

# City of Copperas Cove, Texas

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FISCAL YEAR ENDED SEPTEMBER 30, 2003**

*“The City Built for Family Living”*



***About the Cover:***

The City of Copperas Cove is proud to place a picture of its new Ogletree Gap Pavilion on the cover of the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2003. The pavilion was completed in 2003 and was constructed utilizing funds allotted from the 2001 Combination Tax and Revenue Certificates of Obligation. The pavilion was constructed in the peaceful setting of the Ogletree Preserve, the location where Copperas Cove began in 1879. It offers the citizens and organizations of Copperas Cove a facility in which they can host social events or celebrate special occasions. Some of the amenities include restrooms, counters and sinks and lights for evening events.

**CITY OF COPPERAS COVE, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED SEPTEMBER 30, 2003**

**PREPARED BY:**

**FINANCE AND ACCOUNTING DEPARTMENT**

**ROBERT CAMARENO**  
**ASSISTANT CITY MANAGER/DIRECTOR OF FINANCE**

**Member of Government Finance Officers Association of the United States and Canada**

*“The City Built for Family Living”*

# **CITY OF COPPERAS COVE, TEXAS**

**ADOPTED BY THE CITY COUNCIL ON NOVEMBER 13, 2000**

## **VISION STATEMENT**

*The vision of Copperas Cove is to foster the highest quality of life enabling all citizens to work, play and grow in a protected and productive environment.*

## **MISSION STATEMENT**

*The mission of the City of Copperas Cove is to provide excellence in public service to meet the needs of our diverse community through quality customer services while exercising cost effective management and maintaining fiscal responsibility.*

*The City Built for Family Living*

CITY OF COPPERAS COVE, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

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CITY OF COPPERAS COVE, TEXAS  
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March 31, 2004

Honorable Mayor, Members of the City Council  
and the Citizens of the City of Copperas Cove, Texas:

The comprehensive annual financial report of the City of Copperas Cove, Texas, for the fiscal year ended September 30, 2003, is hereby submitted. This report was prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and audited in accordance with U.S. Generally Accepted Auditing Standards by a firm of licensed independent certified public accountants.

This report consists of management's representations concerning the finances of the City of Copperas Cove. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Copperas Cove has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Copperas Cove's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Copperas Cove's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Copperas Cove's financial statements have been audited by Lott, Vernon and Company, P.C., a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Copperas Cove for the fiscal year ended September 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Copperas Cove's financial statements for the fiscal year ended September 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Copperas Cove as legally defined), as well as its component unit. Component units are legally separate entities for which the primary government is financially accountable. The Copperas Cove Economic Development Corporation meets the criteria to be included in this financial report, and is included as a Component Unit since the taxpayers approved the formation of this entity. In addition, the City Council approves the budget and appoints its Board of Directors; thereby overseeing the ½ cent sales tax allocated for economic development.

### **Significant Change in Presentation**

With the September 30, 2003 financial statements, the City was required to implement a significant change in its governmental financial report under GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (the new reporting model). More information about this change can be found in Management's Discussion and Analysis (MD&A) beginning on page 3 and also discussed in the notes to the financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

The comprehensive annual financial report is presented in three sections: The Introductory Section includes this letter of transmittal, GFOA Certificate of Achievement, the list of principal City officials, and the City's organizational chart. The Financial Section includes the independent auditor's report, Management's Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the basic financial statements, and combining financial statements. The Statistical Section includes selected financial and demographic information, presented on a multi-year basis.

## **GOVERNMENT STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK**

The City of Copperas Cove is a central Texas city located in Coryell, Bell and Lampasas counties on U.S. Highway 190. It is located approximately twenty-five (25) miles west of Interstate Highway (I-35). Copperas Cove is fortunately located on a main east-west line of the Santa Fe Railroad. There are approximately thirteen (13) square miles in the City's corporate boundaries.

The recorded history of Copperas Cove began in 1832, when it was still a part of the State of Coahuila, Mexico. The original central location of the City was approximately two (2) miles southwest of the present site, and in the late 1840's was used as a stop over to the Chisolm Trail. The natural basin, formed by five surrounding hills, provided a protected gathering place for cattle. The basin also had a large spring of water, which had a distinctive copperas-like taste. These two factors lent themselves to the naming of the City - Copperas Cove. The City was founded in 1879, and incorporated on July 7, 1913. Copperas Cove is a home rule municipal corporation organized in and existing under the provisions of the Constitution of the State of Texas. The City's first Charter was adopted on January 20, 1979, and the City operates under a council-manager form of government.

Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a seven-member council who are elected for three-year terms. The City Council appoints a City Manager to administer the affairs of the City. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing directors.

The government provides a full range of services including police and fire protection; the construction and maintenance of city streets and infrastructure; recreational activities and cultural events. In addition to general government activities, there exist other funds such as water and sewer, solid waste, and the golf course which are operated under the proprietary fund concept, whereby user charges should insure adequate coverage of operating expenses and payments on outstanding debt.

Referred to as "the city built for family living," Copperas Cove is the largest city in Coryell County. It adjoins the western boundary of Fort Hood and is located 65 miles north of the state capital in Austin, 63 miles southwest of Waco, and 160 miles southwest of Dallas. Copperas Cove's population of approximately 30,450 has grown steadily since its establishment in 1879. The City experienced significant growth in population and business activity during the early to mid 1990's, but encountered a slight leveling-off in fiscal year 1997-98. The experienced fast growth and subsequent slowing was evidenced by the fast rise in property tax base and sales tax receipts. Because of its convenient proximity to Fort Hood, many Copperas Cove citizens are affiliated with the Federal Government.

Fort Hood is home to the III Mobile Armored Corps. The City of Copperas Cove currently enjoys a favorable economic environment and local indicators point to continued stability. The City's economy is primarily service-oriented, virtually tied in every way to the operations at Fort Hood. Fort Hood is the largest armored military installation in the free world. The post's southwest boundary is bordered by the City of Copperas Cove. This 335

square mile installation (214,351 acres), is the only post in the United States capable of stationing and training two armored divisions. Fort Hood is the Army's premier installation to train and deploy heavy forces, and plays a key role in Army modernization and testing of new equipment. Fort Hood is the largest single location employer in the State of Texas. Currently there are approximately 42,000 military personnel and 3,000 civilians working on the post. Fort Hood has an estimated \$1.8 billion direct economic impact on the local area in the form of payroll, contracts, local purchases, and school aid. It is estimated that the total economic impact of Fort Hood on the local area is \$3.7 billion dollars.

The Copperas Cove Independent School District provides high quality education to its students and has attained a Recognized Rating from the Texas Education Agency (TEA) for the past five years. Additionally, for the 2003 academic school year the District had two exemplary school campuses and seven recognized elementary and intermediate school campuses. The District's enrollment rate decreased by approximately 171 students during fiscal year 2002-03 primarily due to the deployment of military personnel from Fort Hood. It has a current enrollment of 7,470 and operates the following facilities: one primary high school, with an alternative high school, two junior high schools, two intermediate schools, and seven elementary schools. All thirteen campuses are accredited by the TEA. There are at least two private elementary schools located in the City. Central Texas College and Tarleton State University are located on a 560-acre campus at the eastern fringe of the city limits adjacent to Fort Hood and the City of Killeen. They provide secondary and graduate educational opportunities.

One indicator of a healthy economy is a sustained number of building permits issued. Total building permits issued during fiscal year 2002-03 totaled \$24,627,634. New construction additions in Copperas Cove totaled approximately \$23,241,099. New residential construction made up \$20,334,883 of this amount while \$2,906,216 was related to new non-residential buildings.

The City has approved the zoning and/or platting of several new residential subdivisions. The House Creek North development will contain 352 homes at full build-out on 114 acres. Also, the Tonkawa Village development will contain 64 homes at full build-out on 18 acres, while the Mesa Verde at Skyline development will have 34 homes on 32 acres.

Ad Valorem Taxes. Total assessed value within the City has increased by approximately 13 percent since fiscal year 2000. The fiscal year 2003 projections, based on data provided by the Coryell County Appraisal District, indicate a 4 percent growth in assessed value over fiscal year 2002 levels.

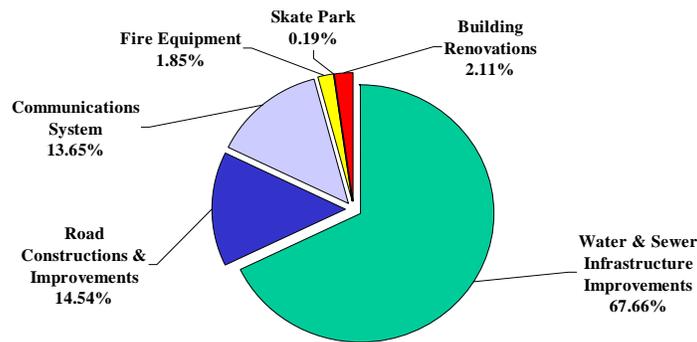
Sales Tax. Sales tax collections have increased by approximately 17 percent since fiscal year 2000. Collections for fiscal year 2003 have increased by approximately 5 percent over fiscal year 2002 levels.

The City continued to monitor its service delivery and has implemented long-range plans to maintain and improve services through organization changes and personnel training. In addition, City management is committed to providing quality service through recruitment and retention of quality employees.

## **MAJOR INITIATIVES**

In August of 2003, the City issued \$14,010,000 in combination tax and revenue certificates of obligation. This issue provides funding for various projects including water and sewer infrastructure improvements, road construction and improvements, a new 800 MHz communications system, the purchase of a fire pumper truck, the construction of a skate park and renovations to several City facilities.

**Use of Funds  
\$14 Million Bond Issue**



### **OTHER MAJOR INITIATIVES AND ACCOMPLISHMENTS**

During fiscal year 2003, the City invested in a number of programs and services that make Copperas Cove a better community. The following are some of the efforts and accomplishments of the City during the year:

#### Police

- ◆ Produced 3,582 Copperas Cove Police Department Kiddo Cards.
- ◆ Conducted both National Night Out Downtown Party and Downtown Safe Halloween Party.
- ◆ Implemented and trained citizens for the Citizens on Patrol Program.
- ◆ Held numerous Neighborhood Watch meetings.
- ◆ Conducted two seminars on senior safety in the Seniors and Law Enforcement Together (SALT) Program.
- ◆ Conducted the Shattered Dreams Programs with high school students to promote DWI awareness and consequences of drinking and driving.

#### Fire

- ◆ Placed into service Engine Three, which was purchased through Coryell County for emergency calls in both the County and City.
- ◆ Received the National Fire Protection Institute's Life Safety Award for no fire deaths.
- ◆ Trained all firefighters on twelve-lead defibrillators and placed three new defibrillators into service.
- ◆ Placed a new ambulance into service.
- ◆ Purchased a new thermal imaging camera and placed it into service.
- ◆ Updated the state approved basic emergency management plan for the City.

#### Community Services

- ◆ Conducted two youth soccer leagues with over 800 youth participating.
- ◆ Provided a community Thanksgiving dinner for almost 400 people.
- ◆ Co-sponsored the holiday lights in the park.
- ◆ Completed the construction of the new Ogletree Gap Pavilion.
- ◆ Circulated 130,785 library materials.
- ◆ Conducted reading programs for 5,078 children.
- ◆ Conducted daytime book discussion group meetings to promote adult interest in reading.

#### Public Works

- ◆ Improved public relations and services to customers.

- ◆ Completed construction of the new Public Works Administration building.
- ◆ Implemented new utility billing software.
- ◆ Continued to maintain a “Superior Water System” rating recognized by the Texas Commission on Environmental Quality (TCEQ).
- ◆ Received the “Total Coliform Rule” certificate for outstanding performance during a five-year period for no violations from TCEQ.
- ◆ Received annual inspections from both EPA and TCEQ, on all three wastewater plants and passed with no major deficiencies.
- ◆ Continued to monitor the progress of several water and wastewater infrastructure improvements.
- ◆ Hosted the “Don’t Mess With Texas Trash-Off” and the “Great American Clean Up”.

## **OTHER INFORMATION**

**Fund Accounting:** The City's accounting system is organized and operated on a "fund basis." Each fund is a distinct, self-balancing entity. A description of the various major funds and fund types is contained in note I of the financial statements. A description of each individual non-major fund is contained at the beginning of its related combining financial statements.

**Basis of Accounting:** The City's accounting records for all governmental funds are maintained on the modified accrual basis of accounting. This method recognizes revenue when it is measurable and available, and expenditures when goods or services are received. All proprietary funds are accounted for using the accrual basis of accounting; revenue is recognized when it is earned, and expenses are recognized when they are incurred.

**Internal Control:** Management of the City is responsible for establishing and maintaining an internal control structure. This structure is designed to provide reasonable, but not absolute, assurance that: (1) City assets are protected from loss, theft or misuse; and (2) City financial records and data are accurate and reliable. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of cost and benefits requires estimates and judgements by management.

**Budgetary Control:** Each year, on or before September 15, the City Council adopts an annual operating budget for the ensuing fiscal year. The operating budget includes anticipated revenue and expenditures for the General Fund, Special Revenue Funds (except the Municipal Court Fund), the Debt Service Fund and Proprietary Funds. The budget is a planning device that defines the type, quality and quantity of City goods and services that will be provided to our citizens.

The budget is also a control device that serves as a system of "checks and balances" between levels of City government. The budgetary system ensures that individual departments contain their expenditures within limitations set by the City management, and that City management contains expenditures for the entire City within limitations set by the City Council.

After adoption, changes to a departmental budget may be made through the use of line item transfers, initiated by a department head and approved by the City Manager and Director of Finance. Any changes to the budget outside of an individual department can only be made by a City Council resolution. Any revisions that alter the total expenditures of any fund must be adopted by the City Council after formal public budget hearings.

**Cash Management:** Cash temporarily idle during the year can be invested in demand deposits, money market funds, federal government securities and federal agency securities. The City earned interest revenue of \$279,043 on all investments for the fiscal year 2002-03.

The City's investment policies stress minimization of credit and market risks, while maintaining a competitive yield. Accordingly, City policy requires all deposits be either insured by federal depository insurance or collateralized. All collateral on deposits was held by the financial institution's correspondent bank's trust department in the City's name. All investments held by the City during the year, and at September 30, 2003, are classified in the best category of

credit risk as defined by the Governmental Accounting Standards Board. Note IV of the financial statements provides detail on the deposits and coverage.

**Risk Management:** The City participates in the Texas Municipal League (TML) insurance programs. These programs are not operated as “for profit” insurance companies. Rather, participating members (cities and other political subdivisions) join together under the State’s inter-local contracting mechanism to provide self-insurance and group benefits for themselves, their officials, and their employees.

This participation allows the City to take advantage of self-insurance opportunities and large group policy purchasing power, which translates into cost savings and efficient claims handling.

The City currently obtains property, auto, liability, and workers’ compensation insurance through TML. As a service to its members, TML also provides risk management and safety training consultation.

### **AWARDS AND ACKNOWLEDGEMENTS**

**Awards:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Copperas Cove for its comprehensive annual financial report for the fiscal year ended September 30, 2002. This was the thirteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgments:** The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department, and all directors and department heads. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Due credit also should be given to the Mayor, and the City Council for their continued interest in planning and conducting the financial operations of the City in a responsible and progressive manner.

Furthermore, the work of the independent auditors from Lott, Vernon and Company, P.C. is greatly appreciated.

