

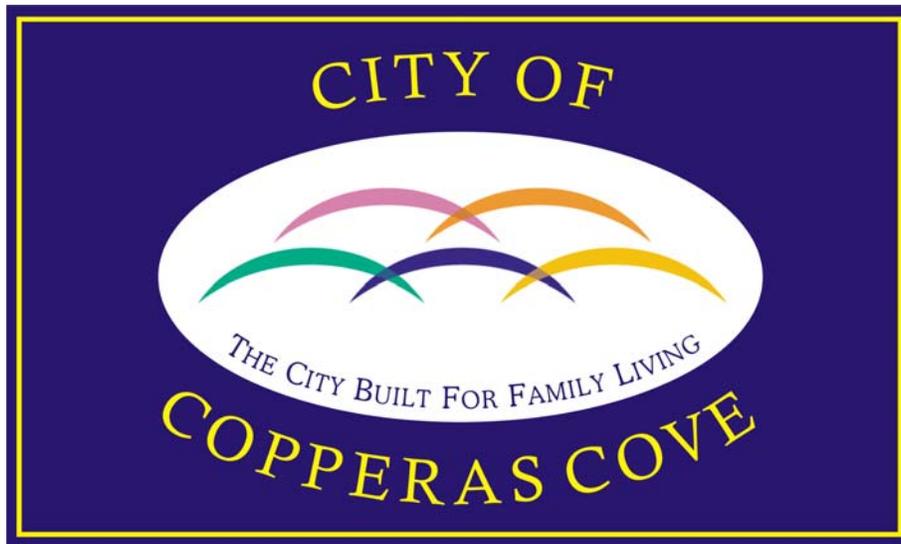
City of Copperas Cove, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED SEPTEMBER 30, 2004

“The City Built for Family Living”



About the Cover:

The City of Copperas Cove is proud to place a picture of its new alternate City Flag on the cover of the Fiscal Year 2004-05 Comprehensive Annual Financial Report. At a City Council meeting on August 15, 2000, a new City flag was presented to the Mayor and City Council by Pam Lunde, designer of the new City flag, and the “Fashion a Flag Contest Committee” which consisted of Annabelle Smith, Rick Hoppe, Joyce Wilson, Bea Hammonds, Kathy Woehl, Neva Moten, Annie Hoffpauir, and Sherri Hoffpauir. That flag continues to be displayed in the Council chambers.

In 2003, city staff formed a public relations committee to focus on promotion of our City to current citizens, prospective newcomers and to improve quality of life for the citizens of our community. As part of this commitment, the committee proposed to the Mayor and City Council that the City of Copperas Cove adopt an alternate City Flag with the five hills logo as used by the Joint Image Campaign that is comprised of the City of Copperas Cove, Copperas Cove Economic Development Corporation, Copperas Cove Independent School District and the Copperas Cove Chamber of Commerce.

At a City Council meeting on December 2, 2003, the Mayor and City Council of the City of Copperas Cove, Texas adopted the alternate City Flag pictured on the cover. The alternate City Flag is being flown at all City facilities.

**CITY OF COPPERAS COVE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

YEAR ENDED SEPTEMBER 30, 2004

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, 2004

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CITY OF COPPERAS COVE, TEXAS
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CITY OF COPPERAS COVE, TEXAS
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March 22, 2005

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, 2004, 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, 2004, 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, 2004, 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.

Presentation

This transmittal letter is designed to complement the Management's Discussion & Analysis (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 established 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 45,777 military personnel and 12,134 civilians working on the post. Fort Hood has an estimated \$2.0 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 \$3.9 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 2004 academic school year the District had three exemplary school campuses and eight recognized elementary and intermediate school campuses. The District's enrollment rate decreased by approximately 26 students during fiscal year 2003-04 primarily due to the deployment of military personnel from Fort Hood. It has a current enrollment of 7,444 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 2003-04 totaled \$31,419,255. New construction additions in Copperas Cove totaled approximately \$5,780,550. New residential construction made up \$19,419,819 of this amount while \$6,218,886 was related to new non-residential buildings.

The City has approved the zoning and/or platting of several new residential subdivisions. The re-plat of Walker Place 3 will contain 23 homes on 16.352 acres; also, the re-plat of Walker Place 4 will contain 60 homes on 14.5 acres. Skyline Valley will have three new subdivisions, Skyline Phases 3 will contain 9 homes on 15 acres; Phase 4, which was annexed, will have 7 homes on 25 acres and Phase 5 will have 25 homes on 23 acres. The Meadows Subdivision will have 76 homes on 24.1 acres. Also, the Mesa Verde Phase 2 subdivision will have 48 homes on 43 acres, while the Willow Creek subdivision will have more than 20 multi-family units on 8.296 acres.

Ad Valorem Taxes. Total assessed value within the City has increased by approximately 15.47 percent since fiscal year 2000. The fiscal year 2004 projections, based on data provided by the Coryell County Appraisal District, indicate a 2 percent growth in assessed value over fiscal year 2003 levels.

Sales Tax. Sales tax collections have increased by approximately 25 percent since fiscal year 2000. Collections for fiscal year 2004 have increased by approximately 7 percent over fiscal year 2003 levels.

