was increased from $.7400 cents in FY 2008-09 to $.7600 cents per $100 of taxable assessed valuation in FY 2009-10. The increases realized in assessed valuation in prior fiscal years is a trend no longer expected to continue. The 2009 State Legislature granted property tax exemptions for disabled veterans. With the new legislation and the fact property taxes are a leading source of revenue for the general fund and tax supported debt for the City of Copperas Cove, revenues and expenditures will require significant controls and regular monitoring.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Copperas Cove, Texas' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department at the following address:

Director of Financial Services
City of Copperas Cove
507 South Main Street
Copperas Cove, TX 76522
(254) 547-4221

Or visit our website at:
http://www.ci.copperas-cove.tx.us

BASIC
FINANCIAL STATEMENTS

CITY OF COPPERAS COVE, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and investments	$ 13,580,788	$ 2,306,103	$ 15,886,891	$ 2,062,602
Receivables (net of allowances for uncollectibles):				
Taxes	753,638	-	753,638	192,880
Ambulance fees	432,589	-	432,589	-
Accounts	223,048	2,772,540	2,995,588	-
Fines	100,067	-	100,067	-
Assessments	23,829	-	23,829	-
Grants	127,277	-	127,277	-
Internal balances	180,444	(180,444)	-	
Inventory	72,997	21,090	94,087	-
Prepaid items	2,559	8,800	11,359	-
Notes receivable	127,799	-	127,799	-
Restricted cash and investments	-	4,780,072	4,780,072	7,556
Deferred charges	259,771	605,142	864,913	-
Capital assets:				
Nondepreciable	10,637,260	5,482,807	16,120,067	2,787,601
Depreciable (net)	22,685,214	42,694,397	65,379,611	110,871
Total assets	49,207,280	58,490,507	107,697,787	5,161,510
LIABILITIES				
Accounts payable	613,440	1,072,925	1,686,365	17,101
Other accrued liabilities	580,664	233,607	814,271	27,957
Retainage payable	432,423	111,030	543,453	-
Unearned revenue	71,252	-	71,252	-
Other liabilities	120,275	-	120,275	-
Accrued interest payable	111,518	175,213	286,731	5,980
Customer deposits	-	380,092	380,092	-
Noncurrent liabilities:				
Due within one year	1,540,114	2,349,640	3,889,754	50,000
Due in more than one year	21,274,298	25,543,632	46,817,930	650,000
Total liabilities	24,743,984	29,866,139	54,610,123	751,038
NET ASSETS				
Investment in capital assets (net of related debt)	11,374,872	25,553,411	36,928,283	2,198,472
Restricted for:				
Debt service	424,487	1,075,085	1,499,572	1,576
Capital projects	5,387,776	-	5,387,776	-
Unrestricted	7,276,161	1,995,872	9,272,033	2,210,424
Total net assets	$ 24,463,296	$ 28,624,368	$ 53,087,664	$ 4,410,472

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	$ 3,034,581	$ 318,728	$ -	$ -
Community services	2,289,134	1,018,263	58,786	293,128
Fleet and facility services	354,495	-	-	-
Highways and streets	1,178,405	865,821	-	-
Public safety	9,165,778	994,799	240,725	214,842
Interest on long-term debt	765,655	-	-	-
Total governmental activities	16,788,048	3,197,611	299,511	507,970
Business-type activities:				
Water and sewer	8,380,368	8,782,371	-	-
Solid waste	2,329,168	2,991,428	-	-
Golf course	741,818	530,908	-	-
Total business-type activities	11,451,354	12,304,707	-	-
Total governmental activities	$ 28,239,402	$ 15,502,318	$ 299,511	$ 507,970
COMPONENT UNIT				
Economic development	$ 1,687,320	$ -	$ -	$ -
Total component unit	$ 1,687,320	$ -	$ -	$ -

General revenues:
- Ad valorem taxes
- Sales taxes
- Franchise taxes
- Other taxes
- Miscellaneous
- Unrestricted investment earnings

Special item - gain on sale of building

Transfers

Total general revenues, special items and transfers

Change in net assets

Net assets, beginning

Prior period adjustment

Net assets, beginning, restated

Net assets, ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
$(2,715,853)	$ -	$(2,715,853)	
(918,957)	-	(918,957)	
(354,495)	-	(354,495)	
(312,584)	-	(312,584)	
(7,715,412)	-	(7,715,412)	
(765,655)	-	(765,655)	
(12,782,956)	-	(12,782,956)	
-	402,003	402,003	
-	662,260	662,260	
-	(210,910)	(210,910)	
-	853,353	853,353	
(12,782,956)	853,353	(11,929,603)	
			$(1,687,320)
			(1,687,320)
8,468,730	-	8,468,730	-
2,309,693	-	2,309,693	1,169,883
1,321,777	-	1,321,777	-
362,779	-	362,779	-
344,326	-	344,326	6,971
143,829	60,154	203,983	19,630
-	-	-	453,640
1,049,271	(1,049,271)	-	-
14,000,405	(989,117)	13,011,288	1,650,124
1,217,449	(135,764)	1,081,685	(37,196)
23,201,541	27,369,526	50,571,067	4,250,793
44,306	1,390,606	1,434,912	196,875
23,245,847	28,760,132	52,005,979	4,447,668
$ 24,463,296	$ 28,624,368	$ 53,087,664	$ 4,410,472

CITY OF COPPERAS COVE, TEXAS

GOVERNMENTAL FUNDS

BALANCE SHEET

SEPTEMBER 30, 2009

	General	2007 Capital Improvement Certificates of Obligation	2009 Capital Improvement General Obligation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 5,379,779	$ 46,475	$ 3,109,403	$ 5,045,131	$ 13,580,788
Receivables (net of allowances for uncollectibles):					
Taxes	687,110	-	-	66,528	753,638
Ambulance fees	432,589	-	-	-	432,589
Accounts	54,405	-	-	168,643	223,048
Fines	91,261	-	-	8,806	100,067
Assessments	23,829	-	-	-	23,829
Grants	2,860	-	-	124,417	127,277
Due from other funds	304,417	-	3,125	3,897	311,439
Inventory	72,903	-	-	94	72,997
Prepaid items	2,559	-	-	-	2,559
Notes receivable	-	-	-	127,799	127,799
Total assets	$ 7,051,712	$ 46,475	$ 3,112,528	$ 5,545,315	$ 15,756,030
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 449,244	$ 2,170	$ -	162,026	613,440
Due to other funds	3,453	-	-	127,542	130,995
Deferred revenue	731,116	-	-	42,409	773,525
Other accrued liabilities	541,292	-	-	39,372	580,664
Retainage payable	-	-	358,794	73,629	432,423
Other liabilities	120,275	-	-	-	120,275
Total liabilities	1,845,380	2,170	358,794	444,978	2,651,322
Fund balances:					
Reserved for:					
Debt service	-	-	-	424,487	424,487
Notes receivable	-	-	-	127,799	127,799
Encumbrances	147,926	-	-	64,805	212,731
Inventory and prepaid items	75,462	-	-	94	75,556
Unreserved, designated for contingencies	1,000,000	-	-	-	1,000,000
Unreserved, undesignated, reported in:					
General fund	3,982,944	-	-	-	3,982,944
Special revenue funds	-	-	-	1,893,415	1,893,415
Capital projects funds	-	44,305	2,753,734	2,589,737	5,387,776
Total fund balances	5,206,332	44,305	2,753,734	5,100,337	13,104,708
Total liabilities and fund balances	$ 7,051,712	$ 46,475	$ 3,112,528	$ 5,545,315	$ 15,756,030

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

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

SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet	$	13,104,708
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets (net of accumulated depreciation) used in governmental funds are not financial resources and, therefore, are not reported in the funds.		33,322,474
Long-term liabilities, including bonds payable (net of unamortized costs), are not due and payable in the current period and, therefore, are not reported in the funds.	(	22,666,159)
Other long-term assets/liabilities are not available to pay for current period expenditures and, therefore, are deferred in the funds.		702,273
Net assets of governmental activities - statement of net assets	$	24,463,296

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General	2007 Capital Improvement Certificates of Obligation	2009 Capital Improvement General Obligation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 10,651,961	$ -	$ -	$ 1,820,519	$ 12,472,480
Charges for services	892,749	-	-	1,083,537	1,976,286
Intergovernmental	22,513	-	-	550,702	573,215
Fines	868,420	-	-	55,315	923,735
Licenses	51,347	-	-	-	51,347
Permits	143,658	-	-	-	143,658
Contributions	-	-	-	75,355	75,355
Investment income	43,019	38,428	553	61,829	143,829
Miscellaneous	313,686	-	-	83,497	397,183
Total revenues	12,987,353	38,428	553	3,730,754	16,757,088
EXPENDITURES					
Current:					
General government	2,432,167	3,923	-	303,886	2,739,976
Community services	1,597,105	-	-	506,179	2,103,284
Fleet and facility services	347,946	-	-	-	347,946
Highways and streets	542,810	-	-	272,387	815,197
Public safety	8,141,642	-	-	417,772	8,559,414
Capital outlay	412,655	5,506,072	1,858,030	2,254,468	10,031,225
Debt service:					
Principal retirement	166,075	-	-	1,111,426	1,277,501
Interest and fiscal charges	11,654	-	-	718,104	729,758
Bond issuance costs	-	-	53,789	37,283	91,072
Total expenditures	13,652,054	5,509,995	1,911,819	5,621,505	26,695,373
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(664,701)	(5,471,567)	(1,911,266)	(1,890,751)	(9,938,285)
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	4,665,000	2,230,000	6,895,000
Issuance of capital leases	-	-	-	50,612	50,612
Transfers in	1,250,500	-	-	135,852	1,386,352
Transfers out	(122,070)	-	-	(215,011)	(337,081)
Total other financing sources (uses)	1,128,430	-	4,665,000	2,201,453	7,994,883
NET CHANGE IN FUND BALANCES	463,729	(5,471,567)	2,753,734	310,702	(1,943,402)
FUND BALANCES, BEGINNING	4,191,908	5,515,872	-	4,771,817	14,479,597
PRIOR PERIOD ADJUSTMENT	550,695	-	-	17,818	568,513
FUND BALANCES, BEGINNING, RESTATED	4,742,603	5,515,872	-	4,789,635	15,048,110
FUND BALANCES, ENDING	$ 5,206,332	$ 44,305	$ 2,753,734	$ 5,100,337	$ 13,104,708

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net change in fund balances - total governmental funds	$(	1,943,402)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report all capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This reconciling item represents the amount by which capital outlay exceeded depreciation in the current period.		8,669,107
The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items.	(	5,572,447)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This reconciling item reflects the net of such expenses.	(	117,234)
Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds.	(	9,501)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		190,926
Change in net assets of governmental activities - statement of activities	$	1,217,449

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

ENTERPRISE FUNDS

Water and Sewer Fund – to account for revenue and expenses related to the operation and maintenance of the water and sewer system of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collections.