Respectfully submitted,

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Steven J. Alexander  
City Manager

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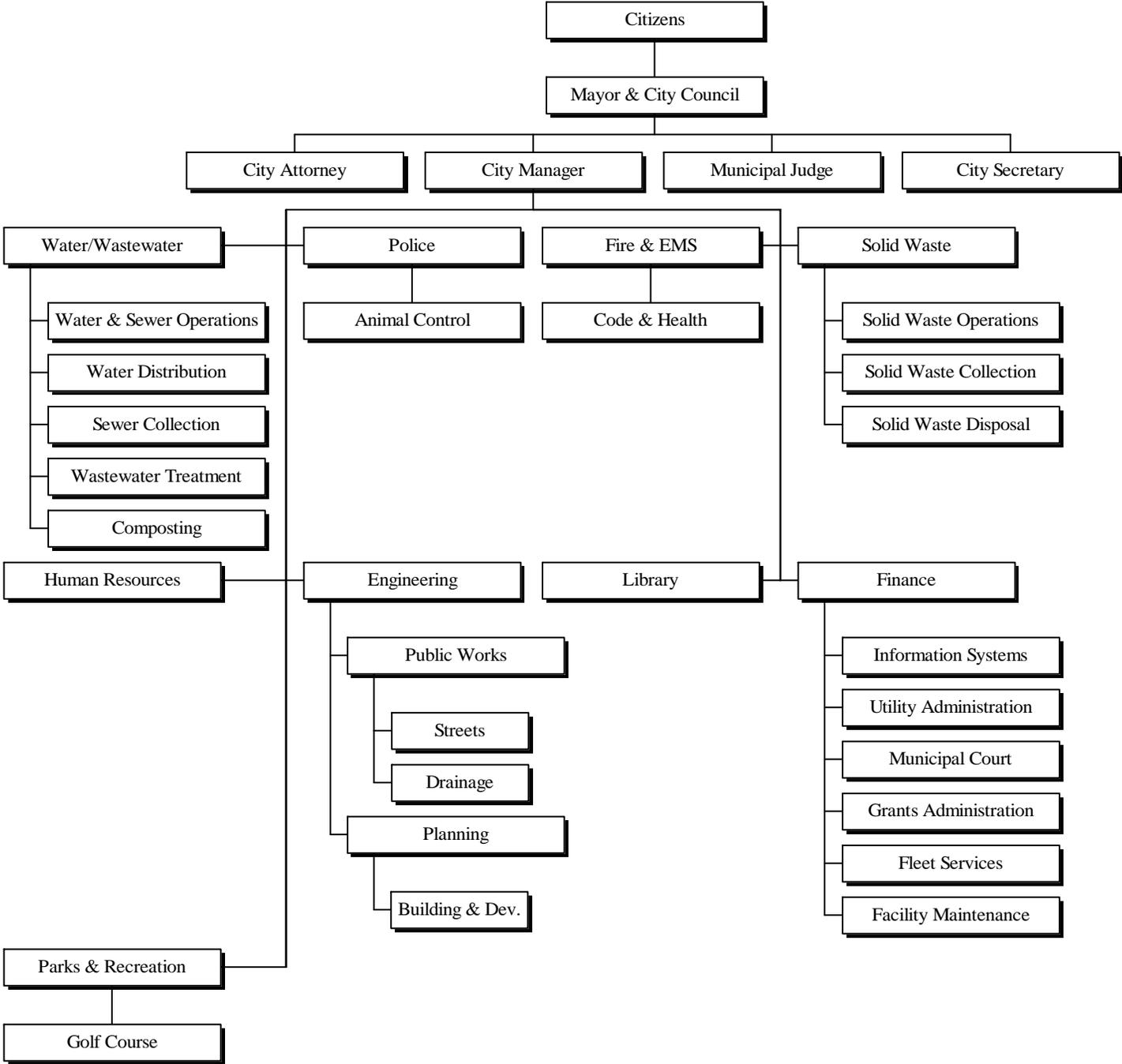
Robert Camareno  
Assistant City Manager/Director of Finance

# City of Copperas Cove, Texas

## Organizational Structure

September 30, 2003

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**City of Copperas Cove, Texas**  
**List of Principal Officials**

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**City Council**

Bradi Diaz - Mayor

Ray Don Clayton - Council Member  
John Gallen - Council Member  
Fred Harris - Council Member  
Robert Reeves – Council Member

Charlotte Heinze - Council Member  
Bud Owsley - Council Member  
Annabelle Smith - Council Member

**City Staff**

**Reporting to Council**

Steven J. Alexander, CPA, City Manager  
James R. Thompson, City Attorney  
Pamela J. Russell, City Secretary  
F.W. “Bill” Price - Municipal Judge

**Reporting to the City Manager**

Paul Boyer, P.E., City Engineer  
Robert Camareno, Assistant City Manager/Director of Finance  
Richard Davis, Director of Solid Waste  
Margaret Fleet, Director of Library Services  
Dennis Haas, Fire Chief  
Robert McKinnon, Director of Water/Wastewater  
Tim Molnes, Police Chief  
Kelli L. Sames, Director of Human Resources  
Linda Tyler, Director of Community Services

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and  
Members of the City Council  
City of Copperas Cove, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Copperas Cove, Texas (the City) as of and for the year ended September 30, 2003, 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's management. Our responsibility is to express an opinion 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 opinion.

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, each major fund, and the aggregate remaining fund information of the City of Copperas Cove, Texas as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of September 30, 2003.

The Management's Discussion and Analysis on pages 3 through 16 is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Copperas Cove, Texas basic financial statements. The introductory section, combining schedules and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial

statements. The combining and individual nonmajor financial statements have been subjected to the auditing procedures applied 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 section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

March 5, 2004

## **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, 2003. 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-vi of this report as well as the City's financial statements beginning on page 17 and the accompanying notes to the financial statements.

### **Financial Highlights**

- The assets of the City of Copperas Cove exceeded its liabilities at the close of the most recent fiscal year by \$27.4 million (net assets). Of this amount, \$5.3 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The General Fund reported revenues in excess of expenditures and other financial sources and uses by \$132,333.
- At September 30, 2003, unreserved fund balance for the General Fund was \$2.9 million, or 29.83% of total General Fund expenditures.
- At September 30, 2003, the City's governmental funds reported combined ending fund balances of \$8.8 million. Of the combined ending fund balances, \$221,994 is reserved for debt service, \$4.1 million is reserved for capital projects, and \$4.2 million is unreserved.

### **Overview of the Financial Statements**

The City 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 plans to record its infrastructure as Governmental assets in the near future and has recorded infrastructure for the water and sewer funds in the appropriate funds as it was built or donated.
- 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.

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, public safety, community services, highways and streets, and fleet

and facility services. 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 17-18 of this report.

### **Fund Financial Statements**

Also presented are the traditional fund financial statements for governmental funds and proprietary funds. The fund financial statements now focus on major funds of the City, rather than fund type used in the old model. 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 due to it being considered to be a major fund. 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 its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19-23 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. Enterprise funds are used for activities that primarily serve customers outside the governmental unit for which fees are charged. The City has three enterprise funds: the Water and Sewer Fund, Solid Waste Fund and the 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 24-26 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 27-55 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 56-65 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole, as of and for the year ended, September 30, 2003. The prior year's financial position and results have not been restated in GASB-34 format, therefore, complete comparative information is not presented. In future years, a comparative analysis of government-wide data will be presented in the MD&A.



## Net Assets

The following table reflects the Condensed Statement of Net Assets as of September 30, 2003.

### Condensed Statement of Net Assets

	Governmental Activities	Business-type Activities	Total
	<u>2003</u>	<u>2003</u>	<u>2003</u>
Current and other assets	\$ 10,165,049	\$ 20,419,958	\$ 30,585,007
Capital assets	<u>10,164,242</u>	<u>35,024,899</u>	<u>45,189,141</u>
Total assets	<u>20,329,291</u>	<u>55,444,857</u>	<u>75,774,148</u>
Other liabilities	2,446,968	7,808,464	10,255,432
Long-term liabilities	<u>10,719,219</u>	<u>27,399,939</u>	<u>38,119,158</u>
Total liabilities	<u>13,166,187</u>	<u>35,208,403</u>	<u>48,374,590</u>
Net assets:			
Invested in capital assets net of related debt	4,164,415	17,378,940	21,195,771
Restricted	221,994	675,400	897,394
Unrestricted	<u>2,776,695</u>	<u>2,182,114</u>	<u>5,306,393</u>
Total net assets	<u>\$ 7,163,104</u>	<u>\$ 20,236,454</u>	<u>\$ 27,399,558</u>

The net assets of the City totaled \$27.4 million at September 30, 2003. Of the \$27.4 million, \$7.2 million was in the governmental activities and \$20.2 million was in the business-type activities.

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 (\$21.2 million or 77.35%) reflects the City's investment in capital assets, less any related debt used to acquire or construct those assets that is still outstanding. 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 (\$897,394 or 3.28%), which represents resources that are subject to external restrictions on how they may be used.

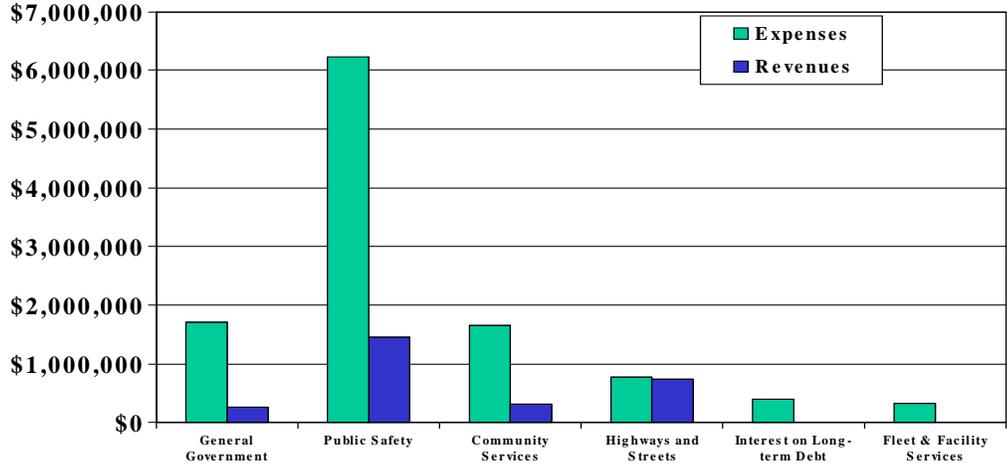
The third portion consists of unrestricted net assets (\$5.3 million or 19.37%), which may be used to meet the City's ongoing obligation to citizens and creditors.

**Changes in Net Assets.** The City's total revenues for the fiscal year ended September 30, 2003 were \$20.5 million. The total cost of all programs and services was \$18.8 million. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

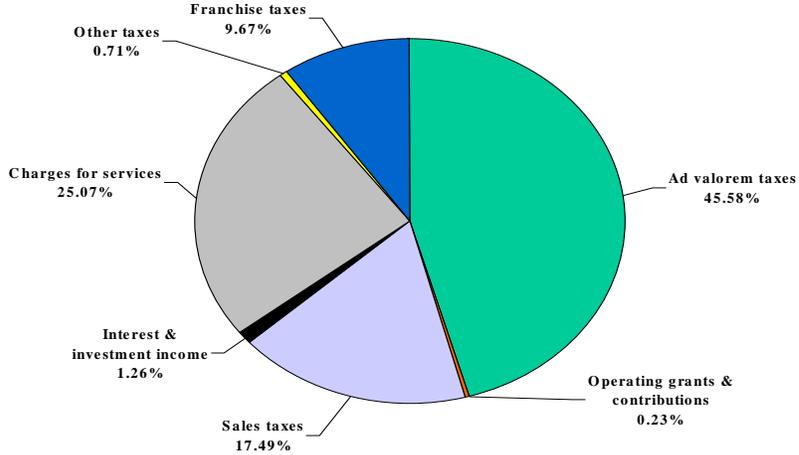
### Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 2,758,999	\$ 9,387,444	\$ 12,146,443
Operating grants and contributions	25,513	-	25,513
General revenues			
Ad valorem taxes	5,015,694	-	5,015,694
Sales taxes	1,924,665	-	1,924,665
Franchise Taxes	1,064,181	-	1,064,181
Other Taxes	77,620	-	77,620
Interest and investment income	138,493	140,550	279,043
Loss on sale of capital assets	-	(5,055)	(5,055)
<b>Total revenues</b>	<b>11,005,165</b>	<b>9,522,939</b>	<b>20,528,104</b>
<b>Expenses:</b>			
General government	1,708,931	-	1,935,731
Public safety	6,228,186	-	6,228,186
Community services	1,663,213	-	1,634,849
Highways and streets	778,099	-	579,663
Fleet and facility maintenance	321,073	-	321,073
Interest on long-term debt	398,906		398,906
Water/Wastewater	-	5,353,609	5,353,609
Solid waste	-	1,694,338	1,694,338
Golf course	-	661,982	661,982
<b>Total expenses</b>	<b>11,098,408</b>	<b>7,709,929</b>	<b>18,808,337</b>
Increase (decrease) in assets before transfers	(93,243)	1,813,010	1,719,767
Transfers	970,324	(970,324)	-
<b>Increase in net assets</b>	<b>877,081</b>	<b>842,686</b>	<b>1,719,767</b>
Net assets at beginning of year	6,286,023	19,393,768	25,679,791
Net assets at end of year	\$ 7,163,104	\$ 20,236,454	\$ 27,399,558

**Expenses and Program Revenues – Governmental Activities**



**Revenues by Source – Governmental Activities**

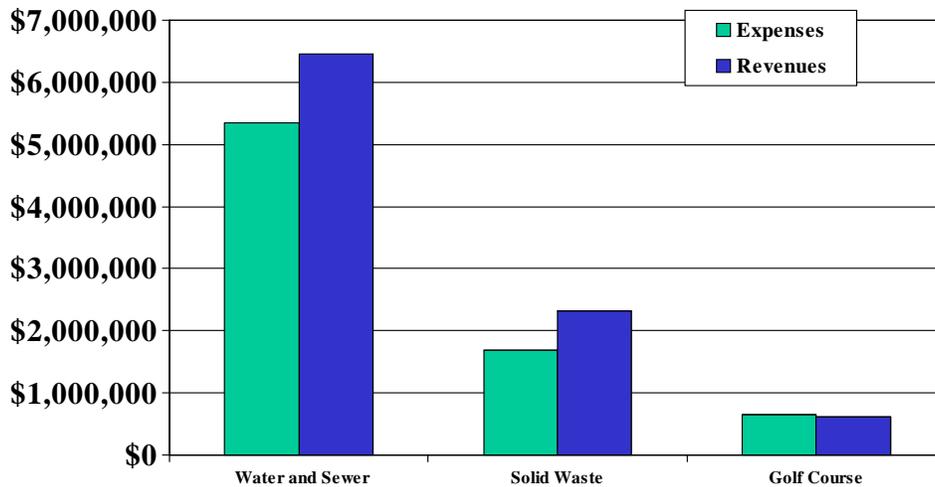


The charts above illustrate the City’s governmental expenses and revenues by function. As shown, public safety is the largest function in expenses (56.12%), followed by general government (15.40%), and community services (14.99%). General revenues such as ad valorem, sales and franchise taxes are not shown by program, but are effectively used to support program activities citywide.

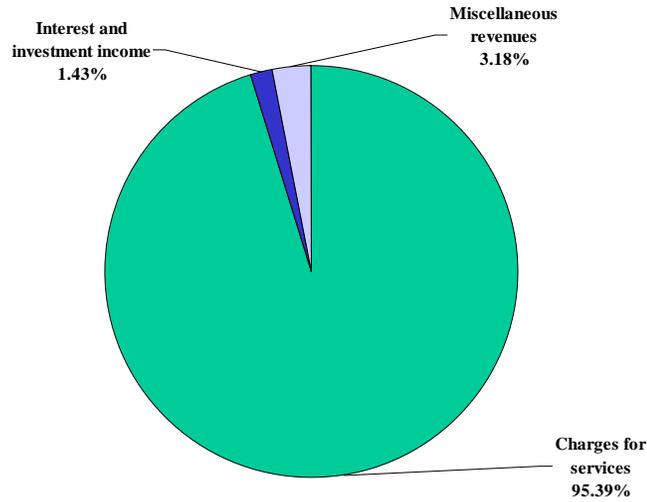
For governmental activities overall, without regard to program, ad valorem taxes are the largest single source of funds (45.58%), followed by charges for services (25.07%), sales taxes (17.49%), and franchise taxes (9.67%). As with the statement of net assets and the statement of activities, because the GASB No. 34 reporting model significantly changes the form of financial data, the City has not restated prior fiscal year revenue and expenditure information. Year to year comparisons will be included in future reports.

**Business-type Activities.** Business-type activities increased the City’s net assets by \$842,686, accounting for 49.59 % of the total growth in the City’s net assets. Water and sewer fees are the major revenue source for the business-type activities of the City, and resulted in \$6.5 million in revenue.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



As shown in the charts above, and on the previous pages, the largest of the City’s business-type activities, Water & Sewer utilities, had expenses in excess of \$5.3 million in fiscal year 2003, followed by Solid Waste with operating expenses of approximately \$1.7 million, and the Golf Course with operating expenses of \$661,982. For the fiscal year, revenues exceeded expenses in all areas except for the Golf Course. Charges for services provided the largest share of revenues (95.39%), followed by miscellaneous revenues at (3.18%) and then interest and investment income at (1.43%) for all business-type activities.

## 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.

### 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 \$8.8 million, an increase of \$3.8 million in comparison with the

prior year. The increase is primarily due to proceeds of bonds issued in the current year exceeding capital outlay in the Capital Projects Funds. Approximately 48.33% of this total amount (\$4.3 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, or 3) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City. At September 30, 2003, unreserved fund balance of the General Fund was \$2.9 million, while total fund balance reached \$3.1 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 29.83% of total General Fund expenditures, while total fund balance represents 31.29% 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 \$2 million, \$154,818 for the Solid Waste Fund, and \$9,172 for the Golf Course Fund. The total increase (decrease) in net assets for the three funds was \$489,629, \$392,465 and (\$39,408), respectively. Operating revenues in fiscal year 2002-03 were \$9.4 million, while operating expenses totaled \$6.7 million, resulting in \$2.7 million of operating income.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major Special Revenue Funds. Since the City did not have an major Special Revenue Funds in the current year, only a budgetary comparison for the General Fund is presented in this report. This statement compares 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 pages 36-37 for more information on budget policies). No amendments to the City's General Fund budget occurred during fiscal year 2003, however transfers between department's expenditure accounts did occur through council approval.