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

MAJOR INITIATIVES

At the end of the 2003-04 fiscal year the City of Copperas Cove had a number of major projects ongoing that are worth noting.

The largest transportation project in Copperas Cove, referred to as the Reliever Route, continued to move forward. At the writing of this document, Phase 1b of the Reliever Route project, at an estimated cost of \$10.5 million had been placed on the Statewide Unified Transportation Plan (UTP). This is significant in that it gives the Texas Department of Transportation the authority to begin acquiring the right-of-way for this part of the project. Unfortunately, funding will not be made available for the construction of this phase until 2015. City Officials are working with the Texas Department of Transportation to make this project happen sooner. Additionally, the City is working with the Copperas Cove Industrial Foundation and the Copperas Cove Economic Development Corporation to construct Phase 1a of this project. Phase 1a consists of or a feeder road that will ultimately tie into the reliever route and serve as access to that roadway.

Through a partnership with the Copperas Cove Industrial Foundation and the Copperas Cove Economic Development Corporation, the City was in the process of expanding and improving Constitution Avenue at fiscal year end. This project was primarily funded through a \$1.0 million grant obtained by the Copperas Cove Economic Development Corporation from the Economic Development Administration. The project improves access to property acquired from Fort Hood, in a land trade that was completed in 2004, and will provide for commercial economic development to occur on the east end of the City. This project was near completion at the writing of this document.

Through a \$1.3 million grant received from the Texas Department of Transportation, the City was in the process of designing roughly two miles of sidewalks that will be constructed along FM 1113 between 5th Street and Summers Road. This project will provide safer access along this roadway for pedestrians accessing City Park, the Copperas Cove High School as well as other facilities. This project should be under construction during the 2004-05 fiscal year and will provide a much needed amenity along this road.

The City has entered into an agreement with the American Family Entertainment Centers, LLC, to provide performance based economic development incentives for the construction of a multi-purpose facility. This facility is expected to include seven movie theaters, a twenty-four lane bowling alley, an arcade room, children's discovery room and concession area. The project is anticipated to be complete by September 2005. The American Family Entertainment Center's Copperas Cove facility is a welcomed addition to our community. By providing much needed entertainment and recreational activities to the general public, this is as much about quality of life as it is about commercial and economic development.

At year end the Copperas Cove Parks and Recreation Department and Street Department were in the process of constructing a walking trail along Walker Place subdivision. The Texas Parks and Wildlife provided a \$100,000 grant to construct this trail. Completion of this project is anticipated during fiscal year 2004-05.

In fiscal year 2002-03, the City Council approved an issuance of combination tax and revenue certificates of obligation that included roughly \$2.7 million for improvements to and along Big Divide Road. This project includes paving Big Divide Road from U.S. Highway 190 to where the road is currently paved. When complete, this road can be traveled from U.S. Highway 190 to FM 1113 providing a thoroughfare on the west end of the City. This is significant in that it improves traffic circulation within the City, provides better ingress and egress to existing subdivisions for public safety services and enhances property along this roadway for development. Additionally, this project provides for a waterline to be constructed that, when complete, will loop the northwest quadrant of the City. Finally, this project includes the construction of a lift station along this road to provide City sewer services as property along this road develops.

During the year improvements were being made to the Northeast and Northwest Wastewater Treatment Plants. These improvements total approximately \$5.5 million and will increase the capacity of these treatment plants from 3.85 MGD to 6.5 MGD. Additionally, these improvements will replace chemical disinfection with ultraviolet disinfection. These projects are expected to be complete during the 2004-05 fiscal year.

ACCOMPLISHMENTS

During fiscal year 2004, 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 674 Copperas Cove Police Department Kiddo Cards.
- ◆ Conducted two sessions of the Copperas Cove Police Department Citizens Academy.
- ◆ Conducted a bicycle rodeo.
- ◆ Paid out \$3,050 in Crime Stoppers for tips on criminal activity.

Fire

- ◆ Placed City's first aerial ladder truck into service.
- ◆ Received two grants totaling \$21,600 for the purchase of new protective gear.
- ◆ Re-implemented the "free" smoke detector program.
- ◆ Provided stand-by emergency medical services at Presidential Ranch in Crawford, TX.

Community Services

- ◆ Provided a community Thanksgiving dinner for almost 400 people.
- ◆ Completed the renovation of the Civic Center.
- ◆ Circulated 106,348 library materials.
- ◆ Conducted various library programs for 4,809 children.
- ◆ Installed an audiovisual system in the community conference room located at the library.

Public Works

- ◆ Improved public relations and services to customers.
- ◆ Implemented Pay Online web services for utility customers.
- ◆ 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 Texas Recycles Day.

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 \$244,963 on all investments for the fiscal year 2003-04.