Solid Waste Fund – to account for all solid waste collection and disposal activities provided by the City to both residential and commercial residents, including the operation of the City's solid waste landfill.

Golf Course Fund – to provide for revenue and expenses related to the operations of the municipal golf course.

CITY OF COPPERAS COVE, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total Funds
ASSETS				
Current assets:				
Cash and investments	$ 758,594	$ 1,531,216	$ 16,293	$ 2,306,103
Accounts receivable, net	1,834,908	935,620	2,012	2,772,540
Due from other funds	3,453	-	-	3,453
Inventory	-	-	21,090	21,090
Prepaid expenses	8,800	-	-	8,800
Restricted cash and investments	4,599,442	114,225	66,405	4,780,072
Total current assets	7,205,197	2,581,061	105,800	9,892,058
Noncurrent assets:				
Deferred charges	578,126	15,007	12,009	605,142
Property and equipment:				
Land	345,933	204,453	300,000	850,386
Buildings	189,590	64,029	132,722	386,341
Vehicles	1,152,698	1,962,073	25,473	3,140,244
Equipment	1,162,986	458,845	414,763	2,036,594
Facilities	63,897,648	3,433,356	1,232,311	68,563,315
Construction in progress	4,589,441	-	42,980	4,632,421
Less: accumulated depreciation	(28,028,669)	(2,759,014)	(644,414)	(31,432,097)
Net property and equipment	43,309,627	3,363,742	1,503,835	48,177,204
Total noncurrent assets	43,887,753	3,378,749	1,515,844	48,782,346
Total assets	$ 51,092,950	$ 5,959,810	$ 1,621,644	$ 58,674,404
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 863,697	$ 157,557	$ 51,671	$ 1,072,925
Customer deposits	380,092	-	-	380,092
Retainage payable	111,030	-	-	111,030
Due to other funds	-	-	183,897	183,897
Accrued liabilities	120,122	102,616	10,869	233,607
Accrued interest	167,365	2,721	5,127	175,213
Long-term debt, current portion	1,861,428	339,034	149,178	2,349,640
Total current liabilities	3,503,734	601,928	400,742	4,506,404
Noncurrent liabilities:				
Compensated absences	151,796	31,655	11,159	194,610
Capital leases	75,641	189,924	56,343	321,908
Bonds payable	22,953,653	885,516	734,121	24,573,290
Net pension obligation	31,122	12,167	5,416	48,705
Net OPEB obligation	5,149	2,015	895	8,059
Estimated landfill postclosure care costs	-	397,060	-	397,060
Total noncurrent liabilities	23,217,361	1,518,337	807,934	25,543,632
Total liabilities	26,721,095	2,120,265	1,208,676	30,050,036
Net assets:				
Investment in capital assets (net of related debt)	22,146,867	2,842,351	564,193	25,553,411
Restricted for:				
Debt service	902,303	111,504	61,278	1,075,085
Unrestricted	1,322,685	885,690	(212,503)	1,995,872
Total net assets	$ 24,371,855	$ 3,839,545	$ 412,968	$ 28,624,368

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

PROPRIETARY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total Funds
OPERATING REVENUES				
Charges for services	$ 8,531,284	$ 2,754,030	$ 466,274	$ 11,751,588
Miscellaneous	251,087	237,398	64,634	553,119
Total operating revenues	8,782,371	2,991,428	530,908	12,304,707
OPERATING EXPENSES				
Personnel services	1,930,996	757,122	369,747	3,057,865
Supplies and materials	2,200,529	161,522	42,103	2,404,154
Services and charges	1,392,359	951,601	179,800	2,523,760
Maintenance and repairs	290,623	132,341	22,418	445,382
Depreciation	1,383,140	296,295	87,188	1,766,623
Total operating expenses	7,197,647	2,298,881	701,256	10,197,784
OPERATING INCOME (LOSS)	1,584,724	692,547	(170,348)	2,106,923
NONOPERATING REVENUES (EXPENSES)				
Investment income	51,425	8,143	586	60,154
Interest expense	(1,181,744)	(28,500)	(40,562)	(1,250,806)
Bond agent fees	(977)	-	-	(977)
Loss on sale of asset	-	(1,787)	-	(1,787)
Total nonoperating revenues (expenses)	(1,131,296)	(22,144)	(39,976)	(1,193,416)
NET INCOME (LOSS) BEFORE TRANSFERS	453,428	670,403	(210,324)	913,507
TRANSFERS				
Transfers in	20,000	-	101,229	121,229
Transfers out	(742,500)	(428,000)	-	(1,170,500)
CHANGE IN NET ASSETS	(269,072)	242,403	(109,095)	(135,764)
NET ASSETS, BEGINNING	23,116,032	3,597,390	656,104	27,369,526
PRIOR PERIOD ADJUSTMENT	1,524,895	(248)	(134,041)	1,390,606
NET ASSETS, BEGINNING, RESTATED	24,640,927	3,597,142	522,063	28,760,132
NET ASSETS, ENDING	$ 24,371,855	$ 3,839,545	$ 412,968	$ 28,624,368

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 8,877,688	$ 2,754,030	$ 465,062	$ 12,096,780
Payments to suppliers	(3,611,921)	(1,201,608)	(151,050)	(4,964,579)
Payments to employees	(1,992,141)	(765,308)	(377,327)	(3,134,776)
Net cash flows provided (used) by operating activities	3,273,626	787,114	(63,315)	3,997,425
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	51,425	8,143	586	60,154
Net cash flows provided by investing activities	51,425	8,143	586	60,154
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from other funds	20,000	-	285,126	305,126
Cash paid to other funds	(745,953)	(428,000)	-	(1,173,953)
Net cash provided (used) by noncapital financing activities	(725,953)	(428,000)	285,126	(868,827)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	1,570,000	975,000	30,000	2,575,000
Principal paid on long-term debt	(1,619,658)	(306,340)	(222,738)	(2,148,736)
Interest paid on long-term debt	(1,110,625)	(25,779)	(39,499)	(1,175,903)
Acquisition of property and equipment	(3,110,266)	(208,382)	(76,104)	(3,394,752)
Proceeds from sale of capital assets	-	-	91,852	91,852
Net cash provided (used) by capital and related financing activities	(4,270,549)	434,499	(216,489)	(4,052,539)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,671,451)	801,756	5,908	(863,787)
CASH AND CASH EQUIVALENTS, BEGINNING	7,029,487	843,685	76,790	7,949,962
CASH AND CASH EQUIVALENTS, ENDING	$ 5,358,036	$ 1,645,441	$ 82,698	$ 7,086,175

(continued)

CITY OF COPPERAS COVE, TEXAS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 1,584,724	$ 692,547	$(170,348)	$ 2,106,923
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,383,141	296,295	87,188	1,766,624
Decrease (increase) in assets:				
Accounts receivable	(20,210)	(206,451)	(1,212)	(227,873)
Inventory	-	-	6,586	6,586
Increase (decrease) in liabilities:				
Accounts payable	210,445	19,744	22,447	252,636
Retainage payable	61,145	-	-	61,145
Accrued interest	-	-	45	45
Accrued liabilities	(45,437)	(8,186)	(7,845)	(61,468)
Landfill closure costs	-	(12,440)	-	(12,440)
Accrued compensated absences	(19,993)	(8,577)	(6,487)	(35,057)
Net pension obligation	31,122	12,167	5,416	48,705
Net OPEB obligation	5,149	2,015	895	8,059
Customer deposits	83,540	-	-	83,540
Total adjustments	1,688,902	94,567	107,033	1,890,502
Net cash provided (used) by operating activities	$ 3,273,626	$ 787,114	$(63,315)	$ 3,997,425

The accompanying notes are an integral part of this statement.