During the year, revenues exceeded budgetary estimates and total expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance as was planned.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2003, the City has \$45.2 million invested in various capital assets, net of accumulated depreciation. Of the \$45.2 million, \$10.2 million is invested in governmental activities and \$35 million is invested in business-type activities.

Major capital asset events during the current fiscal year included the following:

- Governmental Activities – construction on the Ogletree Gap Pavilion was completed.
- Governmental Activities – various vehicles and equipment was purchased for several departments.
- Business-type Activities – construction was completed on several water and wastewater infrastructure projects.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2003. Additional information on the City's capital assets may be found on pages 41-44.

### Capital Assets Net of Depreciation

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,355,201	\$ 850,686	\$ 2,205,887
Buildings	4,013,499	284,520	4,298,019
Furniture and fixtures	57,337	19,033	76,370
Vehicles	408,264	502,381	910,645
Equipment	1,127,316	1,485,287	2,612,603
Facilities	2,276,944	29,116,335	31,393,279
Construction in progress	925,681	2,766,657	3,692,338
<b>Total</b>	<b>\$ 10,164,242</b>	<b>\$ 35,024,899</b>	<b>\$ 45,189,141</b>

## Long Term Debt

The City's total debt increased by \$14 million during the current fiscal year. The key factor in this increase was the issuance of \$14 million in combination tax and revenue certificates of obligation. During the current fiscal year, the City refinanced some of its existing debt to reduce its total debt service payment over the next eleven years by \$752,100.

The following schedule shows the outstanding debt of the City (both current and long term) as of September 30, 2003. Further details can be found in the Notes to the Financial Statements.

### Outstanding Debt

#### General Obligation Bonds and Tax/Revenue Certificates of Obligation

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 3,730,000	\$ 6,175,000	\$ 9,905,000
Tax/Revenue certificates of obligation	<u>7,620,000</u>	<u>22,330,000</u>	<u>29,950,000</u>
Total	<u>\$ 11,350,000</u>	<u>\$ 28,505,000</u>	<u>\$39,855,000</u>

The most recent debt issue of the City of Copperas Cove earned ratings from Moody's and Standard & Poor's:

### Bonded Debt Ratings

September 30, 2003

Bond type	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
Certificates of obligation	A-	A3

Additional information on the City's long-term debt can be found in Section IV, note G, of the Notes to the Financial Statements.

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

At the time this Management's Discussion and Analysis was written, the national and state leading economic indicators continued to show mixed results, underscoring a tenuous economic recovery. Some factors hinting at the prospects of a better economy include slowly rising consumer confidence, modest increases in retail sales, a huge federal tax stimulus package, historically low interest rates, and a weakened dollar which creates opportunities for the export of U.S. goods abroad. However, factors suggesting a moderate economic recovery include a poor labor market, rising unemployment, declining factory orders and a lack of consumer demand for big-ticket items. From a long-term perspective, the nation's economy may be significantly affected by many factors, including a growing national debt, demands on the Social Security System as baby-boomers near retirement, and homeland security issues.

The unemployment rate for the City of Copperas Cove is currently at 5.5%, which is an increase from a rate of 5.1% a year ago. The City's sales tax revenues have grown at a steady, yet moderate, rate over the last few years. Residential home construction has also shown positive trends.

All of these factors were considered in preparing the City's budget for Fiscal Year 2003-04. The budget for the 2003-04 fiscal year includes:

- Conservative projections of major revenue sources. For example, sales tax revenue, which had been growing at an average rate of 6% annually, is projected to grow by 2% during fiscal year 2003-04.
- Ad valorem tax revenue has also been projected conservatively. The City had been experiencing an average growth in its assessed valuation of 5% annually. However, the assessed valuation for the 2003-04 fiscal year was estimated by the appraisal district to grow by only 2%.
- No new employees were funded.
- Eliminated all non-essential capital outlay expenditures.
- Modified the employee health insurance plan.

The ad valorem tax rate increased in fiscal year 2003-04 by \$.03 cents to \$.7750 cents per \$100 of taxable assessed valuation. The \$.03 cents increase in the ad valorem tax rate is comprised of two components. Resulting debt service, from the 2003 debt issuance, related to general government projects required an increase in the ad valorem tax rate of \$.015 cents. Additionally, there were four pieces of equipment funded in the General Fund that directly attributed to the other \$.015 cents increase in the ad valorem tax rate.

## **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:

Assistant City Manager/Director of Finance  
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>

**CITY OF COPPERAS COVE, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2003**

**EXHIBIT A-1**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,313,123	\$ 1,901,012	\$ 7,214,135	\$ 796,297
Receivables (net of allowances for uncollectibles):				
Accounts	72,816	-	72,816	-
Taxes	169,316	-	169,316	-
Ambulance fees	165,085	-	165,085	-
Assessments	25,161	-	25,161	-
Utility accounts	-	1,007,647	1,007,647	-
Miscellaneous	75,565	586	76,151	-
Grants	5,878	-	5,878	-
Due from other funds	4,217,371	-	4,217,371	-
Inventory	857	1,998	2,855	-
Prepaid expenditures	60,400	41,754	102,154	-
Notes receivable	59,477	-	59,477	-
Restricted cash and cash equivalents	-	16,746,670	16,746,670	945,000
Restricted deferred bond issuance costs	-	720,291	720,291	-
Capital assets:				
Non-depreciable	2,280,882	3,617,343	5,898,225	477,260
Depreciable (net)	7,883,360	31,407,556	39,290,916	155,364
Total Assets	<u>\$ 20,329,291</u>	<u>\$ 55,444,857</u>	<u>\$ 75,774,148</u>	<u>\$ 2,373,921</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 337,928	\$ 126,055	\$ 463,983	\$ 16,317
Retainage payable	50,820	-	50,820	-
Customer meter deposits	-	218,003	218,003	-
Compensated absences payable	472,200	154,182	626,382	-
Due to other funds	-	4,217,371	4,217,371	-
Due to other governmental agencies	95,743	-	95,743	-
Deferred revenue	296,047	-	296,047	-
Other accrued items	184,747	41,082	225,829	3,420
Landfill costs payable	-	19,500	19,500	-
Other liabilities	44,782	229,509	274,291	-
Capital leases	347,584	429,400	776,984	-
Long-term debt	10,719,219	26,812,439	37,531,658	945,000
Restricted - accounts payable	-	522,287	522,287	-
Restricted - accrued interest	68,110	207,594	275,704	-
Restricted - bonds payable current	641,400	1,743,481	2,384,881	-
Restricted - deferred bond issuance cost	(92,393)	-	(92,393)	-
Future landfill costs	-	487,500	487,500	-
Total Liabilities	<u>13,166,187</u>	<u>35,208,403</u>	<u>48,374,590</u>	<u>964,737</u>
Net Assets:				
Investment in capital assets (net of related debt)	3,816,831	17,378,940	21,195,771	632,624
Restricted for:				
Debt Service	221,994	675,400	897,394	-
Unrestricted	3,124,279	2,182,114	5,306,393	776,560
Total Net Assets	<u>\$ 7,163,104</u>	<u>\$ 20,236,454</u>	<u>\$ 27,399,558</u>	<u>\$ 1,409,184</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS**  
**STATEMENT OF NET ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**EXHIBIT A-2**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General Government	\$ 1,708,931	\$ 256,191	\$ -	\$ -	\$ (1,452,740)	\$ -	\$ (1,452,740)	\$ -
Community Services	1,663,213	314,729	3,665	-	(1,344,819)	-	(1,344,819)	-
Fleet and Facility Maintenance	321,073	-	-	-	(321,073)	-	(321,073)	-
Highways and Streets	778,099	740,218	-	-	(37,881)	-	(37,881)	-
Public Safety	6,228,186	1,447,861	21,848	-	(4,758,477)	-	(4,758,477)	-
Interest on Long-term Debt	398,906	-	-	-	(398,906)	-	(398,906)	-
Total governmental activities	<u>11,098,408</u>	<u>2,758,999</u>	<u>25,513</u>	<u>-</u>	<u>(8,313,896)</u>	<u>-</u>	<u>(8,313,896)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	5,353,609	6,453,411	-	-	-	1,099,802	1,099,802	-
Solid Waste	1,694,338	2,314,581	-	-	-	620,243	620,243	-
Golf Course	661,982	619,452	-	-	-	(42,530)	(42,530)	-
Total business-type activities:	<u>7,709,929</u>	<u>9,387,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,677,515</u>	<u>1,677,515</u>	<u>-</u>
Total Primary Government	<u>\$ 18,808,337</u>	<u>\$ 12,146,443</u>	<u>\$ 25,513</u>	<u>\$ -</u>	<u>(8,313,896)</u>	<u>1,677,515</u>	<u>(6,636,381)</u>	<u>-</u>
<b>COMPONENT UNIT</b>								
Economic Development	\$ 619,677	\$ 3,000	\$ -	\$ -	-	-	-	(616,677)
Total Component Unit	<u>\$ 619,677</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(616,677)</u>
General revenues:								
Ad valorem taxes					4,981,035	-	4,981,035	-
Penalties and interest					34,659	-	34,659	-
Beverage taxes					16,131	-	16,131	-
Franchise taxes					1,064,181	-	1,064,181	-
City sales taxes					1,924,665	-	1,924,665	867,286
Bingo taxes					61,489	-	61,489	-
Unrestricted investment earnings					138,493	140,550	279,043	21,986
Miscellaneous					-	-	-	-
Loss on sale of capital assets					-	(5,055)	(5,055)	-
Transfers					970,324	(970,324)	-	-
Total general revenues					<u>9,190,977</u>	<u>(834,829)</u>	<u>8,356,148</u>	<u>889,272</u>
Change in net assets					877,081	842,686	1,719,767	272,595
Net assets - beginning					6,286,023	19,393,768	25,679,791	1,136,589
Net assets - ending					<u>\$ 7,163,104</u>	<u>\$ 20,236,454</u>	<u>\$ 27,399,558</u>	<u>\$ 1,409,184</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2003**

**EXHIBIT A-1**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,313,123	\$ 1,901,012	\$ 7,214,135	\$ 796,297
Receivables (net of allowances for uncollectibles):				
Accounts	72,816	-	72,816	-
Taxes	169,316	-	169,316	-
Ambulance fees	165,085	-	165,085	-
Assessments	25,161	-	25,161	-
Utility accounts	-	1,007,647	1,007,647	-
Miscellaneous	75,565	586	76,151	-
Grants	5,878	-	5,878	-
Due from other funds	4,217,371	-	4,217,371	-
Inventory	857	1,998	2,855	-
Prepaid expenditures	60,400	41,754	102,154	-
Notes receivable	59,477	-	59,477	-
Restricted cash and cash equivalents	-	16,746,670	16,746,670	945,000
Restricted deferred bond issuance costs	-	720,291	720,291	-
Capital assets:				
Non-depreciable	2,280,882	3,617,343	5,898,225	477,260
Depreciable (net)	7,883,360	31,407,556	39,290,916	155,364
Total Assets	<u>\$ 20,329,291</u>	<u>\$ 55,444,857</u>	<u>\$ 75,774,148</u>	<u>\$ 2,373,921</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 337,928	\$ 126,055	\$ 463,983	\$ 16,317
Retainage payable	50,820	-	50,820	-
Customer meter deposits	-	218,003	218,003	-
Compensated absences payable	472,200	154,182	626,382	-
Due to other funds	-	4,217,371	4,217,371	-
Due to other governmental agencies	95,743	-	95,743	-
Deferred revenue	296,047	-	296,047	-
Other accrued items	184,747	41,082	225,829	3,420
Landfill costs payable	-	19,500	19,500	-
Other liabilities	44,782	229,509	274,291	-
Capital leases	347,584	429,400	776,984	-
Long-term debt	10,719,219	26,812,439	37,531,658	945,000
Restricted - accounts payable	-	522,287	522,287	-
Restricted - accrued interest	68,110	207,594	275,704	-
Restricted - bonds payable current	641,400	1,743,481	2,384,881	-
Restricted - deferred bond issuance cost	(92,393)	-	(92,393)	-
Future landfill costs	-	487,500	487,500	-
Total Liabilities	<u>13,166,187</u>	<u>35,208,403</u>	<u>48,374,590</u>	<u>964,737</u>
Net Assets:				
Investment in capital assets (net of related debt)	3,816,831	17,378,940	21,195,771	632,624
Restricted for:				
Debt Service	221,994	675,400	897,394	-
Unrestricted	3,124,279	2,182,114	5,306,393	776,560
Total Net Assets	<u>\$ 7,163,104</u>	<u>\$ 20,236,454</u>	<u>\$ 27,399,558</u>	<u>\$ 1,409,184</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS**  
**STATEMENT OF NET ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

EXHIBIT A-2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General Government	\$ 1,708,931	\$ 256,191	\$ -	\$ -	\$ (1,452,740)	\$ -	\$ (1,452,740)	\$ -
Community Services	1,663,213	314,729	3,665	-	(1,344,819)	-	(1,344,819)	-
Fleet and Facility Maintenance	321,073	-	-	-	(321,073)	-	(321,073)	-
Highways and Streets	778,099	740,218	-	-	(37,881)	-	(37,881)	-
Public Safety	6,228,186	1,447,861	21,848	-	(4,758,477)	-	(4,758,477)	-
Interest on Long-term Debt	398,906	-	-	-	(398,906)	-	(398,906)	-
Total governmental activities	<u>11,098,408</u>	<u>2,758,999</u>	<u>25,513</u>	<u>-</u>	<u>(8,313,896)</u>	<u>-</u>	<u>(8,313,896)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	5,353,609	6,453,411	-	-	-	1,099,802	1,099,802	-
Solid Waste	1,694,338	2,314,581	-	-	-	620,243	620,243	-
Golf Course	661,982	619,452	-	-	-	(42,530)	(42,530)	-
Total business-type activities:	<u>7,709,929</u>	<u>9,387,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,677,515</u>	<u>1,677,515</u>	<u>-</u>
Total Primary Government	<u>\$ 18,808,337</u>	<u>\$ 12,146,443</u>	<u>\$ 25,513</u>	<u>\$ -</u>	<u>(8,313,896)</u>	<u>1,677,515</u>	<u>(6,636,381)</u>	<u>-</u>
<b>COMPONENT UNIT</b>								
Economic Development	\$ 619,677	\$ 3,000	\$ -	\$ -	-	-	-	(616,677)
Total Component Unit	<u>\$ 619,677</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(616,677)</u>
General revenues:								
Ad valorem taxes					4,981,035	-	4,981,035	-
Penalties and interest					34,659	-	34,659	-
Beverage taxes					16,131	-	16,131	-
Franchise taxes					1,064,181	-	1,064,181	-
City sales taxes					1,924,665	-	1,924,665	867,286
Bingo taxes					61,489	-	61,489	-
Unrestricted investment earnings					138,493	140,550	279,043	21,986
Miscellaneous					-	-	-	-
Loss on sale of capital assets					-	(5,055)	(5,055)	-
Transfers					970,324	(970,324)	-	-
Total general revenues					<u>9,190,977</u>	<u>(834,829)</u>	<u>8,356,148</u>	<u>889,272</u>
Change in net assets					877,081	842,686	1,719,767	272,595
Net assets - beginning					6,286,023	19,393,768	25,679,791	1,136,589
Net assets - ending					<u>\$ 7,163,104</u>	<u>\$ 20,236,454</u>	<u>\$ 27,399,558</u>	<u>\$ 1,409,184</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2003**

**EXHIBIT A-3**

	<u>General Fund</u>	<u>2003 Capital Imp CO Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,612,583	\$ -	\$ 1,700,540	\$ 5,313,123
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	72,816	72,816
Taxes	139,577	-	29,739	169,316
Ambulance fees	165,085	-	-	165,085
Assessments	25,161	-	-	25,161
Miscellaneous	67,826	-	7,739	75,565
Grants	-	-	5,878	5,878
Due from other funds	41,136	4,087,400	121,129	4,249,665
Inventory	59,477	-	-	59,477
Prepaid expenditures	857	-	-	857
Notes receivable	-	-	60,400	60,400
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 4,111,702</u>	<u>\$ 4,087,400</u>	<u>\$ 1,998,241</u>	<u>\$ 10,197,343</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 234,626	\$ -	\$ 103,302	\$ 337,928
Retainage payable	9,266	-	41,554	50,820
Due to other funds	20,864	-	11,430	32,294
Due to other governmental agencies	95,743	-	-	95,743
Deferred revenue	448,356	-	182,092	630,448
Other accrued items	180,314	-	4,433	184,747
Other liabilities	44,782	-	-	44,782
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>1,033,951</u>	<u>-</u>	<u>342,811</u>	<u>1,376,762</u>
Fund Balances:				
Reserved for debt services	-	-	221,994	221,994
Reserved for capital projects	-	4,087,400	-	4,087,400
Reserved for inventory and prepaid expenditures	60,334	-	-	60,334
Reserved for encumbrances	83,476	-	44,432	127,908
Reserved for non-current portion of note receivable	-	-	59,200	59,200
Unreserved, designated for contingencies	1,000,000	-	-	1,000,000
Unreserved, undesignated	1,933,941	-	1,329,804	3,263,745
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>3,077,751</u>	<u>4,087,400</u>	<u>1,655,430</u>	<u>8,820,581</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balances	<u>\$ 4,111,702</u>	<u>\$ 4,087,400</u>	<u>\$ 1,998,241</u>	<u>\$ 10,197,343</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2003**