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, 2004, 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, 2003. This was the fourteenth 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,

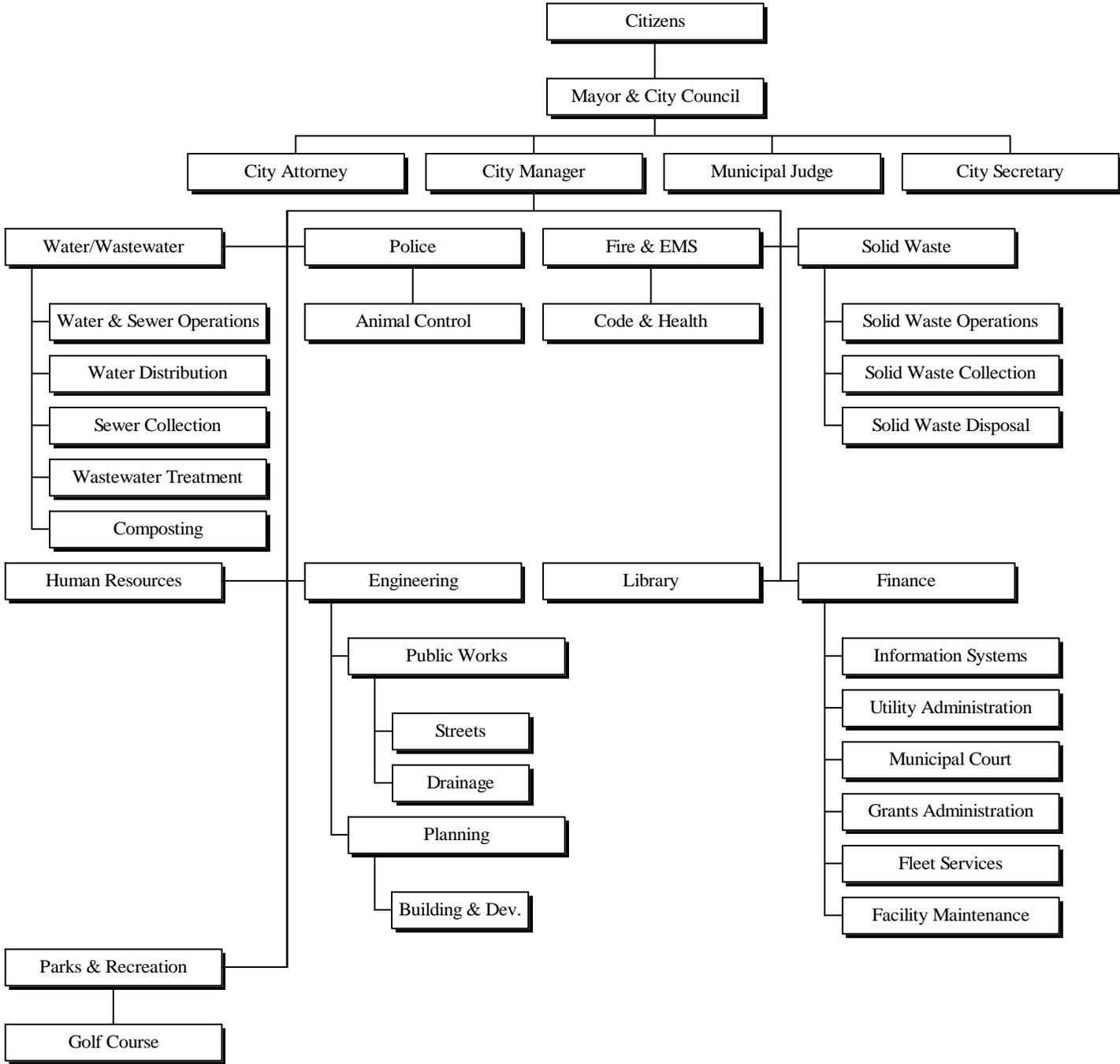
Steven J. Alexander
City Manager

Robert Camareno
Assistant City Manager/Director of Finance

City of Copperas Cove, Texas

Organizational Structure

September 30, 2004



City of Copperas Cove, Texas
List of Principal Officials

City Council

Bradi D. Diaz - Mayor
Bud Owsley - Mayor Pro Tem

Ray Don Clayton - Council Member
John Gallen - Council Member
R. Ray Gatewood - Council Member

Robert Reeves – Council Member
James Stockman - 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

Robert Camareno, Assistant City Manager/Director of Finance
Paul Boyer, P.E., City Engineer
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
Kenneth Wilson, Director of Community Services



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Member of
American Institute & Texas Society of
Certified Public Accountants

KILLEEN • COPPERAS COVE • TEMPLE

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, 2004, 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, 2004, 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.

The Management's Discussion and Analysis on pages 3 through 14 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

Lott, Verron & Company P.C.

January 5, 2005

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, 2004. 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 15 and the accompanying notes to the financial statements.

Financial Highlights

- The total net assets of the City of Copperas Cove increased to \$29.1 million from the prior years \$27.3 million, an increase of 6.37 percent.
- As of September 30, 2004, the City of Copperas Cove's governmental funds reported combined ending fund balances of \$6.7 million, a decrease of \$2.1 million in comparison with prior year.
- At September 30, 2004, unreserved and undesignated fund balance for the General Fund was \$2.5 million, or 25.03 percent of total General Fund expenditures. Compared to prior year, unreserved and undesignated fund balance declined 11.7 percent.

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. To assess the overall health of the City, other indicators, including non-financial indicators like the City’s property tax base and condition of infrastructure, should be considered.