CITY OF COPPERAS COVE, TEXAS

NOTES
TO FINANCIAL STATEMENTS

"The City Built for Family Living"

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Copperas Cove, Texas, a Home-Rule Municipal Corporation, organized and existing under the Provisions of the Constitution of the State of Texas, adopted its Charter January 20, 1979, which was amended on April 5, 1983, May 7, 1988, May 3, 1997, May 5, 2001, May 3, 2003, and May 10, 2008. The City operates under the Council-Manager form of government and provides the following services as authorized by its Charter: public safety (e.g., police, fire and emergency medical service), planning and zoning, streets, sanitation, water, sewer, community services (parks, library, and golf course), and general administration. The financial statements of the City of Copperas Cove, Texas, (the primary government) and its component unit have been prepared in conformity with generally accepted accounting principles (GAAP). The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Discretely Presented Component Unit. The component unit column in the government-wide financial statements includes the financial data of the City's component unit, the Copperas Cove Economic Development Corporation (CCEDC). It is reported in a separate column to emphasize that it is legally separate from the City. The Board of Directors of the component unit is appointed by the City Council. The organization is fiscally dependent on the City because it receives 90% of its revenue from the City's sales tax revenue. Separate financial statements for the component unit can be obtained by contacting the CCEDC located at 210 South First Street, Copperas Cove, Texas 76522.

Government-wide Financial Statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function. Also included in program revenues are grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements. Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are combined in a separate column in the fund financial statements. The nonmajor funds are detailed in the combining financial statements section of this report.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component unit. Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims and judgments are recorded only when payment is due.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

2007 Capital Improvement Certificate of Obligation Fund – This Capital Projects Fund is used to account for the proceeds from debt issued primarily for the construction of a new police facility.

2009 Capital Improvement General Obligation Fund – This Capital Projects Fund is used to account for the proceeds from debt issued for the new police station and Lutheran Church Road street improvements.

Additionally, the City reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund – The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for water and sewer operations. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities.

Solid Waste Fund – The Solid Waste Fund is used to account for the provision of solid waste collection and disposal services to customers who are billed monthly at a rate sufficient to cover the cost of providing the service.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Those revenues susceptible to accrual are taxes, grants, fines, investment income and charges for services. Licenses, permits, and contributions are not susceptible to accrual because, generally, they are not measurable until received in cash. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. These revenues are recognized in subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has chosen not to apply subsequent private-sector guidance.

Business-type activities and all proprietary funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value based on quoted market values.

The City is authorized to invest its future in the following:

(1) Obligations of the United States or its agencies and instrumentalities which have a stated maturity on the date of purchase of two years or less.

(2) Direct obligations of the State of Texas or its agencies and instrumentalities.

(3) Certificates of deposit if issued by a state or national bank domiciled in the State of Texas or a savings and loan association domiciled in the State of Texas.

(4) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed with the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities.

(5) Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and have received a rating of not less than A or its equivalent.

(6) Eligible fully collateralized repurchase agreements, as defined by the Public Funds Investment Act.

(7) Eligible investment pools in accordance with the Public Funds Investment Act. Sec. 2256.016-2256.019.

(8) Any other securities which may be added by the State of Texas as permissible investments for municipal governments which are in compliance with the Public Funds Investment Act.

Interfund Transactions and Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Interfund Transactions and Receivables and Payables (Continued)

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonreciprocal interfund transactions are reported as transfers.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund and the Special Revenue Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute generally accepted accounting principles (GAAP) basis expenditures or liabilities, since the commitments will be honored during the subsequent year.

Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Certain resources are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized cost of the assets constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest expense incurred from the date of the borrowing until completion of the project is offset by interest earned on invested proceeds over the same period.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	25
Facilities/infrastructure	25 - 40
Vehicles	5
Equipment	7
Furniture and fixtures	7

Compensated Absences

The City's vacation policy grants employee vacation depending on longevity, from 10 days after one year to 20 days after 20 years. Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it, which typically is the General Fund. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave is awarded at 80 hours per year with a maximum accumulation of 960 hours. Fifty percent (50%) sick pay benefits are accrued as expenditures only when the individual employee is eligible to collect retirement from the Texas Municipal Retirement System (TMRS). The fifty percent (50%) of unused sick leave will be paid to employees who retire with 20 years or more of physical continual service with the City of Copperas Cove; and, at the time of separation, collect a TMRS monthly retirement check.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECOGNITION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $22,666,159 difference are as follows:

(continued)

II. RECOGNITION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Continued)

Bonds payable	$ 22,008,824
Bond issuance costs	(259,772)
Unamortized bond discounts	(13,374)
Deferred loss on refunding	(303,258)
Net pension obligation	137,315
Net OPEB obligation	22,723
Accrued interest payable	111,518
Capital leases	255,411
Compensated absences	706,772
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$ 22,666,159

Another element of that reconciliation states, "Other long-term assets/liabilities are not available to pay for current period expenditures and, therefore, are deferred in the funds." The details of this $702,273 difference are as follows:

Property taxes	$ 170,530
Ambulance charges for services	432,588
Municipal court fines	99,155
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net - assets of governmental activities*	$ 702,273

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that, "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $8,669,107 difference are as follows:

Capital outlay	$ 10,031,225
Depreciation expense	(1,362,118)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net - assets of governmental activities*	$ 8,669,107

(continued)

II. RECOGNITION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that, "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $5,572,447 difference are as follows:

Principal repayments	$ 1,301,632
Issuance of debt	(6,945,612)
Bond issuance costs	84,002
Discounts	4,278
Deferred loss on refunding	(16,747)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net - assets of governmental activities*	$(5,572,447)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $117,234 difference are as follows:

Compensated absences	$ 59,162
Accrued interest	(16,358)
Net pension obligation	(137,315)
Net OPEB obligation	(22,723)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net - assets of governmental activities*	$(117,234)

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Substantially all deposits and investments are maintained in consolidated cash and investment accounts. Investment income relating to consolidated deposits and investments is allocated to the individual funds monthly based on each fund's pro rata share of total consolidated cash and investments. At year-end, the City's deposits were fully collateralized by either FDIC insurance or securities held by the pledging financial institution's trust department in the City's name.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

The deposits for the Copperas Cove Economic Development Corporation, a discretely presented component unit, were also covered by federal depository insurance or by U. S. Government securities held as collateral by the Corporation's agent in the Corporation's name.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statues require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2009, the City's entire deposit balance was collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The allowed stated maturity of any individual investment owned by the City shall not exceed two years from the time of purchase. Limiting investment maturities are the City's means for limiting its exposure to fair value losses arising from interest rate increases.

Concentration Risk: Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. All of the City's investments are invested in external investment pools and therefore, not exposed to concentration risk.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

The City's investments at September 30, 2009, are shown below:

	Fair Value	Weighted Average Maturity (Days)
State operated pools:		
TexPool	$ 11,899,539	43
TexStar	7,654,576	46
Total Fair Value	$ 19,554,115	44

The City's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The City uses the following external investment pools:

TexPool

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers, Inc. and Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

TexPool is rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of Public Accounts for review. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexStar

The Texas Short-term Asset Reserve Program (TexStar) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. JP Morgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar under an agreement with the TexStar Board. TexStar will invest only in instruments authorized under both the Public Funds Investment Act and the current TexStar Investment Policy. The primary objectives of TexStar are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet participants' needs, diversification to avoid unreasonable or avoidable risks and yield. In order to comply with the Public Funds Investment Act, TexStar maintains a AAAm rating from Standard & Poor's, which monitors the funds compliance weekly with its rating requirements.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

TexStar (Continued)

The TexStar Cash Reserve Fund seeks to maintain a net asset value of $1.00 per unit and provides participants with the investment of funds that require daily liquidity availability. All investments are stated at amortized cost, which closely approximates the market value of the securities. All TexStar securities are marked to market on a daily basis.

B. Property Taxes

On January 1 of each year, a tax lien is attached to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property taxes are then levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which levied. The majority of the taxes are collected between October 1 and January 31. Delinquent property taxes receivable are not considered available since they are not expected to be collected within 60 days after the close of the City's fiscal year.

With certain exceptions, intangible personal property and household goods are exempted from property tax assessment. The appraisal of property within the City is the responsibility of the countywide appraisal district. The appraisal district is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying an assessment ratio. The value of property within the appraisal district must be reviewed at least every five years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. The City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, and adjusted for new improvements, exceeds the effective tax rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Receivables

Receivables at September 30, 2009, for the City's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, consist of the following:

	General	Water and Sewer	Solid Waste	Golf Course	Nonmajor Funds	Total
Receivables:						
Taxes	$ 687,110	$ -	$ -	$ -	$ 66,528	$ 753,638
Ambulance	1,868,509	-	-	-	-	1,868,509
Assessments	23,829	-	-	-	-	23,829
Fines	1,825,215	-	-	-	158,794	1,984,009
Utilities	-	2,638,754	1,216,647	-	-	3,855,401
Miscellaneous	57,669	-	-	2,012	232,113	291,794
Grants	2,860	-	-	-	124,411	127,271
Notes	-	-	-	-	127,799	127,799
Gross receivables	4,465,192	2,638,754	1,216,647	2,012	709,645	9,032,250
Less: allowance for uncollectible	(3,173,138)	(803,846)	(281,027)	-	(213,452)	(4,471,463)
Net total receivables	$ 1,292,054	$ 1,834,908	$ 935,620	$ 2,012	$ 496,193	$ 4,560,787

D. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Governmental funds:		
Taxes receivable	$ 170,530	$ -
Ambulance fees	432,588	-
Municipal court fines	99,155	-
Grants	-	3,000
Miscellaneous	-	68,252
Total	$ 702,273	$ 71,252