**EXHIBIT A-4**

Total fund balances - governmental funds balance sheet	\$ 8,820,581
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.	10,164,242
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(12,248,513)
Other long-term assets/liabilities are not available to pay for current- period expenditures and, therefore, are deferred in the funds.	<u>426,794</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 7,163,104</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**EXHIBIT A-5**

	General Fund	2003 Capital Imp CO Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 7,060,920	\$ -	\$ 967,238	\$ 8,028,158
Licenses	55,847	-	-	55,847
Permits	112,590	-	-	112,590
City services provided	536,731	-	809,282	1,346,013
Fines	825,275	-	37,642	862,917
Interest	52,409	-	86,084	138,493
Sale of plots	-	-	36,750	36,750
Miscellaneous	174,468	-	30,958	205,426
Intergovernmental	122,185	-	69,732	191,917
Contributions	1,192	-	420	1,612
Total Revenues	8,941,617	-	2,038,106	10,979,723
<b>EXPENDITURES</b>				
Current:				
General government	1,555,477	-	841	1,556,318
Community services	1,198,182	-	154,658	1,352,840
Fleet and facility services	306,347	-	-	306,347
Highways and streets	403,959	-	198,436	602,395
Public safety	5,743,059	-	40,428	5,783,487
Capital outlay	628,396	-	910,138	1,538,534
Debt service:				
Principal retirement	-	-	751,111	751,111
Interest and fiscal charges	-	-	381,784	381,784
Total Expenditures	9,835,420	-	2,437,396	12,272,816
<b>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(893,803)	-	(399,290)	(1,293,093)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of bonds	-	4,087,400	-	4,087,400
Operating transfers in	1,050,000	-	34,188	1,084,188
Operating transfers (out)	(23,864)	-	(90,000)	(113,864)
Total Other Financing Sources (Uses)	1,026,136	4,087,400	(55,812)	5,057,724
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	132,333	4,087,400	(455,102)	3,764,631
<b>FUND BALANCES, BEGINNING OF YEAR</b>	2,945,418	-	2,110,532	5,055,950
<b>FUND BALANCES, END OF YEAR</b>	\$ 3,077,751	\$ 4,087,400	\$ 1,655,430	\$ 8,820,581

The accompanying notes are an integral part of this statement.

**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, 2003**

**EXHIBIT A-6**

Net change in fund balances - total governmental funds	\$ 3,764,631
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	439,771
<p>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.</p>	(3,267,313)
<p>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.</p>	(100,037)
<p>Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds. This reconciling item represents the total of such revenues.</p>	<u>40,029</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ 877,081</u></u>

The accompanying notes are an integral part of this statement.

## CITY OF COPPERAS COVE, TEXAS

EXHIBIT A-7

## GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 6,883,345	\$ 6,883,345	\$ 7,060,920	\$ 177,575
Licenses	48,015	48,015	55,847	7,832
Permits	83,420	83,420	112,590	29,170
City services provided	516,300	516,300	536,731	20,431
Fines	877,800	877,800	825,275	(52,525)
Interest	150,050	150,050	52,409	(97,641)
Miscellaneous	128,759	128,759	174,467	45,708
Intergovernmental	94,840	94,840	98,334	3,494
Contributions	2,100	2,100	1,192	(908)
Grant Revenues	-	-	23,851	23,851
Total Revenues	<u>8,784,629</u>	<u>8,784,629</u>	<u>8,941,616</u>	<u>156,987</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,645,336	1,650,956	1,602,738	48,218
Community services	1,160,606	1,197,477	1,182,087	15,390
Fleet and facility services	296,171	307,171	306,347	824
Highways and streets	456,207	463,196	398,156	65,040
Public safety	5,830,160	5,791,460	5,743,818	47,642
Capital outlay	614,674	592,894	542,370	50,524
Total Expenditures	<u>10,003,154</u>	<u>10,003,154</u>	<u>9,775,516</u>	<u>227,638</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,218,525)</u>	<u>(1,218,525)</u>	<u>(833,900)</u>	<u>384,625</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	1,050,000	1,050,000	1,050,000	-
Operating transfers (out)	(3,000)	(3,000)	(23,864)	(20,864)
Total Other Financing Sources (Uses)	<u>1,047,000</u>	<u>1,047,000</u>	<u>1,026,136</u>	<u>(20,864)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>(171,525)</u>	<u>(171,525)</u>	<u>192,236</u>	<u>363,761</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>2,945,418</u>	<u>2,945,418</u>	<u>2,945,418</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,773,893</u>	<u>\$ 2,773,893</u>	<u>\$ 3,137,654</u>	<u>\$ 363,761</u>

**CITY OF COPPERAS COVE, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2003**

**EXHIBIT A-8**

	Business-type Activities Enterprise Funds			Total Funds
	Water and Sewer Fund	Solid Waste Fund	Nonmajor Fund	
			Golf Course Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,744,948	\$ 156,064	\$ -	\$ 1,901,012
Accounts receivable				
Billed utility	770,409	251,311	-	1,021,720
Unbilled utility	400,032	133,430	-	533,462
Other	-	-	586	586
Allowance for uncollectible	(417,120)	(130,415)	-	(547,535)
Advance to Water and Sewer Fund		61,599	-	61,599
Inventory	-	-	41,754	41,754
Prepaid expenditures	-	-	1,998	1,998
Restricted cash and cash equivalents	16,348,651	383,344	14,675	16,746,670
Restricted deferred bond issuance costs	710,458	4,916	4,917	720,291
Property and Equipment:				
Land	345,933	204,753	300,000	850,686
Buildings	279,079	29,593	163,225	471,897
Furniture and fixtures	30,668	-	-	30,668
Vehicles	1,018,169	1,255,504	-	2,273,673
Equipment	1,533,517	917,429	435,952	2,886,898
Facilities	46,479,484	2,990,575	1,215,225	50,685,284
Construction in progress	2,766,657	-	-	2,766,657
Less: Accumulated depreciation	(22,797,283)	(1,832,929)	(310,652)	(24,940,864)
Net Property and Equipment	29,656,224	3,564,925	1,803,750	35,024,899
Total Assets	<u>\$ 49,213,602</u>	<u>\$ 4,425,174</u>	<u>\$ 1,867,680</u>	<u>\$ 55,506,456</u>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable	\$ 96,662	\$ 17,273	\$ 12,120	\$ 126,055
Customer meter deposits	218,003	-	-	218,003
Compensated absences	89,632	53,421	11,129	154,182
Due to other funds	4,087,400	-	129,971	4,217,371
Advance from Solid Waste Fund	61,599	-	-	61,599
Other accrued items	23,783	7,830	9,469	41,082
Landfill costs payable	-	19,500	-	19,500
Other liabilities	187,367	42,142	-	229,509
Capital leases	208,416	109,247	111,737	429,400
Certificates of obligation (net of unamortized bond premium)	19,557,300	237,473	1,066,280	20,861,053
General obligation bonds (net of unamortized bond premium)	5,951,386	-	-	5,951,386
Restricted - accounts payable	516,287	-	6,000	522,287
Restricted - accrued interest	184,783	7,620	15,191	207,594
Restricted - long-term debt - current portion	986,480	696,916	60,085	1,743,481
Future landfill costs	-	487,500	-	487,500
Total Liabilities	<u>32,169,098</u>	<u>1,678,922</u>	<u>1,421,982</u>	<u>35,270,002</u>
Net Assets:				
Investment in capital assets (net of related debt)	14,454,480	2,515,034	409,426	17,378,940
Restricted:				
Debt Service	571,900	76,400	27,100	675,400
Unrestricted	2,018,124	154,818	9,172	2,182,114
Total Net Assets	<u>17,044,504</u>	<u>2,746,252</u>	<u>445,698</u>	<u>20,236,454</u>
Total Liabilities and Net Assets	<u>\$ 49,213,602</u>	<u>\$ 4,425,174</u>	<u>\$ 1,867,680</u>	<u>\$ 55,506,456</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS  
 PROPRIETARY FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**EXHIBIT A-9**

	Business-type Activities		Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund	Nonmajor Fund Golf Course Fund	Total Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 6,302,176	\$ 2,203,931	\$ 568,073	\$ 9,074,180
Miscellaneous	151,235	110,650	51,379	313,264
Total Operating Revenues	<u>6,453,411</u>	<u>2,314,581</u>	<u>619,452</u>	<u>9,387,444</u>
<b>OPERATING EXPENSES</b>				
Personnel services	1,317,723	637,316	359,137	2,314,176
Supplies and materials	1,191,511	72,207	35,765	1,299,483
Maintenance and repair	217,132	69,553	16,380	303,065
Services and charges	753,463	664,943	118,829	1,537,235
Depreciation	943,134	192,733	68,684	1,204,551
Total Operating Expenses	<u>4,422,963</u>	<u>1,636,752</u>	<u>598,795</u>	<u>6,658,510</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,030,448</u>	<u>677,829</u>	<u>20,657</u>	<u>2,728,934</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	131,027	9,401	122	140,550
Interest expense	(927,811)	(77,086)	(63,187)	(1,068,084)
Landfill closure and postclosure care costs estimate reduction	-	19,500	-	19,500
Bond agent fees	(2,835)	-	-	(2,835)
Gain (loss) on sale of equipment	-	(5,055)	-	(5,055)
Total Nonoperating Revenues (Expenses)	<u>(799,619)</u>	<u>(53,240)</u>	<u>(63,065)</u>	<u>(915,924)</u>
<b>NET INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<u>1,230,829</u>	<u>624,589</u>	<u>(42,408)</u>	<u>1,813,010</u>
<b>OPERATING TRANSFERS IN (OUT)</b>				
Transfers in	20,000	61,200	3,000	84,200
Transfers (out)	(761,200)	(293,324)	-	(1,054,524)
Total Operating Transfers	<u>(741,200)</u>	<u>(232,124)</u>	<u>3,000</u>	<u>(970,324)</u>
<b>CHANGE IN NET ASSETS</b>	489,629	392,465	(39,408)	842,686
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>16,554,875</u>	<u>2,353,787</u>	<u>485,106</u>	<u>19,393,768</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 17,044,504</u>	<u>\$ 2,746,252</u>	<u>\$ 445,698</u>	<u>\$ 20,236,454</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**EXHIBIT A-10**

	Business-type Activities Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Fund	Golf Course Fund	
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers and users	\$ 6,456,626	\$ 2,298,988	\$ 634,056	\$ 9,389,670
Payments to suppliers	(2,057,314)	(804,456)	(116,346)	(2,978,116)
Payments to employees	(1,317,723)	(635,317)	(359,139)	(2,312,179)
Net Cash Provided by Operating Activities	<u>3,081,589</u>	<u>859,215</u>	<u>158,571</u>	<u>4,099,375</u>
<b>Cash Flows from Investing Activities:</b>				
Interest received	131,027	9,401	122	140,550
Net Cash Provided by Investing Activities	<u>131,027</u>	<u>9,401</u>	<u>122</u>	<u>140,550</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Operating transfers in	20,000	61,200	3,000	84,200
Operating transfers (out)	(761,200)	(293,324)	-	(1,054,524)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(741,200)</u>	<u>(232,124)</u>	<u>3,000</u>	<u>(970,324)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Principal paid on capital leases	32,909	(52,978)	76,697	56,628
Principal paid on long-term debt	(6,723,887)	(541,001)	(55,001)	(7,319,889)
Interest paid on capital leases	(8,873)	(5,248)	(3,377)	(17,498)
Interest paid on long-term debt	(919,529)	(71,839)	(61,040)	(1,052,408)
Acquisition of property and equipment	(6,497,323)	(20,510)	(119,431)	(6,637,264)
Proceeds from sale of capital assets	-	5,055	-	5,055
Proceeds from bond issues	19,218,037	-	-	19,218,037
Bond issuance costs	(408,744)	-	-	(408,744)
Payment of bond agent fees	(2,835)	-	-	(2,835)
Net Cash Provided (Used) Capital & Related Financing Activities	<u>4,689,755</u>	<u>(686,521)</u>	<u>(162,152)</u>	<u>3,841,082</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,161,171	(50,029)	(459)	7,110,683
Cash and Cash Equivalents, Beginning of Year	10,932,428	589,437	15,134	11,536,999
Cash and Cash Equivalents, End of Year	<u>\$ 18,093,599</u>	<u>\$ 539,408</u>	<u>\$ 14,675</u>	<u>\$ 18,647,682</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 2,030,448	\$ 677,829	\$ 20,657	\$ 2,728,934
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	943,134	192,733	68,682	1,204,549
Decrease (increase) in assets:				
Accounts receivable	3,215	(15,593)	(302)	(12,680)
Inventory	-	-	(12,801)	(12,801)
Prepaid expenditures	-	-	(1,999)	(1,999)
Increase (decrease) in liabilities:				
Accounts payable	(137,434)	3,544	(11,981)	(145,871)
Accrued interest	62,204	(2,917)	(1,230)	58,057
Due to other funds	-	-	92,521	92,521
Other accrued liabilities	-	(1,999)	5,024	3,025
Other liabilities	174,495	3,619	-	178,114
Vacation and sick leave payable	-	1,999	-	1,999
Customer deposits	5,527	-	-	5,527
Total adjustments	<u>1,051,141</u>	<u>181,386</u>	<u>137,914</u>	<u>1,370,441</u>
Net Cash Provided by Operating Activities	<u>\$ 3,081,589</u>	<u>\$ 859,215</u>	<u>\$ 158,571</u>	<u>\$ 4,099,375</u>
<b>Supplemental Disclosure</b>				
<b>Non-Cash Transactions</b>				
Water/Sewer system	142,341	-	-	142,341
Developer contributions	(142,341)	-	-	(142,341)
Interest expense	(4,801)	(86)	(86)	(4,973)
Bond premium	4,801	86	86	4,973
Bond issuance costs	(30,610)	(311)	(311)	(31,232)
Amortization of bond issuance costs	30,610	311	311	31,232
Landfill closure and postclosure care costs payable	-	19,500	-	19,500
Landfill closure and postclosure care costs estimate (reduction)	-	(19,500)	-	(19,500)

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**

**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, and May 5, 2001. 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 Units.* 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 of Copperas Cove, Texas. Separate financial statements for the component unit can be obtained by contacting the CCEDC located at 210 South First Street, Copperas Cove, Texas, 76522.

**B. Government-wide and Fund Financial Statements**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments" (Statement No. 34). This Statement provides for the most significant change in governmental financial reporting in over twenty years and is scheduled for a phased implementation (based on size of government) starting with fiscal years ending 2002 (for larger governments). The City of Copperas Cove is implementing GASB Statement No. 34 for the year ending September 30, 2003. The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The previous reporting model emphasized fund types (the total of all funds of a particular type). In the new reporting model as defined by GASB Statement No. 34, the focus is either the City as a whole or major individual funds (within the fund financial statements).

*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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**B. Government-wide and Fund Financial Statements (continued)**

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Also included in program revenues are grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a separate column in the fund financial statements. The non-major 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 in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's fixed assets, including infrastructure. Amounts reported as program revenues include 1) charges to customers or applicants 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. Unbilled utility receivables are estimated, based on the number of days included in the period. Tap fees approximate cost, therefore, they are recorded as revenue.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to 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 government considers revenues to be available if they are collected within 60 days of the end of the

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

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 and claims and judgments, are recorded only when payment is due. Accordingly, the accounting and financial reporting of the City's General Fund, Capital Projects Funds and Debt Service Fund is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34.

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. The primary revenue sources are ad valorem taxes and sales tax revenues. The primary expenditures are for public safety, streets, parks and recreation, and general governmental services.

2003 Capital Improvements CO Fund – This capital project fund is used to account for various projects to include, but not limited to, procurement of a communication system and various street projects.

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 Project 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.