The *statement of activities* presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The statement of activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, community services, fleet and facility maintenance, highways and streets, and public safety. The business-type activities of the City include water and sewer, solid waste and a golf course.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements

Also presented are the traditional fund financial statements for governmental funds and proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Copperas Cove, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government’s near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund 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. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget. (The budgetary comparison statements can be found on pages 63-70.)

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds – Proprietary funds are used to account for business-type activities of the City. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The City maintains one type of proprietary fund. Proprietary funds are used for activities that primarily serve customers outside the governmental unit for which fees are charged. The City has three enterprise funds: 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 21-23 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 24-50 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 51-62 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis illustrate the financial position and changes to the financial position for the City as a whole as of and for the year ended September 30, 2004.

Net Assets

The following table reflects the Condensed Statement of Net Assets as of September 30, 2004.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 8,283,266	10,165,049	\$ 11,158,013	20,419,958	\$ 19,441,279	30,585,007
Capital assets	12,442,866	10,164,242	40,424,696	35,024,899	52,867,562	45,189,141
Total assets	<u>20,726,132</u>	<u>20,329,291</u>	<u>51,582,709</u>	<u>55,444,857</u>	<u>72,308,841</u>	<u>75,774,148</u>
Other liabilities	2,683,693	2,446,968	4,436,563	7,908,464	7,120,256	10,355,432
Long-term liabilities	10,089,532	10,719,219	25,956,888	27,299,939	36,046,420	38,019,158
Total liabilities	<u>12,773,225</u>	<u>13,166,187</u>	<u>30,393,451</u>	<u>35,208,403</u>	<u>43,166,676</u>	<u>48,374,590</u>
Net assets:						
Invested in capital assets net of related debt	4,619,317	3,816,831	19,766,421	17,378,940	24,385,738	21,195,771
Restricted	2,177,224	221,994	649,155	675,400	2,826,379	897,394
Unrestricted	1,156,366	3,124,279	773,682	2,182,114	1,930,048	5,306,393
Total net assets	<u>\$ 7,952,907</u>	<u>7,163,104</u>	<u>\$ 21,189,258</u>	<u>20,236,454</u>	<u>\$ 29,142,165</u>	<u>27,399,558</u>

The City's combined net assets were \$29.1 million as of September 30, 2004. Of the \$29.1 million, \$8 million was in the governmental activities and \$21.1 million was in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of \$1.7 million or 6.37 percent.

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 (\$24.4 million or 83.68 percent) reflects the City's investment in capital assets, less any related debt used to acquire or construct those assets that is still outstanding. Compared to last year, the city's investment in capital assets net of related debt increased \$3.2 million or 15.05 percent. The City uses the capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second portion consists of restricted net assets totaled in at \$2.8 million at September 30, 2004 or 9.70 percent of overall total net assets. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets increased \$1.9 million or 214.96 percent compared to September 30, 2003. This is due to an increase in restricted net assets for capital projects.

The third portion consists of unrestricted net assets totaled \$1.9 million or 6.62 percent of total net assets. Unrestricted net assets may be used to meet the City's ongoing obligation to citizens and creditors. Unrestricted net assets decreased \$3.3 million or 63.63 percent compared to September 30, 2003.



Changes in Net Assets. The City's total revenues for the fiscal year ended September 30, 2004 were \$22.3 million. Total revenues increased when compared to the prior year by \$1.8 million or 8.84 percent. The City's total cost of all programs and services also increased from the prior years \$18.8 million to \$20.6 million, an increase of 9.67 percent. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2004.

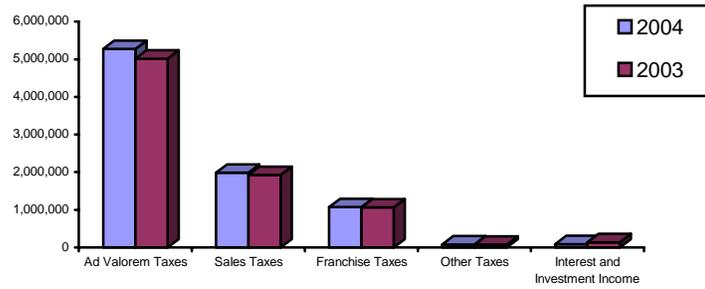
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 2,824,534	\$ 2,758,999	\$ 10,205,356	\$ 9,387,444	\$ 13,029,890	\$ 12,146,443
Operating Grants and contributions	654,160	25,513	-	-	654,160	25,513
General revenues:						
Ad valorem taxes	5,271,694	5,015,694	-	-	5,271,694	5,015,694
Franchise taxes	1,075,859	1,064,181	-	-	1,075,859	1,064,181
Sales taxes	1,985,647	1,924,665	-	-	1,985,647	1,924,665
Other taxes	78,817	77,620	-	-	78,817	77,620
Interest and investment income	87,779	138,493	157,176	140,550	244,955	279,043
Loss on sale of capital assets	-	-	-	(5,055)	-	(5,055)
Total revenues	\$ 11,978,490	\$ 11,005,165	\$ 10,362,532	\$ 9,522,939	\$ 22,341,022	\$ 20,528,104
Expenses:						
General Government	\$ 1,896,278	\$ 1,708,931	-	-	\$ 1,896,278	\$ 1,708,931
Community services	1,855,310	1,663,213	-	-	1,855,310	1,663,213
Fleet and Facility Maintenance	344,483	321,073	-	-	344,483	321,073
Highways and Streets	834,013	778,099	-	-	834,013	778,099
Public Safety	6,530,561	6,228,186	-	-	6,530,561	6,228,186
Interest on Long-term debt	464,477	398,906	-	-	464,477	398,906
Water and Sewer	-	-	6,093,256	5,353,609	6,093,256	5,353,609
Solid Waste	-	-	1,863,151	1,694,338	1,863,151	1,694,338
Golf Course	-	-	744,913	661,982	744,913	661,982
Total Expenses	11,925,122	11,098,408	8,701,320	7,709,929	20,626,442	18,808,337
Increase (decrease) in net assets before transfers	53,368	(93,243)	1,661,212	1,813,010	1,714,580	1,719,767
Transfers	708,408	970,324	(708,408)	(970,324)	-	-
Increase in net assets before transfers	761,776	877,081	952,804	842,686	1,714,580	1,719,767
Prior Period Adjustment	28,027	-	-	-	-	-
Net assets - October 1	7,163,104	6,286,023	20,236,454	19,393,768	27,399,558	25,679,791
Net assets - September 30	\$ 7,952,907	\$ 7,163,104	\$ 21,189,258	\$ 20,236,454	\$ 29,142,165	\$ 27,399,558