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

Primary Government

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,541,055	$ -	$ -	$(208,733)	$ 1,332,322
Construction in progress	1,269,841	9,560,877	1,525,780	-	9,304,938
Total assets not being depreciated	2,810,896	9,560,877	1,525,780	(208,733)	10,637,260
Capital assets, being depreciated:					
Buildings	7,063,634	-	-	1,456,827	8,520,461
Furniture and fixtures	566,876	6,908	-	(279,217)	294,567
Vehicles	2,734,782	450,782	61,804	426,231	3,549,991
Equipment	5,468,621	220,824	36,340	(2,388,892)	3,264,213
Facilities	17,812,035	1,525,780	12,556	(53,618)	19,271,641
Total capital assets being depreciated	33,645,948	2,204,294	110,700	(838,669)	34,900,873
Less accumulated depreciation:					
Buildings	3,717,837	279,936	-	712,133	4,709,906
Furniture and fixtures	406,747	3,599	-	(124,507)	285,839
Vehicles	2,177,061	266,247	61,804	281,893	2,663,397
Equipment	3,997,943	364,427	28,846	(2,239,207)	2,094,317
Facilities	2,737,407	447,908	2,811	(720,304)	2,462,200
Total accumulated depreciation	13,036,995	1,362,117	93,461	(2,089,992)	12,215,659
Total capital assets being depreciated, net	20,608,953	842,177	17,239	1,251,323	22,685,214
Governmental activities capital assets, net	$ 23,419,849	$ 10,403,054	$ 1,543,019	$ 1,042,590	$ 33,322,474

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

	Balance 09/30/08	Additions	Deletions	Adjustments	Balance 09/30/09
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 850,686	$ -	$ -	$(300)	$ 850,386
Construction in progress	1,707,542	2,929,860	-	(4,981)	4,632,421
Total assets not being depreciated	2,558,228	2,929,860	-	(5,281)	5,482,807
Capital assets, being depreciated:					
Buildings	372,818	-	-	13,523	386,341
Furniture and fixtures	64,506	-	-	(64,506)	-
Vehicles	2,707,250	219,674	38,721	252,041	3,140,244
Equipment	4,413,823	169,474	33,360	(2,513,343)	2,036,594
Facilities	67,425,522	79,828	-	1,057,965	68,563,315
Total capital assets being depreciated	74,983,919	468,976	72,081	(1,254,320)	74,126,494
Less accumulated depreciation:					
Buildings	227,924	15,454	-	16,482	259,860
Furniture and fixtures	29,745	-	-	(29,745)	-
Vehicles	2,224,863	223,003	38,720	(324,558)	2,084,588
Equipment	2,649,198	135,839	33,360	(891,875)	1,859,802
Facilities	26,880,370	1,392,326	-	(1,044,849)	27,227,847
Total accumulated depreciation	32,012,100	1,766,622	72,080	(2,274,545)	31,432,097
Total capital assets being depreciated, net	42,971,819	(1,297,646)	1	1,020,225	42,694,397
Business-type activities capital assets, net	$ 45,530,047	$ 1,632,214	$ 1	$ 1,014,944	$ 48,177,204

Depreciation expense was charged to functions/programs of the primary government as follows:

Government activities:	
General government	$ 284,605
Public safety	541,268
Community service	173,949
Highways and streets	359,229
Fleet maintenance	3,066
Total depreciation expense - governmental activities	$ 1,362,117
Business-type activities:	
Water and sewer	$ 1,383,139
Solid waste	296,295
Golf course	87,188
Total depreciation expense - business-type activities	$ 1,766,622

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

Discretely Presented Component Unit

Activity for the Copperas Cove Economic Development Corporation (CCEDC) for the year ended September 30, 2009, was as follows:

	Balance 10/01/08	Additions	Deletions	Balance 09/30/09
Capital assets, not being depreciated:				
Land	$ 3,264,860	$ -	$ 477,260	$ 2,787,600
Total assets not being depreciated	3,264,860	-	477,260	2,787,600
Capital assets, being depreciated:				
Buildings	945,295	-	767,916	177,379
Equipment	108,534	-	-	108,534
Total capital assets being depreciated	1,053,829	-	767,916	285,913
Less accumulated depreciation:				
Buildings	263,541	16,215	197,484	82,272
Equipment	86,375	6,395	-	92,770
Total accumulated depreciation	349,916	22,610	197,484	175,042
Total capital assets being depreciated, net	703,913	(22,610)	570,432	110,871
Governmental activities capital assets, net	$ 3,968,773	$(22,610)	$ 1,047,692	$ 2,898,471

F. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2009, is as follows:

	Interfund Receivables	Interfund Payables
General fund		
Water and sewer	$ -	$ 3,453
Nonmajor governmental funds	124,417	-
Nonmajor enterprise funds	180,000	-
Total general fund	304,417	3,453
2009 Capital Improvement General Obligation		
Nonmajor governmental funds	3,125	-
	3,125	-
Water and sewer		
General fund	3,453	-
Total nonmajor governmental funds	3,453	-
Nonmajor governmental funds		
General fund	-	124,417
2009 Capital Improvement General Obligation	-	3,125
Nonmajor enterprise funds	3,897	-
Total nonmajor governmental funds	3,897	127,542
Nonmajor enterprise funds		
General fund	-	180,000
Nonmajor governmental funds	-	3,897
Total nonmajor enterprise funds	-	183,897
Total	$ 314,892	$ 314,892

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Interfund Receivables, Payables, and Transfers (Continued)

Balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Transfers during the year ended September 30, 2009, were:

	Transfers in	Transfers out
Governmental activities:		
General fund	$ 1,250,500	$ 122,070
Nonmajor governmental funds	135,852	215,011
Business-type activities:		
Water and sewer	20,000	742,500
Solid waste	-	428,000
Nonmajor enterprise funds	101,229	-
Total	$ 1,507,581	$ 1,507,581

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

G. Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of solid waste equipment as well as heavy equipment for the golf course and water/sewer department. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at September 30, 2009.

Year Ending September 30,	Governmental Funds	Proprietary Funds
2010	$ 178,805	$ 360,782
2011	79,596	236,586
2012	7,939	94,053
Total minimum lease payments	266,340	691,421
Less amount representing interest	(10,930)	(26,135)
Present value of future minimum lease payments	$ 255,410	$ 665,286

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-term Debt

A summary of long-term debt transactions, including current position, for the year ended September 30, 2009 is as follows:

	Balance 09/30/08	Additions	Deletions	Balance 09/30/09	Due Within One Year
Governmental activities:					
General obligation bonds	$ 5,251,969	$ 4,770,000	$(515,145)	$ 9,506,824	$ 658,650
Certificates of obligation	8,487,000	-	(220,000)	8,267,000	180,000
Limited tax notes	2,460,000	2,125,000	(350,000)	4,235,000	420,000
Unamortized bond discounts	(9,095)	(5,234)	955	(13,374)	-
Deferred amount on refunding	(320,005)	-	16,747	(303,258)	-
Total bonds payable	15,869,869	6,889,766	(1,067,443)	21,692,192	1,258,650
Notes payable	23,032	-	(23,032)	-	-
Capital leases	398,253	50,612	(193,455)	255,410	170,290
Compensated absences	765,934	431,109	(490,271)	706,772	111,174
Net pension obligation	-	137,315	-	137,315	-
Net OPEB obligation	-	38,904	(16,181)	22,723	-
Governmental activites long-term debt	$ 17,057,088	$ 7,547,706	$(1,790,382)	$ 22,814,412	$ 1,540,114
Business-type activities:					
General obligation bonds	$ 15,008,031	$ -	$(714,854)	$ 14,293,177	$ 991,351
Certificates of obligation	9,853,000	-	(875,000)	8,978,000	630,000
Limited tax notes	1,215,000	2,575,000	(130,000)	3,660,000	350,000
Unamortized bond premiums	48,647	17,769	(14,606)	51,810	-
Unamortized bond discounts	(29,419)	(17,615)	4,562	(42,472)	-
Deferred amount on refunding	(437,767)	-	41,893	(395,874)	-
Total bonds payable	25,657,492	2,575,154	(1,688,005)	26,544,641	1,971,351
Estimated landfill postclosure care costs	409,500	-	(12,440)	397,060	-
Compensated absences	291,294	121,773	(183,546)	229,521	34,912
Capital leases	1,144,983	-	(479,697)	665,286	343,377
Net pension obligation	-	48,705	-	48,705	-
Net OPEB obligation	-	14,373	(6,314)	8,059	-
Business-type activites long-term debt	$ 27,503,269	$ 2,760,005	$(2,370,002)	$ 27,893,272	$ 2,349,640

The ordinances authorizing the issuance of general obligation bonds created an interest and sinking fund (Debt Service Fund). The ordinances require the City to ascertain a rate of ad valorem tax that will be sufficient to pay the principal and interest as they become due.