Additionally, the City reports the following proprietary fund:

Golf Course Fund – The Golf Course Fund is used to account for golf course operations. Activities of the Fund include administration, operation and maintenance of the golf course and billing and collection activities.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
**(continued)**

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue, and charges for services. Sales and other taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue. Fines, permits, miscellaneous and contributions are not susceptible to accrual because, generally, they are not measurable until received in cash. Deferred revenue arises when potential revenue (property taxes and assessments) 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. Revenue is 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 on a flow of 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 water and sewer, solid waste, and golf course funds are charges to customers for sales and services. Operating expenses for the enterprise 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 expense.

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

Statement No. 34 also requires supplementary information Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**D. Assets, Liabilities, and Net Assets or Equity**

**1. 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.

The City is authorized to invest its funds 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 deposits 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.

**2. 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.

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.

Interfund transactions, other than reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

**3. 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 revenues funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute generally accepted accounting principles basis expenditures or liabilities, since the commitments will be honored during the subsequent year.

**4. Cash and Investments**

Cash equivalents include demand deposits as well as short-term, highly liquid investments readily convertible to known amounts of cash with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market values.

**5. 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 governmental-wide and fund financial statements.

**6. Restricted Assets**

Certain resources are classified as restricted assets on the balance sheet because their use is limited by Council designation or because their use is limited by applicable bond covenants.

**7. Capital Assets**

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Capital assets are defined by the government 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value 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.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25
Facilities	25
Vehicles	5
Equipment	7
Furniture and fixtures	7

The useful lives used for GASB 34 depreciation purposes differ from the City's asset replacement criteria.

**8. Compensated Absences**

The City vacation policy grants employee vacation depending on longevity, from ten days after one year to twenty days after twenty 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. 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 eighty hours per year with a maximum accumulation of 960 hours. Fifty percent (50%) of sick pay benefits are accrued as expenditures only when the individual employee is eligible to collect retirement from the Texas Municipal Retirement System (TMRS).

**9. 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 using the effective interest method. 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 debt service expenditures.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

**10. 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. Contributed capital recorded in Proprietary funds represents capital grants or contributions from developers, customers, or other funds that were received in prior years.

**11. Comparative Data/Reclassifications**

Comparative data have not been presented in the accompanying financial statements because their inclusion would make certain statements unduly complex and difficult to understand.

Revenue, expenditures and other financial data are classified in the manner management feels is most meaningful to financial statement users.

**12. Deferred Revenues**

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

**II. RECONCILIATION 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 funds 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 \$12,248,513 difference are as follows:

Note Payable	\$ 30,600
General Obligation bonds payable	3,730,000
Certificates of Obligation bonds payable	7,620,000
Less: Issuance discount (to be amortized as interest expense)	(19,981)
Accrued interest payable	68,110
Capitalized leases payable	347,584
Compensated absences	472,200
	<hr/>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 12,248,513
	<hr/> <hr/>

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**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 funds 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 \$439,771 difference are as follows:

Capital outlay	\$	1,356,218
Depreciation expense		<u>(916,447)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u><u>439,771</u></u>

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 \$3,267,313 difference are as follows:

Debt issued or incurred		
Issuance of Certificates of obligation bonds	\$	4,190,000
Less: Bond discounts		(20,061)
Less: Deferred bond issuance costs		(82,539)
Principal repayments:		
General obligation debt		(450,000)
Notes Payable		(1,444)
Certificate of obligation debt		(301,111)
Capital leases		<u>(67,532)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u><u>3,267,313</u></u>

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 \$100,037 difference are as follows:

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**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)**

Compensated absences	\$	80,858
Accrued Interest		18,486
Amortization of bond discount		80
Amortization of bond issuance costs		<u>613</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities		<u>\$ 100,037</u>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for budgeting current expenditures and capital outlay together by department and the use of encumbrances as discussed below. Annual appropriated budgets are adopted for the General, Special Revenue (except Municipal Court Fund), Debt Service, and Proprietary Funds. Project-length financial plans are adopted for all Capital Projects Funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year. However, these encumbrances are considered to be expenditures under the budgetary basis of accounting.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 15, the City Manager submits a proposed operating budget to the City Council for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. On or before September 15, the City Council holds public hearing and adopts the budget.
3. Any revisions that alter the total expenditures of any fund must be adopted by the City Council after formal public budget hearings. Transfers, between departments within a fund, are permitted within the last three months of the fiscal year by a City Council resolution. The Director of Finance may at any time transfer any unencumbered appropriations between general classification of expenditures within an office, department or agency.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**A. Budgetary Information (continued)**

4. Formal budgetary integration is employed as a management control device during the year for the General Fund, some specific Special Revenue Funds, Debt Service Funds, and the three Proprietary Funds. Formal annual budgetary integration is not employed for the remainder of the Special Revenue Funds because the amount of revenues and expenditures vary depending on unpredictable availability of resources or the Capital Projects Funds because effective project budgetary control is provided by project length budgets.
5. Budgets for the General Fund, the Special Revenue Funds, and the Debt Service Fund are adopted on the modified accrual basis of accounting. All budgetary expenditures include encumbrances outstanding at year-end. Budgets for Proprietary Funds are prepared on an accrual basis.
6. Budget appropriations lapse at year-end and do not carry forward to future periods unless they have been legally encumbered. Budget amounts presented are from the original and final budget approved by the City Council. The amendments had no net effect on General Fund revenues or General Fund expenditures.
7. The legal level of control (the level at which expenditures may not legally exceed budget appropriation) established by the Charter is the department. The City did not have any departments that exceeded budgeted appropriations for this fiscal year.

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended September 30, 2003, the City's actual total expenditures by function did not exceed budgeted amounts.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The City maintains a bank account that is available for use by all funds. Each fund's share of this pool balance is reported in the financial statements as "cash and cash equivalents." Earnings from the pooled account are allocated monthly to each participating fund based on the ratio of each fund's month-end balance to the master account's total balance. At year-end, the government's carrying amount of deposits was \$1,192,850 and the bank balance was \$1,232,176. Of the bank balance, \$100,000 was covered by federal depository insurance and the remaining balance at September 30, 2003, was collateralized with securities held by the pledging financial institution's trust department in the government's name.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**A. Deposits and Investments (continued)**

3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

Investments of the primary government at year-end consisted of investments with TexPool and TexStar, which are not subject to categorization. The balance with the investment pools at year-end totaled \$9,081,027 and \$13,682,016 respectively.

TexPool

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard and Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poors, as well as the Office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940. 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.

The carrying amount of demand deposits for the Economic Development Corporation, a discretely presented component unit, was \$1,741,298 and the bank balance was \$1,760,030. At year-end the entire amount of the bank balance was covered by federal depository insurance or by U.S. Government securities held as collateral by the corporation's agent in the corporation's name.

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. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar. 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.

As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accountants for review.

TexStar operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexStar uses amortized cost rather than market value to report net assets to compute share

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**A. Deposits and Investments (continued)**

prices. Accordingly, the fair value of the position in TexStar is the same as the value of the TexStar shares.

**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.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**C. Receivables**

Receivables at September 30, 2003 for the government's individual major and non-major funds including the applicable allowances for uncollectible accounts, consist of the following:

	General	Water & Sewer	Solid Waste	Golf Course	Nonmajor Funds	Total
Receivables:						
Taxes	\$ 139,577	\$ -	\$ -	\$ -	\$ 29,739	\$ 169,316
Ambulance fees	305,713	-	-	-	-	305,713
Assessments	25,161	-	-	-	-	25,161
Utility accounts	-	1,170,441	384,741	586	-	1,555,768
Miscellaneous	67,826	-	-	-	80,555	148,381
Grants	-	-	-	-	5,878	5,878
Notes	-	-	-	-	60,400	60,400
Gross Receivables	538,277	1,170,441	384,741	586	176,572	2,270,617
Less: Allowance for Uncollectibles	(140,628)	(417,120)	(130,415)	-	-	(688,163)
Net Total Receivables	<u>\$ 397,649</u>	<u>\$ 753,321</u>	<u>\$ 254,326</u>	<u>\$ 586</u>	<u>\$ 176,572</u>	<u>\$ 1,582,454</u>

The Enterprise Fund accounts receivable include unbilled charges for services rendered at September 30, 2003.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2003 was as follows:

**Primary Government**

	Balance 09/30/02	Additions	Deletions	Balance 9/30/2003
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,355,201	\$ -	\$ -	\$ 1,355,201
Construction in progress	106,926	818,755	-	925,681
Total capital assets, not being depreciated	<u>1,462,127</u>	<u>818,755</u>	<u>-</u>	<u>2,280,882</u>
Capital assets, being depreciated:				
Buildings / Improvements	6,485,428	5,320	-	6,490,748
Facilities	2,594,468	274,407	-	2,868,875
Furniture and fixtures	436,604	4,576	-	441,180
Vehicles	2,018,531	137,389	-	2,155,920
Equipment	2,058,860	530,887	-	2,589,747
Total capital assets being depreciated	<u>13,593,891</u>	<u>952,579</u>	<u>-</u>	<u>14,546,470</u>
Less accumulated depreciation for:				
Buildings / Improvements	2,237,510	239,739	-	2,477,249
Facilities	477,990	113,941	-	591,931
Furniture and fixtures	359,583	24,260	-	383,843
Vehicles	1,511,000	236,656	-	1,747,656
Equipment	1,160,580	301,851	-	1,462,431
Total accumulated depreciation	<u>5,746,663</u>	<u>916,447</u>	<u>-</u>	<u>6,663,110</u>
Total capital assets, being depreciated, net	<u>7,847,228</u>	<u>36,132</u>	<u>-</u>	<u>7,883,360</u>
Governmental activities capital assets, net	<u>\$ 9,309,355</u>	<u>\$ 854,887</u>	<u>\$ -</u>	<u>\$ 10,164,242</u>

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**D. Capital Assets (continued)**

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

	Balance 9/30/2002	Additions	Deletions	Balance 9/30/2003
<b>Water and Sewer activities:</b>				
Capital assets, not being depreciated				
Land	\$ 345,933	\$ -	\$ -	\$ 345,933
Construction in progress	2,489,064	6,270,159	5,992,566	2,766,657
Total capital assets, not being depreciated	2,834,997	6,270,159	5,992,566	\$ 3,112,590
Capital assets, being depreciated				
Buildings	\$ 269,093	\$ 9,986	\$ -	\$ 279,079
Furniture and fixtures	19,296	11,372	-	30,668
Vehicles	999,159	31,114	12,104	1,018,169
Equipment	1,365,696	177,326	9,505	1,533,517
Facilities	40,488,961	5,990,523	-	46,479,484
Total capital assets, being depreciated	43,142,205	6,220,321	21,609	49,340,917
Less accumulated depreciation for:				
Buildings	\$ 120,658	\$ 9,595	\$ -	\$ 130,253
Furniture and fixtures	9,892	1,743	-	11,635
Vehicles	872,038	33,721	12,104	893,655
Equipment	704,789	95,244	9,505	790,528
Facilities	20,168,381	802,831	-	20,971,212
Total accumulated depreciation	21,875,758	943,134	21,609	22,797,283
Total capital assets, being depreciated, net	\$ 21,266,447	\$ 5,277,187	\$ -	\$ 26,543,634
Water and Sewer activities capital assets, net	\$ 24,101,444	\$ 11,547,346	\$ 5,992,566	\$ 29,656,224
<b>Solid Waste activities:</b>				
Capital assets, not being depreciated				
Land	\$ 204,753	\$ -	\$ -	\$ 204,753
Total capital assets, not being depreciated	204,753	-	-	204,753
Capital assets, being depreciated				
Buildings	\$ 29,593	\$ -	\$ -	\$ 29,593
Vehicles	1,255,504	-	-	1,255,504
Equipment	910,167	15,680	8,418	917,429
Facilities	2,990,575	-	-	2,990,575
Total capital assets, being depreciated	5,185,839	15,680	8,418	5,193,101
Less accumulated depreciation for:				
Buildings	\$ 26,410	\$ 1,184	\$ -	\$ 27,594
Vehicles	836,865	40,772	-	877,637
Equipment	357,831	90,966	3,363	445,434
Facilities	422,453	59,811	-	482,264
Total accumulated depreciation	1,643,559	192,733	3,363	1,832,929
Total capital assets, being depreciated, net	\$ 3,542,280	\$ (177,053)	\$ 5,055	\$ 3,360,172
Solid Waste activities capital assets, net	\$ 3,747,033	\$ (177,053)	\$ 5,055	\$ 3,564,925

**D. Capital Assets (continued)**

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

	Balance 9/30/2002	Additions	Deletions	Balance 9/30/2003
<b>Golf Course activities</b>				
Capital assets, not being depreciated				
Land	\$ 300,000	\$ -	\$ -	\$ 300,000
Total capital assets, not being depreciated	300,000	-	-	300,000
Capital assets, being depreciated				
Buildings	\$ 163,225	\$ -	\$ -	\$ 163,225
Equipment	315,564	120,888	500	435,952
Facilities	1,215,225	-	-	1,215,225
Total capital assets, being depreciated	1,694,014	120,888	500	1,814,402
Less accumulated depreciation for:				
Buildings	\$ 22,703	\$ 6,827	\$ -	\$ 29,530
Equipment	128,596	37,553	500	165,649
Facilities	91,169	24,304	-	115,473
Total accumulated depreciation	242,468	68,684	500	310,652
Total capital assets, being depreciated, net	\$ 1,451,546	\$ 52,204	\$ -	\$ 1,503,750
Golf Course activities capital assets, net	\$ 1,751,546	\$ 52,204	\$ -	\$ 1,803,750
<b>Total Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 850,686	\$ -	\$ -	\$ 850,686
Construction in progress	2,489,064	6,270,159	5,992,566	2,766,657
Total capital assets, not being depreciated	3,339,750	6,270,159	5,992,566	3,617,343
Capital assets, being depreciated				
Buildings	\$ 461,911	\$ 9,986	\$ -	\$ 471,897
Furniture and fixtures	19,296	11,372	-	30,668
Vehicles	2,254,663	31,114	12,104	2,273,673
Equipment	2,591,427	313,894	18,423	2,886,898
Facilities	44,694,761	5,990,523	-	50,685,284
Total capital assets, being depreciated	50,022,058	6,356,889	30,527	56,348,420
Less accumulated depreciation for:				
Buildings	\$ 169,771	\$ 17,606	\$ -	\$ 187,377
Furniture and fixtures	9,892	1,743	-	11,635
Vehicles	1,708,903	74,493	12,104	1,771,292
Equipment	1,191,216	223,763	13,368	1,401,611
Facilities	20,682,003	886,946	-	21,568,949
Total accumulated depreciation	23,761,785	1,204,551	25,472	24,940,864
Total capital assets, being depreciated, net	\$ 26,260,273	\$ 5,152,338	\$ 5,055	\$ 31,407,556
Business-type activities capital assets, net	\$ 29,600,023	\$ 11,422,497	\$ 5,997,621	\$ 35,024,899

**D. Capital Assets (continued)**

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General Government	\$	133,594
Public Safety		392,986
Community Service		253,851
Highways and Streets		121,627
Fleet Maintenance		14,389
		\$ 916,447
Total depreciation expense-governmental activities		
Business-type activities:		
Water and Sewer	\$	943,134
Solid Waste		192,733
Golf Course		68,684
		\$ 1,204,551

**Discretely presented component unit**

Activity for the Economic Development Corporation (ECD) for the year ended September 30, 2003, was as follows:

	Balance 9/30/2002	Additions	Deletions	Balance 9/30/2003
Capital assets, not being depreciated				
Land	\$ 906,818	\$ -	\$ 429,558	\$ 477,260
Total capital assets, not being depreciated	906,818	-	429,558	477,260
Capital assets, being depreciated				
Buildings	\$ 879,349	\$ -	\$ -	\$ 879,349
Equipment	68,297	6,899	-	75,196
Total capital assets, being depreciated	947,646	6,899	-	954,545
Less accumulated depreciation for:				
Buildings	\$ 34,935	\$ 7,898	\$ -	\$ 42,833
Equipment	749,969	6,379	-	756,348
Total accumulated depreciation	784,904	14,277	-	799,181
Total capital assets, being depreciated, net	\$ 162,742	\$ (7,378)	\$ -	\$ 155,364
EDC capital assets, net	\$ 1,069,560	\$ (7,378)	\$ 429,558	\$ 632,624

**E. Interfund Receivables, Payables, and Transfers**

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

A summary of interfund receivables and payables at September 30, 2003 is as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund:		
Non-Major Governmental Funds	\$ 11,430	\$ 20,864
Non-Major Enterprise Fund	29,706	-
Total General Fund	41,136	20,864
2003 Capital Improvement CO Fund		
Water and Sewer Fund	4,087,400	-
Total 2003 Capital Improvement CO Fund	4,087,400	-
Non-Major Governmental Funds		
General Fund	20,864	11,430
Non-Major Enterprise Fund	100,265	-
	121,129	11,430
Water and Sewer Fund		
2003 Capital Improvement CO Fund	-	4,087,400
Total Water and Sewer Fund	-	4,087,400
Non-Major Enterprise Fund		
Non-Major Governmental Funds	-	129,971
Total Non-Major Enterprise Fund	-	129,971
Total	\$ 4,249,665	\$ 4,249,665

Operating transfers during the year ended September 30, 2003 were:

	Transfer In	Transfer Out
<b>Governmental Activities:</b>		
General Fund	\$ 1,050,000	\$ 23,864
Non-Major governmental activities	34,188	90,000
<b>Business-type Activities:</b>		
Water and Sewer	20,000	761,200
Solid Waste	61,200	293,324
Golf Course	3,000	-
<b>Total</b>	\$ 1,168,388	\$ 1,168,388

**F. 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

**F. Capital Leases (continued)**

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

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 an analysis of equipment under capital leases as of September 30, 2003.