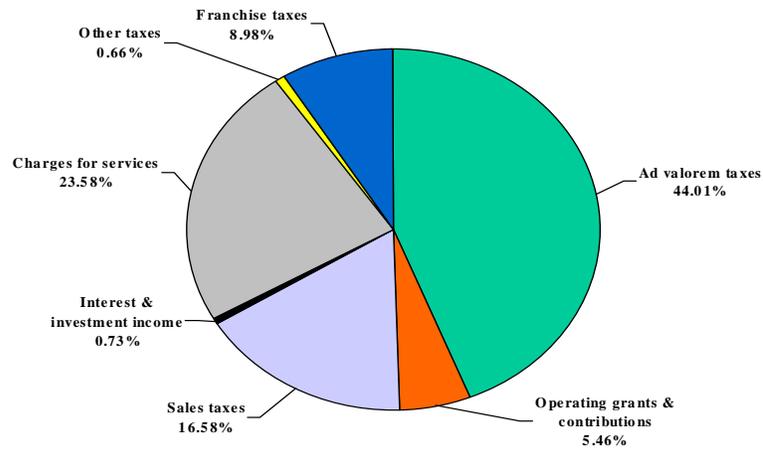
Program Revenues – Governmental Activities

Governmental Activities revenues such as ad valorem, sales and franchise taxes are not shown by program, but are effectively used to support program activities citywide. Ad valorem taxes reflected the biggest increase when compared to the prior year with an increase of \$256,000 or 5.11 percent. Charges for services increased \$65,535, which is an increase of 2.38 percent compared to last year. Sales tax increased slightly by \$60,982 or 3.17 percent compared to last year. Franchise and other taxes showed small increases compared to last year. However, interest and investment income declined significantly from \$138,493 to \$87,779, which is a decrease of \$50,714 or 36.62 percent.

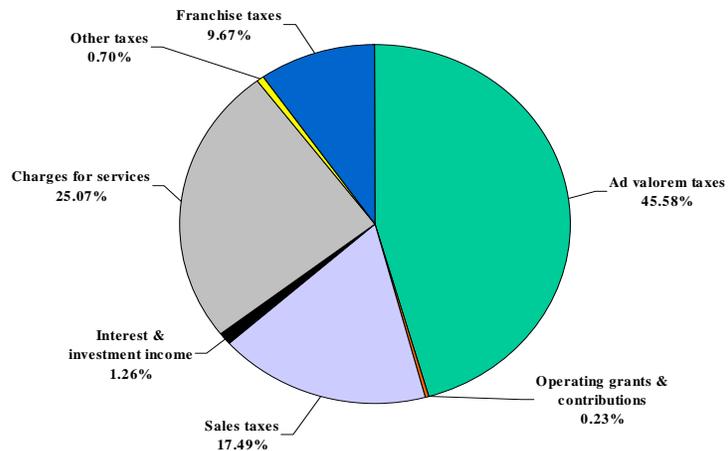
Program Revenues - Governmental Activities