The ordinances authorizing the issuance of Waterworks and Sewer System Revenue Bonds created a sinking fund and a reserve fund. The gross revenue of the water and sewer system, after deduction of reasonable expenses for operations and maintenance, is pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the reserve fund. All bonded debt requires semi-annual payments of interest. The various bond ordinances provide the City with rights of redemption at par, plus accrued interest, at specific future dates.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-term Debt (Continued)

Bonds payable at September 30, 2009, includes the following individual issues:

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Outstanding
Governmental activities:					
General obligation bonds:					
1998 various purpose	3.70 - 4.50	09/01/98	08/15/13	$ 3,750,000	$ 1,060,000
2005 refunding	3.68	11/29/05	08/15/07	1,892,800	1,308,324
2006 refunding	3.78	03/09/06	08/15/21	996,000	990,000
2007 refunding	3.94	05/31/07	09/30/23	1,408,500	1,378,500
2009 various purpose	3.00 - 4.875	09/10/09	08/15/34	4,770,000	4,770,000
Limited tax notes:					
2006	3.50 - 4.00	09/26/06	08/15/13	1,260,000	670,000
2008	2.78	05/01/08	02/15/14	1,640,000	1,470,000
2008A	3.611	10/28/08	08/30/15	1,235,000	1,205,000
2009	2.00 - 3.00	09/10/09	08/15/16	890,000	890,000
Tax/revenue certificates of obligation:					
2001 various purpose	3.00 - 5.25	06/15/01	08/15/21	1,915,000	295,000
2003 various purpose	2.00 - 5.00	08/05/03	09/30/23	4,190,000	2,692,000
2007 various purpose	3.94	05/31/07	09/30/27	5,300,000	5,280,000
Total				$ 29,247,300	$ 22,008,824
Business-type Activities:					
General obligation bonds:					
2003A refunding	2.00 - 5.00	08/05/03	09/30/23	$ 4,720,000	$ 3,280,000
2005 refunding	3.68	11/29/05	08/15/19	4,022,200	3,836,677
2006 refunding	3.78	03/09/06	08/15/21	3,984,000	3,960,000
2007 refunding	3.94	05/31/07	09/30/23	3,286,500	3,216,500
Limited tax notes:					
2008	2.78	05/31/08	02/15/14	1,215,000	1,125,000
2008A	3.611	10/28/08	08/15/15	955,000	915,000
2009	2.00 - 3.00	09/10/09	08/15/16	1,620,000	1,620,000
Tax/revenue certificates of obligation:					
2001 various purpose	4.00 - 5.25	06/15/01	08/15/21	6,485,000	920,000
2003 various purpose	2.00 - 5.00	08/05/03	09/30/23	9,820,000	5,368,000
2005 various purpose	3.63	11/10/05	08/15/25	3,050,000	2,690,000
Total				$ 39,157,700	$ 26,931,177

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-term Debt (Continued)

Defeased Debt Outstanding

In prior years, the City defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. As of September 30, 2009, the amount of defeased debt outstanding amounted to $10,870,000.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2010	$ 658,650	$ 349,553	$ 991,351	$ 557,088
2011	728,269	335,519	1,061,731	518,629
2012	746,434	317,484	1,078,566	477,280
2013	411,627	300,703	1,513,372	433,276
2014	377,344	289,530	1,412,657	371,192
2015 - 2019	1,663,000	1,310,336	4,616,999	1,119,924
2020 - 2024	2,296,500	866,484	3,618,501	1,560,500
2025 - 2029	1,155,000	517,375	-	-
2030 - 2034	1,470,000	219,629	-	-
Total	$ 9,506,824	$ 4,506,613	$ 14,293,177	$ 5,037,889

Tax and Revenue Certificates of Obligation

Annual debt service requirements to maturity for Tax and Revenue Certificates of Obligation are as follows:

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2010	$ 180,000	$ 333,936	$ 630,000	$ 401,962
2011	195,000	325,787	660,000	376,597
2012	200,000	316,599	695,000	349,996
2013	305,000	307,440	355,000	320,594
2014	410,000	296,276	480,000	304,172
2015 - 2019	3,321,500	1,128,058	4,063,500	990,329
2020 - 2024	2,310,500	547,010	1,874,500	261,687
2025 - 2027	1,345,000	107,364	220,000	7,986
Total	$ 8,267,000	$ 3,362,470	$ 8,978,000	$ 3,013,323

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-term Debt (Continued)

Limited Tax Notes

Annual debt service requirements to maturity for the Limited Tax Notes are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	$ 420,000	$ 130,651	$ 350,000	$ 102,153
2011	535,000	116,796	415,000	92,015
2012	640,000	99,074	535,000	79,388
2013	750,000	76,923	590,000	64,092
2014	860,000	49,694	665,000	46,084
2015 - 2017	1,030,000	40,302	1,105,000	46,419
Total	$ 4,235,000	$ 513,440	$ 3,660,000	$ 430,151

IV. OTHER INFORMATION

A. Risk Management

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool ("Pool"). The Pool was created for the purpose of providing coverage against risks that are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, property and workers' compensation coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums. The Pool agrees to handle all liability, property and workers' compensation claims and provides any defense as is necessary.

The Pool makes available to the City loss control services to assist the City in following a plan of loss control that may result in reduced losses. The City agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the Pool. The City also carries commercial insurance on all other risks of loss, including employee health and accident insurance. The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool or insurance coverage for any of the past three years.

B. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

(continued)

IV. OTHER INFORMATION (Continued)

B. Commitments and Contingencies (Continued)

The City has active governmental and water and sewer construction projects as of September 30, 2009. At year-end, the City's commitments with contractors are as follows:

	Contract Amount	Spent to Date	Remaining Commitment
Governmental	$ 2,834,004	$ 1,339,497	$ 1,494,507
Water and sewer	414,825	158,605	256,220
Total	$ 3,248,829	$ 1,498,102	$ 1,750,727

C. Employee Retirement Plan

Plan Description

The City provides pension benefits for all of its fulltime employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Deposit Rate:	6%
Matching Ratio (City to Employee)	2 to 1
A member is vested after:	5 years
Members can retire at certain ages, based on years of services with the City. The Service Retirement Eligibilities for the City are:	5 years/age 60 or 20 years/any age
Updated Service Credit	100% repeating, transfers
Annuity Increase (to retirees)	70% of CPI repeating

(continued)

IV. OTHER INFORMATION (Continued)

C. Employee Retirement Plan (Continued)

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Beginning in 2009, certain eligible member cities could elect to contribute a minimum amount equal to their ARC less a "Phase In" of the increase from the change to the Projected Unit Credit cost method in the 2007 valuation. The City elected to contribute the "Phase In" rate. This election will cause the City to have an actual contribution different than the actuarially determined Annual Required Contribution (ARC), and therefore, accrue a net pension obligation (asset) on its balance sheet. The annual pension cost and net pension obligation/(asset) are as follows:

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/08	12/31/07	12/31/06
Actuarial Value of Assets	$ 17,320,997	$ 15,913,254	$ 15,430,911
Actuarial Accrued Liabilities	26,423,899	24,515,869	18,806,345
Percentage Funded	65.6%	64.9%	82.1%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	9,102,902	8,602,615	3,375,434
Annual Covered Payroll	10,702,600	9,829,734	8,932,152
UAAL as a Percentage of Covered Payroll	85.1%	87.5%	37.8%
Net Pension Obligation (NPO) at the Beginning of Period	-	-	-
Annual Pension Cost:			
Annual Required Contribution (ARC)	1,175,778	831,512	718,866
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
	1,175,778	831,512	718,866
Contributions Made (100%)	987,729	831,512	718,866
Increase in NPO	188,049	-	-
NPO at the End of Period	$ 188,049	$ -	$ -

(continued)

IV. OTHER INFORMATION (Continued)

C. Employee Retirement Plan (Continued)

Contributions (Continued)

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/08	12/31/07	12/31/06
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29 years; closed period	30 years; closed period	25 years; open period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-living Adjustments	2.1%	2.1%	NA

D. Post-retirement Health Care Benefits

The City provides certain health care benefits through a single-employer defined benefit OPEB plan. Regular, full-time employees are eligible to participate in the City's health care plan as a retiree at their own expense. The retiree pays 100% of the premiums for the insurance. Members are eligible at any age with 20 years of service or at age 60 with 5 years of service. Spouses and dependents of retirees are also eligible. Currently, the City has 278 active employees and 6 retirees eligible to participate in the plan.

When a regular, full-time employee retires they are eligible to continue to participate in the City's group health insurance plan. Members who terminate employment prior to retirement are not eligible for retiree health care benefits.

Retirees are eligible for health care until they become Medicare eligible. The retiree pays full Medicare premiums. The City's coverage ceases when the retiree becomes eligible for Medicare coverage.

Retirees who decide to opt-out for the health care plan are not eligible to opt back in when coverage from another entity ceases.

(continued)

IV. OTHER INFORMATION (Continued)

D. Post-retirement Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	$ 53,277
Interest on Net OPEB Obligation	-
Adjustment to the ARC	-
Annual OPEB Cost	53,277
Employer Contributions with Interest	(22,159)
Increase (Decrease) in Net OPEB Obligation	31,118
Net OPEB Obligation, beginning of year	-
Net OPEB Obligation, end of year	$ 31,118

Expenses for post-retirement health care benefits are funded on a pay-as-you-go basis.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.5% discount rate, and level percent of pay amortization).

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/09	$ 53,277	$ 22,159	42%	$ 31,118

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll
12/31/08	$ -	$ 523,754	$ 523,754	- %	$ 10,702,600

This is the year of implementation for GASB Statement No.45 for the City. Accordingly, the two previous years of funding status and funding progress are not available.

(continued)

IV. OTHER INFORMATION (Continued)

D. Post-retirement Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial methods and significant assumptions used are as follows:

Actuarial Valuation Date	12/31/2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Payroll Growth Rate	3%
Projected Salary Increases	3.75% to 17%
General Inflation Rate	3%
Healthcare cost trend rate	10%
The number of active members is assumed to remain constant in the future	

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

(continued)

IV. OTHER INFORMATION (Continued)

D. Post-retirement Health Care Benefits (Continued)

Supplemental Death Benefits Fund (Continued)

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal year ended 2009 were $24,432, which equaled the required contributions. This is the year of implementation for GASB Statement No.45 for the City. Accordingly, the two previous years of funding status and funding progress are not available.