	Governmental Funds	Proprietary Funds
Asset:		
Machinery and Equipment	\$ 415,116	\$ 792,409
Less: Accumulated Depreciation	59,302	152,677
Total	<u>\$ 355,814</u>	<u>\$ 639,733</u>

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, 2003.

Year Ending September 30,	Governmental Funds	Proprietary Funds
2004	\$ 117,010	\$ 158,154
2005	117,010	139,042
2006	117,010	140,844
2007	43,751	38,583
Total minimum lease payments	<u>394,781</u>	<u>476,623</u>
Less amount representing interest	47,197	47,223
Present value of future minimum lease payments	<u>\$ 347,584</u>	<u>\$ 429,400</u>

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**G. Long-Term Debt**

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2003 is as follows:

	Balance 09/30/02	Additions	Deletions	Balance 09/30/03	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 4,180,000	\$ -	\$ 450,000	\$ 3,730,000	\$ 310,000
Notes Payable	32,044	-	1,444	30,600	1,480
Tax/Revenue certificates of obligation	3,731,111	4,190,000	301,111	7,620,000	330,000
Unamortized bond (discount)	-	(20,061)	80	(19,981)	(80)
Total bonds payable	7,943,155	4,169,939	752,635	11,360,619	641,400
Compensated absences	391,342	80,858	-	472,200	14,821
Capitalized leases	-	415,116	67,532	347,584	117,010
Governmental activity long-term debt	<u>\$ 8,334,497</u>	<u>\$ 4,665,913</u>	<u>\$ 820,167</u>	<u>\$ 12,180,403</u>	<u>\$ 773,231</u>
<b>Business Type Activities</b>					
Water & Sewer revenue bonds	\$ 5,335,000	\$ -	\$ 5,335,000	\$ -	\$ -
General obligation bonds	1,660,000	4,720,000	205,000	6,175,000	220,000
Tax/Revenue certificates of obligation	13,693,887	9,820,000	1,183,887	22,330,000	1,520,000
Unamortized bond premium	58,493	44,753	(5,451)	97,795	5,451
Unamortized bond (discount)	(2,036)	(46,809)	1,970	(46,875)	(1,970)
Total bonds payable	20,745,344	14,537,944	6,720,406	28,555,920	1,743,481
Future landfill costs	507,000	-	19,500	487,500	19,500
Compensated absences	152,183	1,999	-	154,182	5,911
Capitalized leases	372,772	258,013	201,385	429,400	158,154
Business - type activity long-term debt	<u>\$ 21,777,299</u>	<u>\$ 14,797,956</u>	<u>\$ 6,941,291</u>	<u>\$ 29,627,002</u>	<u>\$ 1,927,046</u>

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, which 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, are 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.

Long-term debt at September 30, 2003, includes the following individual issues (not including the unamortized premium of \$ 97,795 and unamortized discount of \$ 48,875 of the Water & Sewer Tax and Revenue Certificates of Obligation):

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**G. Long-Term Debt (continued)**

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
<b>Governmental Funds</b>						
General Obligation Bonds:						
1993 Refunding	2.70 - .30	11-01-93	09-30-03	\$ 2,080,000	\$ 2,080,000	\$ -
1994 Various purpose	5.50 - 8.50	08-01-94	08-15-14	1,500,000	470,000	1,030,000
1998 Various purpose	3.70 - 4.50	09-01-98	08-15-13	1,000,000	276,333	723,667
1998 Refunding	3.70 - 4.50	09-01-98	08-15-12	2,750,000	73,667	1,976,333
Note payable	2.50	11-14-00	09-01-20	35,000	4,400	30,600
Tax/Revenue Certificates of Obligation:						
1997 Various purpose	4.10 - 5.35	03-01-97	08-15-12	2,010,000	780,000	1,230,000
1998 Various purpose	3.75 - 4.10	09-01-98	08-15-03	100,000	100,000	-
1999 Various purpose	3.75 - 5.40	09-07-99	08-15-19	585,000	160,000	425,000
2001 Various purpose	3.00 - 5.25	06-15-01	08-15-21	1,915,000	140,000	1,775,000
2003 Various purpose	2.00 - 5.00	08-05-03	09-30-23	4,190,000	-	4,190,000
Total				<u>\$ 16,165,000</u>	<u>\$ 4,084,400</u>	<u>\$ 11,380,600</u>
<b>Proprietary Funds</b>						
General Obligation Bond:						
2001A Refunding	4.00 - 4.50	06-15-01	08-15-09	1,845,000	\$ 390,000	\$ 1,455,000
2003A Refunding	2.00 - 5.00	08-05-03	09-30-23	4,720,000	-	4,720,000
Tax/Revenue Certificates of Obligation:						
1994 Various purpose	5.00 - 7.80	08-01-94	08-15-04	3,865,000	3,125,000	740,000
1997 Various purpose	4.10 - 5.35	09-07-99	08-15-17	1,000,000	160,000	840,000
1998 Various purpose	3.75 - 4.10	09-01-98	08-15-03	350,000	350,000	-
1999 Various purpose	3.75 - 5.40	09-07-99	08-15-19	6,035,000	1,215,000	4,820,000
2001 Various purpose	4.00 - 5.25	06-15-01	08-15-21	6,485,000	375,000	6,110,000
2003 Improvements	2.00 - 5.00	08-05-03	09-30-23	9,820,000	-	9,820,000
Water & Sewer Revenue Bonds:						
1993A Refunding	2.70 - 5.10	11-01-93	09-30-08	2,945,000	2,945,000	-
1993B Refunding	4.65	11-01-93	09-30-04	565,000	565,000	-
1994 Improvements	3.25 - 5.60	08-01-94	09-30-14	4,450,000	4,450,000	-
Total				<u>\$ 42,080,000</u>	<u>\$ 13,575,000</u>	<u>\$ 28,505,000</u>

**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. The original amount of general obligation bonds issued in prior years was \$9,175,000. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

On October 6, 1998, the City issued \$2,750,000 in General Obligation Refunding Bonds with an average interest rate of 4.16 percent to refund \$2,750,000 of outstanding 1993 Series Drainage

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**G. Long-Term Debt (continued)**

Utility System Revenue Bonds. The net proceeds of \$2,939,087 (after payment of \$114,854 in underwriting fees, insurance, accrued interest and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed. As of September 30, 2003, the outstanding maturities on the refunded debt were \$2,165,000.

The City refunded the bonds to reduce its total debt service payment over the next fifteen years by \$374,837 and to obtain an economic gain (difference between the present value of the debt service payments on the old and the new debt) of \$69,826.

On June 15, 2001, the City issued \$1,845,000 in General Obligation Refunding Bonds with an average interest rate of 4.19 percent to refund \$2,245,000 of outstanding Waterworks and Sewer System Revenue Bonds, Series 1989. The net proceeds of \$2,306,738 (after payment of \$49,134 in underwriting fees, insurance, accrued interest and other issuance costs), were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed. As of September 30, 2003, the outstanding maturities on the refunded debt were \$1,615,000.

The City refunded the bonds to reduce its total debt service payment over the next eight years by \$550,509 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$85,524.

On August 1, 2003, the City issued \$4,720,000 in General Obligation Refunding Bonds with an average interest rate of 3.55 percent to refund \$855,000 of outstanding Waterworks and Sewer System Revenue Refunding Bonds, Series 1993 and \$4,240,000 of outstanding Waterworks and Sewer System Revenue Bonds, Series 1994. The net proceeds of \$5,241,473 (after payment of \$112,838 in underwriting fee, insurance, accrued interest and other issuance costs), were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Water and Sewer Fund's Balance Sheet. As of September 30, 2003 the outstanding maturities on the refunded debt were \$855,000 for the Series 1993 and \$4,240,000 for the Series 1994.

The City refunded the bonds to reduce its total debt service payment over the next eleven years by \$752,100 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$188,927.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**G. Long-Term Debt (continued)**

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 310,000	\$ 173,690	\$ 220,000	\$ 251,022
2005	330,000	158,950	505,000	234,095
2006	340,000	144,243	520,000	218,370
2007	360,000	128,988	535,000	200,670
2008	375,000	112,688	540,000	181,995
2009 - 2013	1,890,000	285,619	3,265,000	562,920
2014 - 2018	125,000	6,875	590,000	26,550
2019 - 2023	-	-	-	-
Total	<u>\$ 3,730,000</u>	<u>\$ 1,011,053</u>	<u>\$ 6,175,000</u>	<u>\$ 1,675,622</u>

**Note Payable**

Annual debt service requirements to maturity for Notes Payable are as follows

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 1,480	\$ 765
2005	1,517	728
2006	1,555	690
2007	1,594	651
2008	1,634	611
2009-2013	8,802	2,423
2014-2018	9,958	1,267
2019-2023	4,060	149
Total	<u>\$ 30,600</u>	<u>\$ 7,284</u>

**Revenue Bonds**

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$7,960,000. As of September 30, 2003, the bonds have a zero balance.

**Tax and Revenue Certificates of Obligation**

On August 1, 2003, the City issued \$14,010,000 in Combination Tax and Revenue Certificates of Obligation Series 2003. Net proceeds of \$13,712,191 resulted from the following transactions:

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**G. Long-Term Debt (continued)**

Principal amount of bonds	\$ 14,010,000
Bond Discount	(66,870)
Accrued Interest	44,191
	13,987,321
Issue costs	(275,130)
Net proceeds	\$ 13,712,191

Annual debt service requirements to maturity for Tax and Revenue Certificates of Obligation are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 330,000	\$ 364,508	\$ 1,520,000	\$ 1,094,908
2005	305,000	342,050	810,000	1,005,261
2006	320,000	329,130	845,000	969,806
2007	310,000	315,405	760,000	932,706
2008	305,000	301,785	795,000	900,679
2009 - 2013	1,670,000	1,276,669	4,315,000	3,953,915
2014 - 2018	2,300,000	849,836	7,150,000	2,682,600
2019 - 2023	2,080,000	283,388	6,135,000	861,741
Total	\$ 7,620,000	\$ 4,062,771	\$ 22,330,000	\$ 12,401,616

**H. Segment Information**

The City maintains three Enterprise Funds, which provide water, sewer, and solid waste services, and a golf course. Segment information for the year ended September 30, 2003, is as follows:

	<u>Water/Sewer</u> <u>Services</u>	<u>Solid Waste</u> <u>Services</u>	<u>Golf</u> <u>Course</u>	<u>Total</u>
Operating revenue	\$ 6,453,411	\$ 2,314,581	\$ 619,452	\$ 9,387,444
Operating expense				
Depreciation	943,134	192,733	68,684	1,204,551
Other	1,087,314	1,444,019	530,111	3,061,444
Operating income (loss)	2,030,448	677,829	20,657	2,728,934
Nonoperating revenue and expenses (net)	(799,619)	(53,240)	(63,065)	(915,924)
Net income (loss) before operating transfers	\$ 1,230,829	\$ 624,589	\$ (42,408)	\$ 1,813,010
Transfers in (out)	(741,200)	(232,124)	3,000	(970,324)
Additions to property, plant and equipment	12,490,480	15,680	120,888	12,627,048
Net working capital	1,942,454	385,244	(107,222)	2,220,476
Total assets	49,213,602	4,425,174	1,837,974	55,476,750
Revenues bonds and other long-term liabilities	25,657,656	886,892	1,188,120	27,732,668
Total equity	17,044,504	2,746,252	445,698	20,236,454

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**V. 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, which 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 and that will be provided coverage through commercial company's reinsurance contracts. 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, principally the federal government. 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.

The City is a defendant in a number of lawsuits. The City intends to vigorously contest all the cases. The City Attorney and City Management hold the opinion that the outcome of these lawsuits will not have a material effect on the City's financial statements.

The City has active Water and Sewer construction projects as of September 30, 2003. At year-end the City's commitments with contractors are as follows:

	<u>Contract Amount</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Water and Sewer	\$ 6,374,471	\$ 5,144,981	\$ 1,229,490

**C. Employee Benefits**

**1. Plan Description**

The City provides benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 758 administered by TMRS, an agent multi-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of theoretical amount equal to two times what

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**C. Employee Benefits (continued)**

would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. 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 the years of services with the City. The Service Retirement Eligibilities for the City are:	5 years/age 60 or 20 years/any age

**2. Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortized the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the City and the employee 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 is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2002, valuation is effective for rates beginning January 2004).

Separate copies of TMRS' financial report can be obtained by contacting TMRS at P.O. Box 149153, 1200 North Interstate 35, Austin, Texas, 78714-9153.

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**C. Employee Benefits (continued)**

<b>Schedule of Actuarial Liabilities and Funding Progress</b>			
Actuarial Valuation Date	12/31/02	12/31/01	12/31/00
Actuarial Value of Assets	\$ 11,880,379	\$ 10,787,385	\$ 10,190,857
Actuarial Accrued Liability	\$ 13,458,416	\$ 11,838,496	\$ 10,660,408
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 1,578,037	\$ 1,051,111	\$ 469,551
Funded Ratio	88.3%	91.1%	95.6%
Annual covered Payroll	\$ 7,403,742	\$ 7,043,383	\$ 6,681,640
UAAL as a Percentage of Covered Payroll	21.3%	14.9%	7.0%
Net Pension Obligation (NPO) as the Beginning of Period			
Annual Required Contribution (ARC)	\$ 583,643	\$ 526,930	\$ 386,208
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
	583,643	526,930	386,208
Contributions Made	583,643	526,930	386,208
Increase in NPO			
NPO at the End of Period		-	-
	\$ -	\$ -	\$ -

**Actuarial Information**

Actuarial Cost Method	Unit Credit
Amortization Method	Level % of Payroll 25 Years Open
Asset Valuation Method	Amortized Cost
Assumptions:	
Investment Rate	8%
Projected Salary Increases	None
Inflation	None
Cost of Living Increases	None

**D. Metered Water and Sewer**

The City had approximately 9,069 metered customers on their water and sewer systems at September 30, 2003. All water is metered, including City departments.

**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 Natural Resource Conservation Commission (TNRCC) 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

**CITY OF COPPERAS COVE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2003**

**E. Municipal Solid Waste Landfill (continued)**

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. They must also show that they have financial mechanisms to cover the costs of closure, postclosure care, and any cleanup from releases 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.

The City revised its estimate of current costs of remaining closure and post closure care costs as of September 30, 2003. The revised cost estimate was \$507,000. This revision resulted in recognition of a change in accounting estimate and a decrease in the landfill closure and post closure care costs liability of \$19,500. All estimated costs related to the landfill have been recognized. The City currently has 100 acres permitted for landfill use. Of this, 20 acres were previously filled under regulations prior to Subtitle "D". Currently, there are 32.45 acres in approved Subtitle "D" landfill space of which six acres have been prepared and two acres have been used. The remaining 47.55 acres can be designated for future landfill if the City chooses to do so once permitted for Subtitle "D" in accordance with TNRCC regulations. This would extend the useful life of the landfill. The City has approximately 26.5% of landfill capacity to date and it is estimated that the remaining landfill life approved for Subtitle "D" is 15 years.

**F. Change in Accounting Estimate**

The City revised its estimate of landfill closure and post closure care costs required to comply with TNRCC regulations. The revised estimate of landfill closure and post closure care costs is \$507,000. Prior to this estimate adjustment, the City had a total remaining landfill closure and post closure care costs liability in the Solid Waste Fund of \$526,000. As a result of adjusting the liability for the revised estimate, a \$19,500 reduction in landfill closure and post closure care costs has been recognized in the Solid Waste Fund during the fiscal year ended September 30, 2003.