Revenues by Source – Governmental Activities - 2004

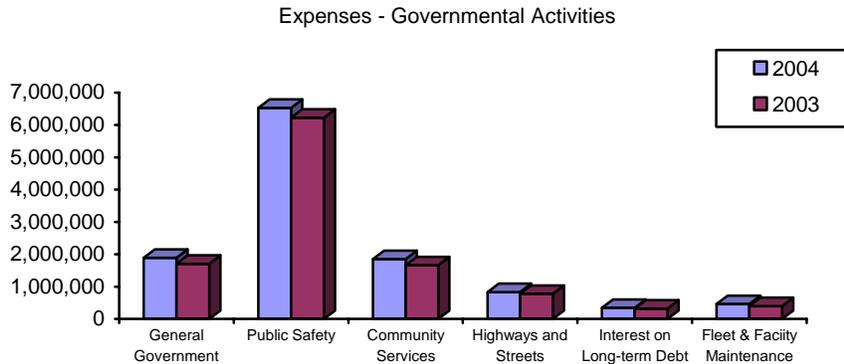


Revenues by Source – Governmental Activities - 2003



Program Expenses – Governmental Activities

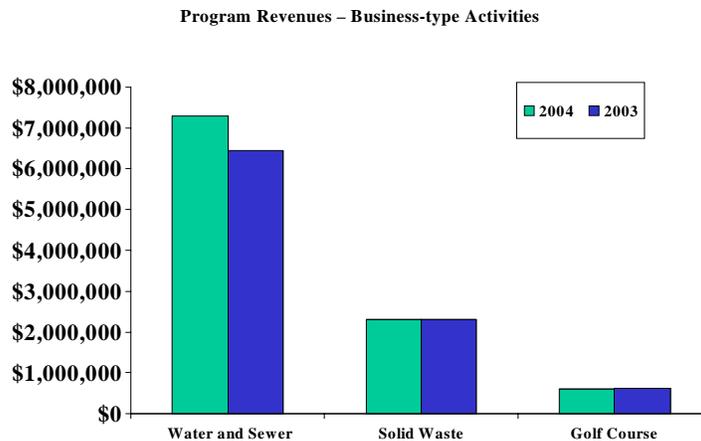
The Expenses – Governmental Activities chart below illustrate the City’s governmental expenses by function. As shown, public safety is the largest function in expenses at \$6.5 million or 54.77 percent compared to the prior years \$6.2 million or 56.12 percent, followed by general government’s \$1.9 million or 15.90 percent compared to prior years \$1.7 million or 15.40 percent. Community Services recorded \$1.9 million or 15.55 percent compared to prior years \$1.7 million or 15.40 percent.



Business-type Activities - Revenues

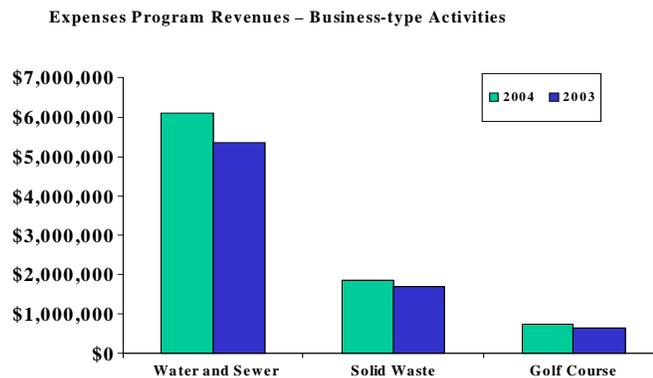
Business-type activities increased the City’s net assets by \$952,804 accounting for 54.68 percent of the total growth in the City’s net assets. Charges for services provided the largest share of revenues 98.48 percent, followed by interest and investment income at 1.52 percent for all business-type activities.

Water and sewer fees are the major revenue source for the business-type activities of the City, which recorded \$7.3 million in revenue. Compared to the prior year, Water and sewer revenues increased \$841,434 or 13.04 percent. Solid Waste revenues slightly decreased \$9,272 or .41 percent. The Golf Course fund also decreased from \$619,452 in 2003 to \$605,202 in 2004 a decrease of \$14,250 or 2.31 percent.



Business-type Activities - Expenses

Total expenses for business-type activities was \$8.7 million, an increase of \$991,391 or 12.86 percent compared to the prior year. Water and Sewer, the largest proprietary fund recorded \$6.0 million in expenses, an increase of \$739,647 or 13.82 percent compared to the prior year. Solid Waste expenses increased from \$1.7 million to \$1.9 million or \$168,813 or 9.97 percent. Golf Course expenses also increased from \$661,982 in 2003 to \$744,913 in 2004, an increase of \$82,931 or 12.53 percent.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Copperas Cove, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a discussion of financial highlights from the fund financial statements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6.7 million, a decrease of \$2.1 million in comparison with the prior year. The primary reason for the decrease is the use of funds to complete capital projects included in the 2003 Capital Projects Fund.

The General Fund is the chief operating fund of the City. At September 30, 2004, unreserved fund balance of the General Fund was \$2.6 million, while total fund balance reached \$2.8 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 25.03 percent of total General Fund expenditures, while total fund balance represents 26.99 percent of that same amount.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water & Sewer Fund as of the end of the year amounted to \$969,338 a decrease of \$1 million or 51.97 percent, the Solid Waste Fund was (\$205,579), this fund paid off its debt service in 2004, which caused unrestricted cash to fall in a deficit. Unrestricted net assets for the Golf Course Fund increased from prior year's \$9,172 to \$9,923 in 2004 and increase of 8.19 percent. The total increase (decrease) in net assets for the three funds was \$734,370, \$93,752 and \$124,682, respectively. Total operating revenues in fiscal year 2003-04 were \$10.2 million an increase of 8.72 percent over September 2003. Total operating expenses totaled \$7.3 million an increase of \$641,268 or 9.63 percent. Total operating income was \$2.9 million, an increase of 6.47 percent.