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/09	$ 24,432	$ 24,432	100%	$ -

E. Municipal Solid Waste Landfill

On October 9, 1991, the Environmental Protection Agency (EPA) approved Subtitle "D" regulations that mandate environmental controls over the development and operations of landfills throughout the United States. The Texas Commission on Environmental Quality (TCEQ) oversees the implementation of these regulations and provides guidelines that parallel those of the EPA. The City of Copperas Cove falls under these controls. Subtitle "D" regulations require that all landfills abide by specific criteria. Among these criteria are regulations on the closure and postclosure of municipal solid waste landfills.

The regulations require that once the landfill is closed, the owner/operator is responsible for maintaining the final cover, monitoring groundwater and methane gas, and continuing leachate management for 30 years.

The total current cost of closure and postclosure care is the amount that would be paid if all equipment, facilities and services included in the estimates were acquired during the current period. The cost estimates used were obtained by the City's environmental consultants who maintain the landfills. Each year, the City evaluates estimated closure costs and post closure care costs for changes due to inflation or deflation, technology, or applicable laws or regulations.

(continued)

IV. OTHER INFORMATION (Continued)

E. Municipal Solid Waste Landfill (Continued)

Estimated closure and postclosure care costs as of September 30, 2009 are $397,060. It is estimated that the landfill requires 20 years of postclosure care as of September 30, 2009.

F. Prior Period Adjustments

The following prior period adjustments were made during the year ended September 30, 2009, to correct errors made in prior years and to account for changes in accounting policies made during the year:

Government-wide Financial Statements:

Governmental activities

In prior years, the City had not recorded municipal court fines receivable.	$ 99,155
Receivables for ambulance services were overstated.	(1,665,953)
Sales taxes, franchise taxes and other taxes had not been accrued.	568,513
During the year, the City raised its capitalization threshold from $1,000 to $5,000. Additionally, errors were discovered in the capital asset balance from the prior year.	1,042,591
Net increase in beginning net assets	$ 44,306

Business-type activities

During the year, the City raised its capitalization threshold from $1,000 to $5,000. Additionally, errors were discovered in the capital asset balance from the prior year.	$ 1,112,667
Utility receivables (net) were understated.	277,939
Net increase in beginning net assets	$ 1,390,606

Governmental Funds Financial Statements

Sales taxes, franchise taxes and other taxes had not been accrued.	$ 568,513
Net increase in beginning net assets	$ 568,513

Proprietary Funds Financial Statements

During the year, the City raised its capitalization threshold from $1,000 to $5,000. Additionally, errors were discovered in the capital asset balance from the prior year.	$ 1,112,667
Utility receivables (net) were understated.	277,939
Net increase in beginning net assets	$ 1,390,606

[Form of Opinion of Bond Counsel]

[Closing Date]

$_____
CITY OF COPPERAS COVE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2010

WE HAVE represented the City of Copperas Cove, Texas (the "Issuer"), as its bond counsel in connection with an issue of bonds (the "Bonds") described as follows:

> CITY OF COPPERAS COVE, TEXAS, GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010, dated November 15, 2010
>
> The Bonds mature, bear interest and may be transferred and exchanged as set forth in the Bonds and in the Ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Ordinance"). The Bonds are not subject to optional redemption prior to stated maturity.

WE HAVE represented the Issuer as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, which contains certified copies of certain proceedings of the Issuer; an escrow agreement (the "Escrow Agreement") between the Issuer and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"); a report (the "Report") of Grant Thornton LLP, Certified Public Accountants (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded (the "Refunded Obligations") and the mathematical accuracy of certain computations of the yield

on the Bonds and obligations acquired with the proceeds of the Bonds; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"). Court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;

(B) A continuing ad valorem tax, within the limit prescribed by law, has been levied and pledged irrevocably to the payment of the principal of and interest on the Bonds; and

(C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to the Escrow Agreement, and therefore, the Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and

(2) The Bonds are not "private activity bonds" within the meaning of the Code, and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Issuer, the Issuer's financial advisor and the underwriters of the Bonds with respect to matters solely

within the knowledge of the Issuer, the Issuer's financial advisor and the underwriters, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied on the Report of the Verification Agent regarding the mathematical accuracy of certain computations. If such representations or the Report are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing provisions of the Ordinance, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service, rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

City Council Regular **Item #: I. 3.**

Date: 11/16/2010

Contact: Andrea Gardner, City Manager,
City Manager

Information

SUBJECT

Discussion on determining future date(s) for Strategic Planning with the Governing Body and City Administration. ***Andrea M. Gardner, City Manager***

BACKGROUND/HISTORY

The City's Strategic Management Plan, "the Plan", was developed and adopted in FY 2000 and included the City's current Vision and Mission Statements and the City Council's Top 10 Goals. Since 2000, multiple discussions regarding updating the Plan occurred.

In 2007, the City Council determined a citizen survey was necessary prior to updating the Plan. After the survey results were reviewed with the governing body, a team building exercise and management review of the City's Vision and Mission Statements and Strategic Plan were conducted in the spring of 2008.

Seeking further direction from the governing body, the staff provided an update on the progress of the Plan update in June 2009. The following direction was provided during the discussion:

- Phase I - conduct citizen and staff surveys during FY 2010
- Phase II - Feeback and planning session with City Council, City Manager and Department Directors to be conducted in 2011
- Phase III - Develop a strategic scorecard
- Phase IV - Team Building Sessions

FINDINGS/CURRENT ACTIVITY

A final review of the update for the City's Strategic Master Plan was discussed with Council during the Council/Staff Retreat held on April 19, 2010. The direction provided was to follow the direction provided in June 2009 for updating the Plan and conduct a team building session with the governing body in mid 2011 and Council/Staff team building session in late 2011/early 2012.

City staff contracted with a firm to conduct both a citizen and staff survey. The staff survey was conducted and the results compiled. The citizen survey is currently under development and expected for distribution prior to calendar year end 2010.

City staff contracted with Chris Hartung Consulting to conduct the Governing Body Team Building Session and is considering conducting the session in January 2011; however, before scheduling the dates, staff is seeking direction from the body regarding the best future dates for the session.

ACTION OPTIONS/RECOMMENDATION

City staff recommends the Council discuss potential dates for the team building session and provide direction to the City Manager regarding scheduling.

Fiscal Impact

Funds available Y/N?: Y

FINANCIAL IMPACT:

Funds for the two surveys and the team building sessions were encumbered in FY 2010 as a result of contracting with Chris Hartung Consulting for the team building sessions and Cobalt Community Research for the surveys.

City Council Regular **Item #: I. 4.**

Date: 11/16/2010

Contact: Andrea Gardner, City Manager,
City Manager

Information

SUBJECT

Consideration and action on approving a resolution authorizing the Cities Aggregation Power Project, Inc. (CAPP) to negotiate an extension to the current electric supply and necessary related services agreement with Next Era for a fixed price per kWh that is lower than contract rates for 2011-2013, said extension to continue until December 31, 2018; approving CAPP contracting with Next Era and authorizing the City Manager to sign a contract with CAPP for the City's electricity needs for the period beginning January 1, 2011 or as soon after finalization of a contract as possible and extending up to December 31, 2018; committing to budget for energy purchases and to honor the City's commitments to purchase power through CAPP for its electrical needs through December 31, 2018. ***Andrea M. Gardner, City Manager***

BACKGROUND/HISTORY

In the Fall of 2008, CAPP negotiated and the City approved the current five-year contract that locked in energy prices through December 31, 2013. The current contract is referred to as a four-party agreement. The agreement contractually commits CAPP and STAP to Next Era (aka, Flordia Power & Light) as supplier and Direct Energy Business Services ("DEBS") as retail electric provider responsible for customer accounts and billing. Each CAPP and STAP member was required to pass a resolution agreeing to be bound by the four-party agreement and pledging to sign an individual customer energy supply agreement with DEBS. The current contract became effective on January 1, 2009 and will expire December 31, 2013. Under ordinary circumstances, bids for power to meet member needs in 2014 and beyond wouldn't have commenced until sometime in 2012.

FINDINGS/CURRENT ACTIVITY

The members of CAPP have a rare opportunity to reduce 2011 energy prices and achieve significant savings over the next three years by amending and extending the existing supply agreement. Next Era, CAPP's current energy supplier, has offered to liquidate the natural gas futures contracts it secured in 2008 to give CAPP and STAP fixed electric rates for five years. Next Era would then purchase new gas futures contracts to secure fixed pricing for an eight-year period at rates less tha rates that must be paid next year (2011) under the existing terms and conditions of the contract with Next Era.

An optimistic forecast would indicate that natural gas prices will remain around current levels for the next three or four years. To pass on an offer to reduce current contract rates and achieve a fixed price guarantee for eight years, one has to count on gas prices continuing to decline and for electric generation supply to remain comfortably greater than peak demand at least through the end 2013. Even if gas prices decline so as to justify a lower rate in 2013 for the 2014-2016 period, it is unlikely that the rate would be sufficiently lower to justify foregoing the potential near-term savings afforded by a blend and extend arrangement. Should the Council desire to take advantage of a blend and extend offer that produces both immediate savings and price stability for the next eight years, the Council is required to authorize the City Manager to sign an amended agreement with Next Era, if and when the CAPP and STAP Boards approve and recommend an amendment.

ACTION OPTIONS/RECOMMENDATION

City staff recommends the City Council approve a resolution authorizing the City Manager to sign an amended agreement with Next Era, if and when the CAPP and STAP Boards approve and recommend an amendment, for energy pricing through December 31, 2018.

Fiscal Impact

Funds available Y/N?: Y

FINANCIAL IMPACT:

The 2010 energy rate is .07708 per kWh and the 2011 energy rate will be .07895 per kWh and doesn't include TDSP charges, the agg fee and taxes. The City's electric consumption for CY 2009 was 11,858,268 kWh.