**CITY OF COPPERAS COVE, TEXAS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2003**

**EXHIBIT B-1**

<b>ASSETS</b>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds (See Exhibit A-3)</u>
Cash and cash equivalents	\$ 992,444	\$ 122,314	\$ 585,782	\$ 1,700,540
Receivables (net of allowances for uncollectibles):				
Accounts	72,816	-	-	72,816
Taxes	-	29,739	-	29,739
Miscellaneous	7,739	-	-	7,739
Grants	-	-	5,878	5,878
Due from other funds	106	100,265	20,758	121,129
Notes receivable	60,400	-	-	60,400
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 1,133,505</u>	<u>\$ 252,318</u>	<u>\$ 612,418</u>	<u>\$ 1,998,241</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 26,230	\$ 585	\$ 76,487	\$ 103,302
Retainage payable	-	-	41,554	41,554
Due to other funds	2,895	-	8,535	11,430
Deferred revenue	152,353	29,739	-	182,092
Other accrued items	4,433	-	-	4,433
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>185,911</u>	<u>30,324</u>	<u>126,576</u>	<u>342,811</u>
Fund Balances:				
Reserved:				
Debt service	-	221,994	-	221,994
Encumbrances	44,085	-	347	44,432
Non-current portion of note receivable	59,200	-	-	59,200
Unreserved, undesignated	844,309	-	485,495	1,329,804
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>947,594</u>	<u>221,994</u>	<u>485,842</u>	<u>1,655,430</u>
	<u>\$ 1,133,505</u>	<u>\$ 252,318</u>	<u>\$ 612,418</u>	<u>\$ 1,998,241</u>

**CITY OF COPPERAS COVE, TEXAS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**EXHIBIT B-2**

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>REVENUES</b>				
Taxes	\$ 89,170	\$ 878,068	\$ -	\$ 967,238
Charges for services	809,282	-	-	809,282
Fines	37,642	-	-	37,642
Interest	12,333	62,962	10,789	86,084
Sale of plots	36,750	-	-	36,750
Miscellaneous	30,958	-	-	30,958
Intergovernmental	-	-	69,732	69,732
Contributions	420	-	-	420
<b>Total Revenues</b>	<u>1,016,555</u>	<u>941,030</u>	<u>80,521</u>	<u>2,038,106</u>
<b>EXPENDITURES</b>				
Current:				
General government	841	-	-	841
Community services	154,658	-	-	154,658
Highway and streets	198,436	-	-	198,436
Public safety	40,428	-	-	40,428
Capital outlay	345,128	-	565,010	910,138
Debt service:				
Principal retirement	190,000	561,111	-	751,111
Interest and fiscal charges	95,435	286,349	-	381,784
<b>Total Expenditures</b>	<u>1,024,926</u>	<u>847,460</u>	<u>565,010</u>	<u>2,437,396</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(8,371)</u>	<u>93,570</u>	<u>(484,489)</u>	<u>(399,290)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	106	13,324	20,758	34,188
Operating transfers (out)	(90,000)	-	-	(90,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(89,894)</u>	<u>13,324</u>	<u>20,758</u>	<u>(55,812)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	(98,265)	106,894	(463,731)	(455,102)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>1,045,859</u>	<u>115,100</u>	<u>949,573</u>	<u>2,110,532</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 947,594</u>	<u>\$ 221,994</u>	<u>\$ 485,842</u>	<u>\$ 1,655,430</u>

**CITY OF COPPERAS COVE, TEXAS  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2003**

<b>ASSETS</b>	Youth Activities	Hotel/Motel Tax	Abandoned Vehicle	Animal Shelter
Cash and cash equivalents	\$ 53,349	\$ 98,140	\$ 5,837	\$ 998
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	-	-
Miscellaneous	-	-	-	-
Due from other funds	-	-	-	-
Notes receivable	-	-	-	-
	<u>\$ 53,349</u>	<u>\$ 98,140</u>	<u>\$ 5,837</u>	<u>\$ 998</u>
Total Assets				
	<u>\$ 53,349</u>	<u>\$ 98,140</u>	<u>\$ 5,837</u>	<u>\$ 998</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 5,050	\$ 8,477	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Other accrued items	429	-	-	-
	<u>5,479</u>	<u>8,477</u>	<u>-</u>	<u>-</u>
Total Liabilities				
	<u>5,479</u>	<u>8,477</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved:				
Encumbrances	120	-	-	-
Non-current portion of note receivable	-	-	-	-
Unreserved, undesignated	47,750	89,663	5,837	998
	<u>47,870</u>	<u>89,663</u>	<u>5,837</u>	<u>998</u>
Total Fund Balances				
	<u>47,870</u>	<u>89,663</u>	<u>5,837</u>	<u>998</u>
Total Liabilities and Fund Balances				
	<u>\$ 53,349</u>	<u>\$ 98,140</u>	<u>\$ 5,837</u>	<u>\$ 998</u>

EXHIBIT B-3

Drainage Utility	City Cemetery	Municipal Court	Texas Community Development Loan	Coryell County Mutual Aid	Total Nonmajor Special Revenue Funds (See Exhibit B-1)
\$ 506,147	\$ 51,851	\$ 152,030	\$ 124,092	\$ -	\$ 992,444
72,599	-	217	-	-	72,816
-	-	-	-	7,739	7,739
-	-	106	-	-	106
-	-	-	60,400	-	60,400
<u>\$ 578,746</u>	<u>\$ 51,851</u>	<u>\$ 152,353</u>	<u>\$ 184,492</u>	<u>\$ 7,739</u>	<u>\$ 1,133,505</u>
\$ 11,061	\$ 1,642	\$ -	\$ -	\$ -	\$ 26,230
-	-	-	-	2,895	2,895
-	-	152,353	-	-	152,353
4,004	-	-	-	-	4,433
<u>15,065</u>	<u>1,642</u>	<u>152,353</u>	<u>-</u>	<u>2,895</u>	<u>185,911</u>
43,140	-	-	-	825	44,085
-	-	-	59,200	-	59,200
520,541	50,209	-	125,292	4,019	844,309
<u>563,681</u>	<u>50,209</u>	<u>-</u>	<u>184,492</u>	<u>4,844</u>	<u>947,594</u>
<u>\$ 578,746</u>	<u>\$ 51,851</u>	<u>\$ 152,353</u>	<u>\$ 184,492</u>	<u>\$ 7,739</u>	<u>\$ 1,133,505</u>

**CITY OF COPPERAS COVE, TEXAS  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Youth Activities	Hotel/Motel Tax	Abandoned Vehicle	Animal Shelter
<b>REVENUES</b>				
Taxes	\$ -	\$ 89,170	\$ -	\$ -
Charges for services	69,064	-	-	-
Fines	-	-	-	-
Interest	149	272	22	2
Sale of plots	-	-	-	-
Miscellaneous	-	-	-	-
Contributions	-	-	-	420
	<u>69,213</u>	<u>89,442</u>	<u>22</u>	<u>422</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
General government	-	-	841	-
Community services	63,513	62,781	-	-
Highway and streets	-	-	-	-
Public safety	-	-	-	3
Capital outlay	5,700	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>69,213</u>	<u>62,781</u>	<u>841</u>	<u>3</u>
Total Expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>-</u>	<u>26,661</u>	<u>(819)</u>	<u>419</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>				
	<u>-</u>	<u>26,661</u>	<u>(819)</u>	<u>419</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>				
	<u>47,870</u>	<u>63,002</u>	<u>6,656</u>	<u>579</u>
<b>FUND BALANCES, END OF YEAR</b>				
	<u>\$ 47,870</u>	<u>\$ 89,663</u>	<u>\$ 5,837</u>	<u>\$ 998</u>

**EXHIBIT B-4**

Drainage Utility	City Cemetery	Municipal Court	Texas Community Development Loan	Coryell County Mutual Aid	Total Nonmajor Revenue Funds (See Exhibit B-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,170
740,218	-	-	-	-	809,282
-	-	37,642	-	-	37,642
9,149	614	540	1,585	-	12,333
-	36,750	-	-	-	36,750
-	-	-	-	30,958	30,958
-	-	-	-	-	420
<u>749,367</u>	<u>37,364</u>	<u>38,182</u>	<u>1,585</u>	<u>30,958</u>	<u>1,016,555</u>
-	-	-	-	-	841
-	28,364	-	-	-	154,658
198,436	-	-	-	-	198,436
-	-	14,311	-	26,114	40,428
313,601	1,850	23,977	-	-	345,128
190,000	-	-	-	-	190,000
<u>95,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,435</u>
<u>797,472</u>	<u>30,214</u>	<u>38,288</u>	<u>-</u>	<u>26,114</u>	<u>1,024,926</u>
<u>(48,105)</u>	<u>7,150</u>	<u>(106)</u>	<u>1,585</u>	<u>4,844</u>	<u>(8,371)</u>
-	-	106	-	-	106
<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,000)</u>
<u>(90,000)</u>	<u>-</u>	<u>106</u>	<u>-</u>	<u>-</u>	<u>(89,894)</u>
(138,105)	7,150	-	1,585	4,844	(98,265)
<u>701,786</u>	<u>43,059</u>	<u>-</u>	<u>182,907</u>	<u>-</u>	<u>1,045,859</u>
<u>\$ 563,681</u>	<u>\$ 50,209</u>	<u>\$ -</u>	<u>\$ 184,492</u>	<u>\$ 4,844</u>	<u>\$ 947,594</u>

**CITY OF COPPERAS COVE, TEXAS  
NONMAJOR CAPITAL PROJECTS FUND  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2003**

<b>ASSETS</b>	1994 G.O. Bonds	1997 Combination Tax and Revenue Certificates of Obligation	1998 G.O. Bonds
Cash and cash equivalents	\$ 37,889	\$ 14,269	\$ 394
Grant Receivable	-	-	-
Due from other funds	-	13,758	-
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 37,889</u>	<u>\$ 28,027</u>	<u>\$ 394</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Retainage payable	-	28,027	-
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>-</u>	<u>28,027</u>	<u>-</u>
Fund Balances:			
Reserved for encumbrances	-	-	-
Unreserved fund balances	37,889	-	394
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>37,889</u>	<u>-</u>	<u>394</u>
Total Liabilities and Fund Balances	<u>\$ 37,889</u>	<u>\$ 28,027</u>	<u>\$ 394</u>

**EXHIBIT B-5**

1999 Combination Tax and Revenue Certificates of Obligation	2001 Combination Tax and Revenue Certificates of Obligation	2002 Economic Development Administration Grant	Total Nonmajor Capital Projects Funds (See Exhibit B-1)
\$ 205 - -	\$ 533,025 - -	\$ - 5,878 7,000	\$ 585,782 5,878 20,758
<u>\$ 205</u>	<u>\$ 533,025</u>	<u>\$ 12,878</u>	<u>\$ 612,418</u>
\$ - - -	\$ 72,144 13,527 -	\$ 4,343 - 8,535	\$ 76,487 41,554 8,535
<u>-</u>	<u>85,671</u>	<u>12,878</u>	<u>126,576</u>
- 205	347 447,007	- -	347 485,495
<u>205</u>	<u>447,354</u>	<u>-</u>	<u>485,842</u>
<u>\$ 205</u>	<u>\$ 533,025</u>	<u>\$ 12,878</u>	<u>\$ 612,418</u>

**CITY OF COPPERAS COVE, TEXAS  
NONMAJOR CAPITAL PROJECTS FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	1994 G.O. Bonds	1997 Combination Tax and Revenue Certificates of Obligation	1998 G.O. Bonds
<b>REVENUES</b>			
Interest	\$ 136	\$ 307	\$ 5
Grant Revenues	-	-	-
Total Revenues	<u>136</u>	<u>307</u>	<u>5</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>1,992</u>	<u>45,281</u>	<u>-</u>
Total Expenditures	<u>1,992</u>	<u>45,281</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,856)</u>	<u>(44,974)</u>	<u>5</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	<u>-</u>	<u>13,758</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,758</u>	<u>-</u>
<b>EXCES (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>(1,856)</u>	<u>(31,216)</u>	<u>5</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>39,745</u>	<u>31,216</u>	<u>389</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 37,889</u>	<u>\$ -</u>	<u>\$ 394</u>

**EXHIBIT B-6**

1999 Combination Tax and Revenue Certificates of Obligation	2001 Combination Tax and Revenue Certificates of Obligation	2002 Economic Development Administration Grant	Total Nonmajor Capital Projects Funds (See Exhibit B-2)
\$ 167	\$ 10,174	\$ -	\$ 10,789
<u>-</u>	<u>-</u>	<u>69,732</u>	<u>69,732</u>
<u>167</u>	<u>10,174</u>	<u>69,732</u>	<u>80,521</u>
<u>2,680</u>	<u>438,325</u>	<u>76,732</u>	<u>565,010</u>
<u>2,680</u>	<u>438,325</u>	<u>76,732</u>	<u>565,010</u>
<u>(2,513)</u>	<u>(428,151)</u>	<u>(7,000)</u>	<u>(484,489)</u>
<u>-</u>	<u>-</u>	<u>7,000</u>	<u>20,758</u>
<u>-</u>	<u>-</u>	<u>7,000</u>	<u>20,758</u>
<u>(2,513)</u>	<u>(428,151)</u>	<u>-</u>	<u>(463,731)</u>
<u>2,718</u>	<u>875,505</u>	<u>-</u>	<u>949,573</u>
<u>\$ 205</u>	<u>\$ 447,354</u>	<u>\$ -</u>	<u>\$ 485,842</u>

**CITY OF COPPERAS COVE, TEXAS**  
**GENERAL FUND EXPENDITURES BY FUNCTION\***  
**LAST TEN FISCAL YEARS**

Fiscal Year	General Government	Public Safety	Community Services	Highways and Streets	Fleet and Facility Services
1994	\$ 1,458,704	\$ 4,118,159	\$ 890,152	\$ 688,741	\$ 172,576
1995	1,219,608	3,964,523	805,428	617,318	169,160
1996	1,042,987	3,449,095	735,835	498,472	154,786
1997	1,575,522	3,908,025	717,618	743,710	208,482
1998	** 1,987,682	4,280,030	798,649	727,746	219,780
1999	1,640,642	4,476,555	924,422	783,563	234,485
2000	1,753,133	4,669,564	1,044,748	917,830	244,535
2001	1,712,554	5,352,530	1,113,281	1,014,950	257,408
2002	1,624,374	5,586,523	1,047,178	903,135	273,370
2003	*** 1,555,477	5,743,059	1,198,182	403,959	306,347

Source: Finance Department, City of Copperas Cove, Texas

\* Includes General Fund expenditures and operating transfers only.

\*\* Includes purchase of property.

\*\*\* For fiscal years beginning 2003 and later, capital outlay is presented separately due to a change in reporting format as a result of the implementation of GASB 34.

Table I

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<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total Expenditures</u>	<u>Transfers Out</u>	<u>Totals</u>
\$ -	\$ -	\$ 7,328,332	\$ 66,931	\$ 7,395,263
101,010	-	6,877,047	3,439	6,880,486
-	-	5,881,175	32,000	5,913,175
-	-	7,153,357	112,895	7,266,252
-	-	8,013,887	71,986	8,085,873
-	-	8,059,667	152,547	8,212,214
-	-	8,629,810	-	8,629,810
-	-	9,450,723	189,000	9,639,723
-	-	9,434,580	189,875	9,624,455
-	628,396	9,835,420	23,864	9,859,284

**CITY OF COPPERAS COVE, TEXAS**  
**GENERAL FUND REVENUE BY SOURCE\***  
**LAST TEN FISCAL YEARS**

Fiscal Year	Taxes	Licenses	Permits	City Services Provided	Fines
1994	\$ 4,250,261	\$ 40,339	\$ 131,180	\$ 482,395	\$ 287,169
1995	4,473,675	32,039	153,314	438,415	386,737
1996	5,103,510	32,424	127,627	468,172	499,442
1997	5,408,923	39,538	86,068	325,740	558,787
1998	5,780,507	40,371	101,980	393,788	676,111
1999	5,859,150	41,179	87,406	400,092	821,095
2000	5,913,478	45,055	69,878	478,143	718,850
2001	6,519,451	46,636	76,031	473,208	885,177
2002	6,726,678	54,346	104,175	556,778	749,224
2003	7,060,920	55,847	112,590	536,731	825,275

Source: Finance Department, City of Copperas Cove, Texas

\* Includes General Fund revenue and other financing sources only.

Table II

<u>Interest</u>	<u>Miscellaneous and Contributions</u>	<u>Inter- Governmental</u>	<u>Other Financing Sources</u>	<u>Totals</u>
\$ 11,285	\$ 174,982	\$ 98,685	\$ 1,750,271	\$ 7,226,567
11,968	31,790	131,682	1,355,000	7,014,620
33,729	76,473	118,821	1,055,000	7,515,198
43,696	111,218	60,932	955,000	7,589,902
93,736	129,207	68,981	1,384,852	8,669,533
150,065	114,198	156,903	919,970	8,550,058
216,176	145,043	302,084	885,000	8,773,707
199,515	122,522	241,903	975,000	9,539,443
77,220	148,638	141,231	967,500	9,525,790
52,409	175,660	122,185	1,050,000	9,991,617

**CITY OF COPPERAS COVE, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS\***  
**LAST TEN FISCAL YEARS**

Fiscal Year	Assessed Value	Taxes Levied	Taxes Collected	Outstanding Delinquent Taxes	Percentage of Tax Levies Collected
1994	\$ 396,852,652	\$ 2,996,238	\$ 2,990,256	\$ 125,002	99.80%
1995	423,799,207	3,199,684	3,202,449	95,739	100.09%
1996	472,928,469	3,570,610	3,574,350	86,078	100.10%
1997	546,778,207	3,823,939	3,820,448	89,569	99.91%
1998	565,526,582	3,987,067	3,944,767	82,913	98.94%
1999	578,775,314	4,080,366	4,050,984	104,027	99.28%
2000	592,338,964	4,175,990	4,149,031	112,180	99.35%
2001	609,313,400	4,532,455	4,494,472	134,181	99.16%
2002	641,118,281	4,776,331	4,763,292	143,874	99.73%
2003	670,339,356	4,994,028	4,936,024	169,316	98.84%

Source: Coryell County Appraisal District and Finance Department, City of Copperas Cove, Texas

\* Includes General Fund and Debt Service Fund tax revenue.