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 a major Special Revenue Fund 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 33-34 for more information on budget policies). No amendments to the City's General Fund budget occurred during fiscal year 2004; however, transfers between department's expenditure accounts did occur through council approval.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2004, the City has \$52.8 million invested in various capital assets, net of accumulated depreciation. Of the \$52.8 million, \$12.4 million is invested in governmental activities and \$40.4 million is invested in business-type activities. Compared to last year, total capital assets increased \$7.7 million or 17.00 percent. Capital assets in Governmental Activities increased \$2.3 million or 22.42 percent from the prior year. The largest increase can be identified within the furniture line item with an increase of \$119,971 or 209.24 percent from prior year. Significant increases also took place in buildings and equipment. Capital assets in Business-type Activities saw an overall increase of \$5.4 million or 15.42 percent.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2004. Additional information on the City's capital assets may be found in Note IV-D on pages 37-40.

Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2004	2003	2004	2003	2004	2003
Land	\$ 1,355,201	\$ 1,355,201	\$ 850,686	\$ 850,686	\$ 2,205,887	\$ 2,205,887
Buildings	4,212,256	4,013,499	267,805	284,520	4,480,061	4,298,019
Furniture	177,308	57,337	17,022	19,033	194,330	76,370
Vehicles	343,285	408,264	957,379	502,381	1,300,664	910,645
Equipment	2,376,359	1,127,316	1,668,761	1,485,287	4,045,120	2,612,603
Facilities	2,299,050	2,276,944	32,263,714	29,116,335	34,562,764	31,393,279
Construction in progress	1,679,407	925,681	4,399,329	2,766,657	6,078,736	3,692,338
Total	\$ 12,442,866	\$ 10,164,242	\$ 40,424,696	\$ 35,024,899	\$ 52,867,562	\$ 45,189,141

Long Term Debt

The City's total debt decreased by \$2.4 million during the current fiscal year. The key factor in this decrease was the payoff of combination tax and revenue certificates of obligation.

The following schedule shows the outstanding debt of the City (both current and long-term) for September 30, 2004. 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>	
	2004	2003	2004	2003	2004	2003
General obligation	\$ 3,420,000	\$ 3,730,000	\$ 5,955,000	\$ 6,175,000	\$ 9,375,000	\$ 9,905,000
Tax/Revenue certificates of obligation	7,295,000	7,620,000	20,805,000	22,330,000	28,100,000	29,950,000
Total	\$ 10,715,000	\$ 11,350,000	\$ 26,760,000	\$ 28,505,000	\$ 37,475,000	\$ 39,855,000

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, 2004

Bond type	<u>Standard & 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

One of the factors considered when preparing the fiscal year 2004-05 budget was the economy (local, state and federal). With the allocation of more troops to Fort Hood, the City of Copperas Cove is projecting a moderate increase in sales tax revenues. The City continues to be optimistic and expects an increase in economic development activity as well. Confidence in continued economic growth is increasing with the return of deployed troops.

The unemployment rate for the City of Copperas Cove is currently at 5.3 percent, which is a decrease from a rate of 5.5 percent 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. Building permits issued in fiscal year 2003-04, recorded an increase of 98 permits or 11.78 percent. The value of the permits issued in FY 2003-04 was \$31,419,255, an increase of \$9,119,707 or 40.90 percent.

All of these factors were considered in preparing the City's budget for Fiscal Year 2004-05. The budget for the 2004-05 fiscal year includes:

- Conservative projections of major revenue sources. For example, sales tax revenue which has been growing at an average of 6 percent annually, is projected to grow by 3 percent during fiscal year 2004-05.
- Ad valorem tax revenue has also been projected conservatively. The City has been experiencing an average growth in its assessed valuation of 3.67 percent annually. However, the assessed valuation for the 2004-05 fiscal year was estimated by the appraisal district to grow by 4.49 percent.
- Employee benefits remain in tact with moderate adjustments.
- Included essential capital outlay expenditures.

The ad valorem tax rate did not change in fiscal year 2004-05 from \$.7750 cents per \$100 of taxable assessed valuation.