For most CAPP and STAP members, Next Era's offer to "blend and extend" would reduce 2011 prices by approximately one cent per kWh. For the small users that consume less than 1 million kWh annually, the reduction should result in savings of between $2,500 and $30,000 over the remainder of the current five-year agreement (2009 -2013). For the largest user, the savings should approximate $5 million.

Attachments

Link: Res No 2010-45 New Era

RESOLUTION NO. 2010-45

A RESOLUTION OF THE CITY OF COPPERAS COVE, TEXAS, AUTHORIZING THE CITIES AGGREGATION POWER PROJECT, INC. (CAPP) TO NEGOTIATE AN EXTENSION TO THE CURRENT ELECTRIC SUPPLY AND NECESSARY RELATED SERVICES AGREEMENT WITH NEXT ERA FOR A FIXED PRICE PER kWh THAT IS LOWER THAN CONTRACT RATES FOR 2011-2013, SAID EXTENSION TO CONTINUE UNTIL DECEMBER 31, 2018; APPROVING CAPP CONTRACTING WITH NEXT ERA AND AUTHORIZING THE CITY MANAGER TO SIGN A CONTRACT WITH CAPP FOR THE CITY'S ELECTRICITY NEEDS FOR THE PERIOD BEGINNING JANUARY 1, 2011 OR AS SOON AFTER FINALIZATION OF A CONTRACT AS POSSIBLE AND EXTENDING UP TO DECEMBER 31, 2018; COMMITTING TO BUDGET FOR ENERGY PURCHASES AND TO HONOR THE CITY'S COMMITMENTS TO PURCHASE POWER THROUGH CAPP FOR ITS ELECTRICAL NEEDS THROUGH DECEMBER 31, 2018.

WHEREAS, the City of Copperas Cove, Texas (City) is a member of Cities Aggregation Power Project, Inc. (CAPP), a nonprofit political subdivision corporation dedicated to securing electric power for its 102 political subdivision members in the competitive retail market; and

WHEREAS, CAPP negotiated favorable contract terms and a reasonable commodity price for delivered electricity since 2002 resulting in significant savings for its members; and

WHEREAS, the City's current contract for power with Next Era arranged through CAPP expires December 31, 2013; and

WHEREAS, the CAPP Board of Directors is currently considering a blend and extend contract with Next Era with indicative retail energy prices that will reduce the prices under the current contract for the next three years and extend a fixed price for energy through December 31, 2018; and

WHEREAS, the current contract is a master agreement between CAPP and Next Era endorsed by contract with individual CAPP members; and

WHEREAS, CAPP must be able to commit contractually to prices in a blend and extend contract amendment within a 24-hour period in order to lock-in favorable prices; and

WHEREAS, experiences in contracting for CAPP load since 2002 demonstrated that providers demand immediate response to an offer and may penalize delay with higher prices; and

WHEREAS, suppliers demand assurance that CAPP will pay for all contracted load; and

WHEREAS, the City must assure CAPP that it will budget for energy purchases and honor its commitments to purchase power for its electrical needs through CAPP for the period beginning January 1, 2011 and extending through December 31, 2018; and

WHEREAS, CAPP intends to continue to contract with Next Era (power supply) and Direct Energy (billing, administrative and other customer services); and

WHEREAS, the current contractual relationships between CAPP and Next Era and Direct Energy have been beneficial and cost effective for CAPP members and the City.

NOW THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF COPPERAS COVE, TEXAS:

Section 1:

That the CAPP Board and its consultants and advisors are agents authorized to negotiate for the City's electricity needs as a member of CAPP and extend the current supply agreement through December 31, 2018.

Section 2:

That the City approves CAPP extending its current contract with Next Era for the supply of electric power and related, necessary services for the City for a term to begin January 1, 2011 or as soon after finalization of a contract as possible and extending up to December 31, 2018, so long as the extension results in savings over the current contract term of 2011-2013 and results in fixed prices through December 31, 2018.

Section 3:

That the Mayor or other designated city official will execute a contract with CAPP that permits the Chairman of CAPP to sign a Commercial Electricity Supply Agreement ("CESA") for the City's electricity needs and related, necessary services beginning January 1, 2011 and extending up to December 31, 2018, as a member of CAPP and commits its load for the same period pursuant to the contract recommended and approved by the CAPP Board of Directors, provided that the energy price to be paid per kWh in 2011-2013 is less than the current contract price for 2011-2013 resulting in

savings for the City and that the fixed price for the period 2011-2013 will continue through December 31, 2018.

Section 4:

That the City will budget and approve funds necessary to pay electricity costs proportionate to the City's load under the supply agreement arranged by CAPP and signed by the Chairman of CAPP on behalf of all CAPP members for the term beginning January 1, 2011 and extending up to December 31, 2018.

Section 5:

That a copy of the resolution shall be sent to Mary Bunkley with the City Attorney's office in Arlington and Geoffrey M. Gay, legal counsel to CAPP.

PASSED, APPROVED, AND ADOPTED on this 16th day of November 2010, at a regular meeting of the City Council of the City of Copperas Cove, Texas which meeting was held in compliance with the Open Meetings Act, *Tex. Gov't Code*, §551.001, et.seq. at which meeting a quorum was present and voting.

_____
John Hull, Mayor

ATTEST:

_____
Jane Lees, City Secretary

APPROVED AS TO FORM:

_____
Denton, Navarro, Rocha
& Bernal, P.C., City Attorney

City Council Regular **Item #: I. 5.**

Date: 11/16/2010

Contact: Andrea Gardner, City Manager,
City Manager

Information

SUBJECT

Consideration and action on appointing two Council Members to participate in the "Development Review Process" and select from available dates for the interview portion of the process. ***Andrea M. Gardner, City Manager***

BACKGROUND/HISTORY

As mentioned during the budget workshop discussions regarding the proposed tax note issuance, the City Manager attended a session at the 2009 TML Annual Conference presented by the City of Mesquite, Texas and Con Brio Consulting. The session was a presentation on the City of Mesquite's unique approach utilized to solve the City's continual complaints from developers and staff regarding issues surrounding the City's development review process. Considering Copperas Cove was encountering issues of like value, the City Manager spoke with the consulting firm, the EDC Executive Director and an Industrial Foundation Board member to determine interest in utilizing such a process. The support existed due to the positive outcome the City of Mesquite experienced from the process.

FINDINGS/CURRENT ACTIVITY

Included in the FY 2011 Proposed Budget was a funding plan (2010A Tax Note Issuance) for various projects, apparatus and equipment. Funding for completion of a "Development Review Process" was part of the proposed 2010A Tax Note Issuance.

With an interest from City staff, the EDC and Industrial Foundation, the City Manager began working with a consulting firm to establish a proposed implementation plan with the understanding that funding for the plan and approval of an agreement for consulting services would require governing body approval. The proposed implementation plan includes the consultant conducting interviews with the following participants during January 10, 2011 - January 12, 2011 and January 24, 2011 - January 26, 2011 timeframe:

- EDC Board Members (3)
- Industrial Foundation Board Members (2)
- Chamber of Commerce Board Members (2)
- Chamber of Commerce President
- Commercial & Residential Developers (6)
- Mayor of Copperas Cove
- Copperas Cove City Council Members (2)
- City Manager
- Police Chief/ACM
- City Engineer
- Planning Department Staff (2)
- Public Works Staff (2)
- Fire Department Staff (3)
- Chief Building Official
- City Attorney
- Planning Consultant

The interview process will be folllowed by 4 days of group implementation meetings including all participants (the City Attorney and Planning Consultant are not likely to participate in the group process) that is expected to yield a new development review process that is a "one stop shop" approach to the development process. The implementation process will be approached from a number of

perspectives to include visualization/mind mapping, process improvement, change management, better teaming and communication to/within/outside City Hall.

The Mayor recommends Frank Seffrood and Jim Schmitz serve as the City Council participants for the "Development Review Process". City staff requests the Mayor and two Council Members selected state a preference from the predetermined dates for participating in the interview process. Selection of dates at this time will allow City staff to proceed with establishing a schedule for the interviews and formerly notify all participants.

ACTION OPTIONS/RECOMMENDATION

City staff recommends the City Council select two City Council Members to participate in the "Development Review Process" and the members provide direction on preference of the predetermined dates for participation in the interview portion of the process.

Fiscal Impact

Funds available Y/N?: N

FINANCIAL IMPACT:

Funds are not currently available as of the production of the agenda item; however, a tax note issuance is included in the same agenda that includes funding for the Development Review Process. The estimated consulting fees are $69,000 and the travel/miscellaneous expenses $6,000 for a total of $75,000.

The Copperas Cove EDC and the Copperas Cove Industrial Foundation are considering a 1/3 participation in the funding of the process. If the entities agree to participate in the funding, an interlocal agreement may be forthcoming.

Due to the uncertainty of the financial participation by the CCEDC and CCIF, staff included the total funding required for the implementation in the tax note issuance. If the entities are able to participate, the tax note funds not utilized will be available to fund alternative projects that were not include in the proposed issuance as a result of the limits set by the City Manager during the staff budget process.

City Council Regular **Item #: I. 6.**

Date: 11/16/2010

Contact: Andrea Gardner, City Manager,
City Manager

Information

SUBJECT

Discussion on Public Affairs and Legislative Consulting Services for the City of Copperas Cove. ***Andrea M. Gardner, City Manager***

BACKGROUND/HISTORY

During the Council/Staff Retreat held on March 10, 2008, the direction received from City Council was to seek the services of a firm to assist with legislative issues and request participation from both the Copperas Cove Economic Development Corporation (CCEDC) and the Copperas Cove Industrial Foundation (CCIF). Thus, on June 17, 2008, the agreement for Public Affairs and Legislative Consulting Services between the City of Copperas Cove and Hillco Partners was approved by the Council. The agreement was funded at $120,000 annually with equal participation by the City, CCEDC, CCIF. The total cost to the City was $40,000 annually.