**CITY OF COPPERAS COVE, TEXAS**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio of Assessed to Estimated Actual Value</u>
1994	\$ 396,852,652	\$ 430,511,487	0.9218
1995	423,799,207	473,131,628	0.8957
1996	472,928,469	546,778,207	0.8649
1997	546,778,207	593,016,747	0.9220
1998	565,526,582	614,876,645	0.9197
1999	578,775,314	630,740,777	0.9176
2000	592,338,964	645,567,448	0.9175
2001	609,313,400	664,567,448	0.9169
2002	641,118,281	670,249,064	0.9565
2003	670,339,356	683,946,827	0.9801

Source: Coryell County Appraisal District, Gatesville, Texas

The differences between assessed value and estimated actual value are various authorized exemptions.

**CITY OF COPPERAS COVE, TEXAS**  
**PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	City of Copperas Cove	Copperas Cove Independent School District	Coryell County Education District	Coryell County	Central Texas College	Total
1994	\$ 0.75500	\$ 1.26000	-	\$ 0.32740	\$ 0.17000	\$ 2.51240
1995	0.75500	1.30500	-	0.32566	0.17000	2.55566
1996	0.75500	1.30500	-	0.32566	0.15330	2.53896
1997	0.70500	1.31750	-	0.31407	0.15150	2.48807
1998	0.70500	1.38750	-	0.31407	0.15150	2.55807
1999	0.70500	1.42750	-	0.32907	0.15000	2.61157
2000	0.70500	1.48298	-	0.34807	0.14900	2.68505
2001	0.74500	1.54220	-	0.38050	0.14850	2.81620
2002	0.74500	1.59200	-	0.38807	0.14750	2.87257
2003	0.74500	1.59200	-	0.38807	0.14575	2.87082

Source: The office of the respective entities.

Note: Tax rates are set as an amount per \$100 assessed value.

**CITY OF COPPERAS COVE, TEXAS  
TOP TEN TAXPAYERS  
PER 2003 TAX ROLL**

	<u>Nature of Property</u>	<u>Percentage of Total Taxable Value</u>	<u>Taxable Value</u>
Central Telephone Co.	Utilities - Telephone	1.30%	\$ 8,861,800
Oncor Electric Delivery Co	Utilities - Electric	1.17%	7,981,560
Walmart Real Estate	Discount Department Store	1.10%	7,554,870
Walmart Stores, Inc.	Discount Department Store	1.08%	7,415,860
Cove Terrace Associates	Retail Shopping Center	0.65%	4,434,810
TWE Advance Newhse Partnership	Cable Television	0.62%	4,208,750
H E Butt Grocery Store	Grocery Store	0.33%	2,242,250
Judy Lane Properties	Apartment Complex	0.25%	1,684,270
Hill Country Rehabilitation	Rehabilitation and Living Center	0.24%	1,668,350
B&W Cove		<u>0.24%</u>	<u>1,609,410</u>
Subtotal		6.98%	47,661,930
All Other Taxpayers		<u>93.02%</u>	<u>636,284,897</u>
Total 2003 - Tax Roll		<u>100.00%</u>	<u>\$ 683,946,827</u>
Total 2002 - Tax Roll*		<u>100.00%</u>	<u>\$ 641,118,281</u>

Source: Coryell County Tax Appraisal District, Gatesville, Texas

\* For comparative purposes only.



**CITY OF COPPERAS COVE, TEXAS**  
**COMPUTATION OF LEGAL DEBT LIMIT**  
**SEPTEMBER 30, 2003**

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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 and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt service.

Assessed value 2003 tax roll	\$ 670,339,356
Limit on amount designated for debt service	<u>2.5%</u>
Legal Debt Limit	<u><u>\$ 16,758,484</u></u>
Actual amount expended for General Obligation Debt Service (excluding lease payments) during the year ended September 30, 2003	<u><u>\$ 847,460</u></u>

**CITY OF COPPERAS COVE, TEXAS**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED**  
**VALUE AND NET GENERAL BONDED DEBT PER CAPITA**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Population	Assessed Value	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita
1994	28,828	\$ 396,852,652	\$ 3,393,848	0.0086	\$ 117.73
1995	29,337	423,799,207	2,990,967	0.0071	101.95
1996	30,311	472,928,469	2,690,181	0.0057	88.75
1997	30,311	546,778,207	4,115,816	0.0075	135.79
1998	30,311	565,526,582	3,844,735	0.0068	126.84
1999	31,500	578,775,314	7,185,262	0.0124	228.10
2000	29,592	592,338,964	7,182,110	0.0121	242.70
2001	29,592	608,383,174	8,485,416	0.0139	286.75
2002	29,592	641,118,281	7,796,011	0.0122	263.45
2003	30,450 *	670,339,356	11,964,597	0.0178	392.93

Source: Population Estimates Program, Population Division, Claritas.

Coryell County Tax Appraisal District.

Copperas Cove Finance Department.

\* Estimated



**CITY OF COPPERAS COVE, TEXAS**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL OBLIGATION DEBT TO TOTAL GENERAL FUND EXPENDITURES**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Annual Debt Service Expenditures	** Total General Fund Expenditures	Ratio
1994	\$ 503,422 *	\$ 7,328,332	0.0687
1995	400,000	6,877,047	0.0582
1996	694,464	5,881,175	0.1181
1997	714,253	7,153,357	0.0998
1998	684,914	8,013,887	0.0855
1999	652,232	8,059,667	0.0809
2000	698,003	8,629,810	0.0809
2001	697,941	9,450,723	0.0739
2002	853,771	9,434,580	0.0905
2003	847,460	9,835,420	0.0862

Source: Finance Department, City of Copperas Cove, Texas

\* Does not include lease payments and fiscal charges.

\*\* Excludes transfers out.



**CITY OF COPPERAS COVE, TEXAS**  
**COMPUTATION OF DIRECT AND ESTIMATED OVERLAPPING DEBT**  
**BONDED DEBT GENERAL OBLIGATION BONDS**  
**SEPTEMBER 30, 2003**

Taxing Entity	Net General Debt Obligation	As of	Estimated Percentage Applicable To the City of Copperas Cove	Amount Applicable to the City of Copperas Cove
Coryell County	\$ -	9/30/2003	0.00%	\$ -
Copperas Cove I.S.D.	29,954,961	9/30/2003	75.40%	22,585,504
Lampasas County	3,485,000 **	9/30/2003	8.77%	305,702
Lampasas I.S.D.	<u>6,289,047</u>	8/31/2003	15.83%	<u>995,547</u>
Subtotal	<u>39,729,008</u>			<u>23,886,753</u>
City of Copperas Cove	<u>11,964,597</u>	9/30/2003	100.00%	<u>11,964,597</u>
Total Overlapping Debt	<u>\$ 51,693,605</u>			<u>\$ 35,851,350</u>

Source: Municipal Advisory Council.

\*\* Gross debt.

**CITY OF COPPERAS COVE, TEXAS**  
**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Estimated Actual Property Value	Value of Construction Permits Issued	Bank Deposits
1994	\$ 430,511,487	\$ 24,053,253	* \$ 192,647,463
1995	473,131,628	46,192,077	265,692,443
1996	546,778,207	25,947,625	217,503,090
1997	593,016,747	15,849,792	236,465,697
1998	614,876,645	21,328,663	** 469,281,100
1999	630,740,777	21,011,369	* 219,370,674
2000	645,534,690	13,723,119	*** 892,153,862
2001	664,567,448	13,290,539	*** 840,773,180
2002	670,249,064	15,018,299	**** 948,819,000
2003	683,946,827	25,262,593	**** 1,487,623,000

Source:

Coryell County  
Appraisal Dist.Building Inspection  
Department, City of  
Copperas Cove, TX.Financial  
Institutions  
Copperas Cove,  
Texas\*National Bank  
includes all  
branches\*\* National Bank  
& First Texas  
Bank includes all  
branches\*\*\* First  
National Bank  
includes all  
branches\*\*\*\* Extraco  
Bank includes  
all branches



**CITY OF COPPERAS COVE, TEXAS**  
**SPECIAL ASSESSMENTS BILLINGS AND RECEIVABLES**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Beginning Receivable Balance	Billings	Collections	Ending Receivables Balance
1994	\$ 36,945	\$ -	\$ 825	\$ 36,120
1995	36,120	-	3,093	33,027
1996	33,024	-	6,255	26,769
1997	26,772	-	1,294	25,478
1998	25,478	71	-	25,549
1999	25,549	-	-	25,549
2000	25,549	-	-	25,549
2001	25,549	-	-	25,549
2002	25,549	-	-	25,549
2003	25,549	-	388	25,161

**CITY OF COPPERAS COVE, TEXAS  
 WATER AND SEWER ENTERPRISE FUND  
 REVENUE BOND COVERAGE  
 LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue	Operating Expenses	Net Available for Debt Service
1994	\$ 4,234,989	\$ 2,737,680	\$ 1,497,309
1995	4,559,856	3,104,635	1,455,221
1996	5,537,735	2,539,171	2,998,564
1997	5,102,595	2,608,795	2,493,800
1998	5,137,777	2,801,361	2,336,416
1999	5,136,881	2,931,037	2,205,844
2000	6,169,773	3,302,683	2,867,090
2001	6,377,113	3,497,837	2,879,276
2002	6,623,946	3,452,402	3,171,544
2003	6,584,438	3,479,829	3,104,609

Source: Finance Department, City of Copperas Cove, Texas

Gross revenue includes all revenue. Operating expenses exclude depreciation, bond interest expense, and administrative cost reimbursements to the General Fund.

The portion of interest expense relating to the interim construction period of various water and sewer improvement bond issues has been capitalized in accordance with generally accepted accounting principles.

Table XIII

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Debt Service Requirements			
<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	<u>Coverage</u>
\$ 450,000	\$ 330,174	\$ 780,174	1.92
540,000	760,525	1,300,525	1.12
610,000	598,773	1,208,773	2.48
485,000	534,406	1,019,406	2.45
510,000	511,308	1,021,308	2.29
535,000	486,595	1,021,595	2.16
560,000	468,695	1,028,695	2.79
575,000	367,510	942,510	3.05
515,000	412,613	927,613	3.42
445,000	357,358	802,358	3.87



**CITY OF COPPERAS COVE, TEXAS  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

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Fiscal Year	Population	Income Per Capita	Unemployment Rate
1994	28,828	\$ 12,166	6.9%
1995	29,337	10,935	5.0%
1996	30,311	10,689	5.6%
1997	30,311 *	10,759	5.6%
1998	30,311 *	10,759	4.8%
1999	31,500	13,621	3.8%
2000	29,592	13,820	4.2%
2001	29,592 **	15,046	5.2%
2002	29,592 **	16,823	5.1%
2003	30,450 ***	17,628	5.5%

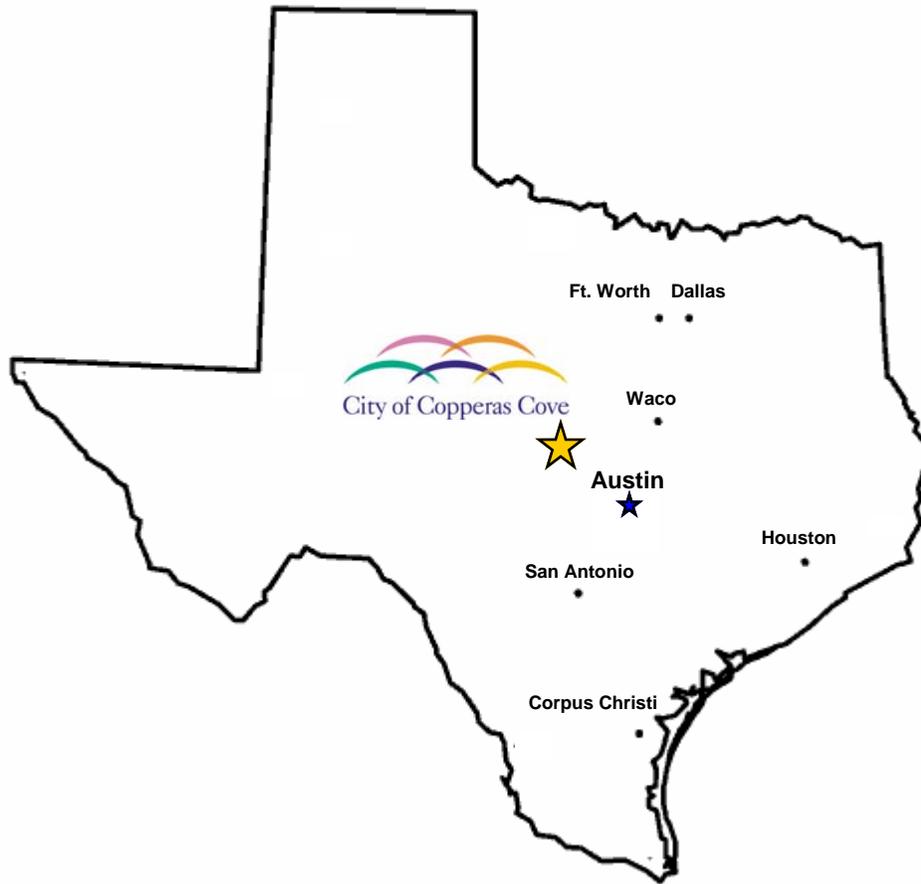
Source: Estimates of the Texas Workforce Commission.

\* The population and income per capita for the fiscal year have been carried forward from the prior year as information for this year was not available.

\*\* Population has been carried forward from the 2000 Census, information for this year was not available.

\*\*\* Population estimate provided by Claritas.

# CITY OF COPPERAS COVE, TEXAS LOCATION MAP



## CITY AND AREA DEMOGRAPHICS

### LOCATION

Copperas Cove is located 25 miles west of IH-35 on U.S. Hwy 190, 65 miles north of Austin. This Central Texas city lies between Dallas and San Antonio. Within a 35-mile radius, Copperas Cove has a market of approximately 268,822 people and is adjacent to the largest military installation in the free world - Fort Hood.

**CITY OF COPPERAS COVE, TEXAS**  
**MISCELLANEOUS STATISTICAL DATA**

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**Government**

Form of Government:	Council - Manager
Area in square miles:	13
Incorporation of City:	July 7, 1913
Original charter, special:	January 20, 1979*
Charter amended:	April 5, 1983, May 7, 1988, May 3, 1997 and May 5, 2001

\* City of Copperas Cove was a General Law City prior to this date.

**Governmental Facilities**Fire Protection

Number of stations:	3
Number of hydrants:	750
Number of volunteer firemen:	-
Number of paid firemen:	45
Firemen per 1,000 population:	1.74

Police Protection

Number of stations:	1
Number of reserve police officers:	-
Number of sworn officers:	51
Officers per 1,000 population:	1.70

Libraries

Number of public libraries:	1
Number of volumes:	57,427
Circulation of volume:	130,785
Circulation per capita:	5.12

Parks and Recreation

Park acreage developed:	214
Park acreage undeveloped:	163
Playgrounds:	5

Streets (all figures approximate)

Paved streets:	110 miles
Unpaved streets:	0 miles

**Utilities**Water System

Miles of water mains:	225
Daily average consumption:	3.7 MGD
Maximum daily capacity:	7.21 MGD
Number of service connections:	10,132
Source of water:	Bell County Water Control and Improvement District No. 1

**CITY OF COPPERAS COVE, TEXAS  
MISCELLANEOUS STATISTICAL DATA**

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**Utilities (Continued)**Sewage System

Miles of sanitary sewers:	200
Number of lift stations:	13
Daily average treatment:	2.6 MGD
Maximum capacity of treatment plants:	6.35 MGD
Number of service connections:	9,439

Community Statistics

School District Employees:	1,253
City Employees:	279
Fort Hood Servicemen:	40,672
Fort Hood Non-Servicemen Employees:	13,724

**CITY OF COPPERAS COVE, TEXAS  
MISCELLANEOUS STATISTICAL DATA**

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Table XVI