Hillco Partners assisted City staff with issues resulting from the Texas Commission on Environmental Quality, the Texas Department of Transportation and review of over 8,000 bills filed during the 81st Legislative Session of the Texas Legislature.

On August 18, 2009, the Council authorized the City Manager to terminate the agreement for Public Affairs and Legislative Consulting Services between the City of Copperas Cover and Hillco Partners, LLC due to a funding shortage.

FINDINGS/CURRENT ACTIVITY

The filing of several Pre-Legislative bills has occurred since the opening of the bill filing period on November 8, 2010. City staff is monitoring the bills filed and has included on the same agenda an item requesting approval of the City's General Legislative Policy. Considering the large number of bills anticipated to be filed during the 82nd Legislative Session, staff is requesting the Council discuss the City's need for consulting services. The following is a list of typical services provided under a legislative consulting agreement:

- Develop Legislative Agenda
- Strategy Development
- Legislative Advice
- Relationship Advice
- Process Advice
- Passage of Legislation
- Defeat of Legislation
- Representation at Meetings
- Track Legislation & Provide Reports
- Witness preparation

Due to the financial uncertainty, staff is requesting Council provide direction regarding the need for legislative consulting services. The City Council has the option to request staff to complete a Request for Proposals (RFP) process and once complete evaluate the City's ability to fund the consulting services desired.

ACTION OPTIONS/RECOMMENDATION

City staff recommends the City Council provide direction regarding the Public Affairs and Legislative Consulting Services for the City of Copperas Cove.

Fiscal Impact

Funds available Y/N?: N

FINANCIAL IMPACT:

Funding for legislative consulting services wasn't included in the FY 2011 Adopted Budget, thus if the Council desired to enter into an agreement a budget amendment would be required.

The option to complete an RFP would be at no immediate expense to the City and would allow the body to determine cost/benefit to the City.

City Council Regular **Item #: I. 7.**

Date: 11/16/2010

Information

SUBJECT

Discussion on Dr. Kevin Kruse's resignation from the Copperas Cove Animal Control Advisory Committee. ***Kenn Smith, Council Member Place 5***

BACKGROUND/HISTORY

FINDINGS/CURRENT ACTIVITY

ACTION OPTIONS/RECOMMENDATION

Attachments

Link: Kruse Resignation

Link: Request for agenda item

Hill Country Animal Hospital

103 Wolfe Rd. Copperas Cove, TX 76522
254-547-8881
Kevin E. Kruse, DVM
Pet Medical and Suraical Practice

November 10, 2010

Andrea Gardner, Copperas Cove City Manager
John Hull, Copperas Cove Mayor
Copperas Cove City Council Members
Mike Heintzelman, President Copperas Cove Animal Control Advisory Board

Dear Officials,

I feel that it has come time for me to resign from my appointment to the Animal Control Advisory Board effective immediately.

I feel that the current city management and elected officials do not take the advice of the Animal Control Advisory Board seriously. There has been more thoughtful interaction with appointed ad hoc committees than the State of Texas mandated Board. The revisiting of the Chapter 3 Ordinance seemed to be generated by non-citizen agenda seeking groups and not by the citizens of Copperas Cove. There has never been a large outpouring of discontent from the citizens concerning the Chapter 3 Ordinance. Almost all the meetings that I attended were devoid of any citizen interaction. Mostly, no citizens attended. Whenever there was a crowd, it was almost all non-citizens attempting to force their humaneniac agendas on the citizens. Yet I have seen many of these individuals force pets to live in inhumane facilities and not meet the minimum care of pets with groups that have been associated with. Some of these individuals have posted slanderous accusations toward me just because I do not believe in their agenda.

I feel that Deputy Chief Heintzelman has done a wonderful job overseeing the Advisory Board and the ad-hoc committees. Any attempts by city government to remove him from the Advisory Board is a further attempt to make a State of Texas mandated board a for show Board with no say in what is in the best interest of the citizens of Copperas Cove and the pets that are the property of said citizens.

Respectfully

Kevin E. Kruse DVM

Kevin E. Kruse, DVM

Andrea Gardner - City Manager

From: Kenn Smith [KSmith10@hot.rr.com]
Sent: Wednesday, November 10, 2010 3:25 PM
To: Jane Lees - City Secretary
Subject: Request for Addition to November 16th Agenda

I request that an agenda item be added to subject council meeting to discuss the resignation of Dr. Kevin Kruse, DVM from the Animal Control Advisory Board. Councilmembers Kent and Palmer are in agreement and emails will be forthcoming from each.

Thank you,

Kenn Smith

Jane Lees - City Secretary

From: Gary Kent- City Council
Sent: Wednesday, November 10, 2010 3:35 PM
To: Kenn Smith
Cc: Jane Lees - City Secretary
Subject: RE: Dr. Kruse Resignation

Follow Up Flag: Follow up
Flag Status: Completed

Jane

I'm in agreement.

Gary

From: Kenn Smith [KSmith10@hot.rr.com]
Sent: Wednesday, November 10, 2010 3:25 PM
To: Gary Kent- City Council
Subject: Dr. Kruse Resignation

I have sent an email to Jane Lees asking that his resignation be added to the November 16th agenda as a discussion item. She needs an email from you (today) that you are in agreement.

Kenn

Jane Lees - City Secretary

From: Danny Palmer [fxe77csmret@aol.com]
Sent: Friday, November 12, 2010 2:17 PM
To: Jane Lees - City Secretary
Subject: Fwd: signature on the agrena request

-----Original Message-----
From: Danny Palmer <fxe77csmret@aol.com>
To: jlees@ci.copperas-cove.tx.us
Sent: Wed, Nov 10, 2010 4:18 pm
Subject: signature on the agrena request

This memo is to assure you that I have agree to sign the agenda item present by Ken Wilson, Any question or a time for me to stop by and sign the request please call me. 394 3627

City Council Regular **Item #: J. 1.**
Date: 11/16/2010

Information

SUBJECT

Chamber of Commerce 3rd Quarter Report for 2010. ***Marty Smith, President, Copperas Cove Chamber of Commerce***

BACKGROUND/HISTORY

FINDINGS/CURRENT ACTIVITY

ACTION OPTIONS/RECOMMENDATION

Attachments

Link: H/M Budget vs Actual

Copperas Cove
Chamber of Commerce & Visitors Bureau
The Front Door of the City

Copperas Cove Chamber of Commerce
Hotel Motel Tax 2010 Budget vs. Actual

	2010 Estimated Tourism Budget	2010 1st Quarter Actual	2010 2nd Quarter Actual	2010 3rd Quarter Actual	2010 4th Quarter Actual	Year to Date 2010 Totals	
Advertising	39,630.00	5,500.30	19,126.82	15,263.70		39,890.82	
General & Admininstrative	122,213.50	29,138.23	30,967.55	35,435.39		95,541.17	
Promotional	30,300.00	2,026.22	3,269.88	6,150.22		11,446.32	
Supplies/Printing/Postage	6,800.00	753.30	1,986.94	2,206.74		4,946.98	
Tourism Event Entertainment	15,565.00	0.00	10,900.00	0.00		10,900.00	
Tourism Events	113,367.00	5,911.91	38,252.56	19,811.01		63,975.48	
						0.00	
Chamber 2010 Est. Tourism Budget	**327,875.50**	**43,329.96**	**104,503.75**	**78,867.06**		***226,700.77***	***Total Chamber Expenditure 2010***
2009 City Hotel/Motel Tax Funds Commitment & Additional Funds Request	**170,000.00**	**42,500.00**	**42,500.00**	**42,500.00**		***127,500.00***	***Total Hotel Motel Tax Funds for 2010***
Difference in Budgets	**$ (157,875.50)**	**$ (829.96)**	**(62,300.75)**	**(36,367.06)**		***(99,497.77)***	***Unmet Tourism Needs Paid by Chamber Operating Fund***

,

The overage in the budget is paid out of the Chamber "Operating Fund".

Tourism Event Performance Indicators

	2009 Actual Participants	2009 Actual Hotel Rooms				2010 As of 3rd Quarter Participants	2010 As of 3rd Quarter Hotel Rooms
Rabbit Fest	40,280+	37				44,780+	57
Bike/Run Central Texas	1421	734				873	467
Other Tourism Events	433	96				0	0

	2009 Actual	2010 Projected	2010 Actual 1st Qrtr	2010 Actual 2nd Qrtr	2010 Actual 3rd Qrtr	2010 Actual 4th Qrtr	2010 Actual Total YTD
Website Hits	1,493,746	1,500,000	406,987	567,269	403,198		**1,493,746**
Relocation Requests	506	512	78	102	97		**277**
Welcome Bags	3121	3147	975	487	782		**2244**
Visitors Bureau	3434	3527	206	527	989		**1722**

City Council Regular **Item #: L. 1.**

Date: 11/16/2010

Information

SUBJECT

Pursuant to §551.072 of the Open Meetings Act, Tex. Gov't Code, Council will meet in Executive Session to deliberate the purchase, exchange, lease, or value of real property.

City Council Regular **Item #: L. 2.**

Date: 11/16/2010

Information

SUBJECT

Pursuant to §551.071 of the Open Meetings Act, Tex. Gov't Code, Council will meet in Executive Session to consult with the the City Attorney regarding transfer of animals.