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, 2004

EXHIBIT A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 6,850,143	\$ 2,059,846	\$ 8,909,989	\$ 1,157,867
Receivables (net of allowances for uncollectibles):				
Accounts	80,602	-	80,602	-
Taxes	152,822	-	152,822	-
Ambulance fees	198,512	-	198,512	-
Assessments	23,829	-	23,829	-
Utility accounts	-	1,057,345	1,057,345	-
Miscellaneous	55,766	563	56,329	-
Grants	618,251	-	618,251	-
Due from other funds	29,147	115,900	145,047	-
Inventory	68,810	32,982	101,792	-
Prepaid expenditures	56,380	17,669	74,049	-
Notes receivable	55,600	-	55,600	-
Restricted cash and cash equivalents	-	7,162,270	7,162,270	910,000
Restricted deferred bond issuance costs	74,378	711,438	785,816	-
Unamortized bond discount	19,026	-	19,026	-
Capital assets:				
Non-depreciable	3,034,608	5,250,015	8,284,623	477,260
Depreciable (net)	9,408,258	35,174,681	44,582,939	792,141
Total Assets	<u>\$ 20,726,132</u>	<u>\$ 51,582,709</u>	<u>\$ 72,308,841</u>	<u>\$ 3,337,268</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 372,057	\$ 75,087	\$ 447,144	\$ 7,100
Retainage payable	35,176	461,243	496,419	-
Customer meter deposits	-	227,560	227,560	-
Due to other funds	115,900	29,147	145,047	-
Due to other governmental agencies	100,499	-	100,499	-
Deferred revenue	203,440	-	203,440	-
Other accrued items	227,317	72,264	299,581	3,993
Landfill costs payable	-	19,500	19,500	-
Other liabilities	71,062	110,395	181,457	-
Capital leases - due within one year	117,010	199,986	316,996	-
Restricted - bonds payable current	635,562	1,315,000	1,950,562	30,000
Restricted - accounts payable	-	664,073	664,073	-
Restricted - accrued interest	69,093	196,192	265,285	-
Compensated absences payable	573,535	236,534	810,069	-
Capital leases	163,042	829,582	992,624	-
Long-term debt	10,089,532	25,488,888	35,578,420	880,000
Future landfill costs	-	468,000	468,000	-
Total Liabilities	<u>12,773,225</u>	<u>30,393,451</u>	<u>43,166,676</u>	<u>921,093</u>
Net Assets:				
Investment in capital assets (net of related debt)	4,619,317	19,766,421	24,385,738	1,269,401
Restricted for:				
Debt Service	121,112	571,000	692,112	-
Capital Projects	2,056,112	78,155	2,134,267	-
Unrestricted	1,156,366	773,682	1,930,048	1,146,774
Total Net Assets	<u>\$ 7,952,907</u>	<u>\$ 21,189,258</u>	<u>\$ 29,142,165</u>	<u>\$ 2,416,175</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, 2004**

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		
PRIMARY GOVERNMENT:								
Governmental activities:								
General Government	\$ 1,896,278	\$ 265,068	\$ -	\$ -	\$ (1,631,210)	\$ -	\$ (1,631,210)	\$ -
Community Services	1,855,310	672,719	602,220	-	(580,371)	-	(580,371)	-
Fleet and Facility Maintenance	344,483	-	-	-	(344,483)	-	(344,483)	-
Highways and Streets	834,013	730,424	-	-	(103,589)	-	(103,589)	-
Public Safety	6,530,561	1,156,323	51,940	-	(5,322,298)	-	(5,322,298)	-
Interest on Long-term Debt	464,477	-	-	-	(464,477)	-	(464,477)	-
Total governmental activities:	<u>11,925,122</u>	<u>2,824,534</u>	<u>654,160</u>	<u>-</u>	<u>(8,446,428)</u>	<u>-</u>	<u>(8,446,428)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	6,093,256	7,294,845	-	-	-	1,201,589	1,201,589	-
Solid Waste	1,863,151	2,305,309	-	-	-	442,158	442,158	-
Golf Course	744,913	605,202	-	-	-	(139,711)	(139,711)	-
Total business-type activities:	<u>8,701,320</u>	<u>10,205,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,504,036</u>	<u>1,504,036</u>	<u>-</u>
Total Primary Government	<u>\$ 20,626,442</u>	<u>\$ 13,029,890</u>	<u>\$ 654,160</u>	<u>\$ -</u>	<u>(8,446,428)</u>	<u>1,504,036</u>	<u>(6,942,392)</u>	<u>-</u>
COMPONENT UNIT								
Economic Development	\$ 616,391	\$ -	\$ -	\$ -	-	-	-	(616,391)
Total Component Unit	<u>\$ 616,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(616,391)</u>
General revenues:								
Ad valorem taxes					5,234,334	-	5,234,334	-
Penalties and interest					37,360	-	37,360	-
Beverage taxes					16,023	-	16,023	-
Franchise taxes					1,075,859	-	1,075,859	-
City sales taxes					1,985,647	-	1,985,647	930,050
Bingo taxes					62,794	-	62,794	-
Unrestricted investment earnings					87,779	157,176	244,955	21,960
Transfers					708,408	(708,408)	-	-
Total general revenues					<u>9,208,204</u>	<u>(551,232)</u>	<u>8,656,972</u>	<u>952,010</u>
Change in net assets					761,776	952,804	1,714,580	335,619
Net assets - beginning					7,163,104	20,236,454	27,399,558	1,409,184
Prior period adjustment					28,027	-	28,027	671,372
Net assets - ending					<u>\$ 7,952,907</u>	<u>\$ 21,189,258</u>	<u>\$ 29,142,165</u>	<u>\$ 2,416,175</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2004**

EXHIBIT A-3

	General Fund	2003 Capital Imp CO Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,915,833	\$ 2,169,137	\$ 1,765,173	\$ 6,850,143
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	80,602	80,602
Taxes	125,152	-	27,670	152,822
Ambulance fees	198,512	-	-	198,512
Assessments	23,829	-	-	23,829
Miscellaneous	55,766	-	-	55,766
Grants	1,280	-	616,971	618,251
Due from other funds	257,525	-	8,834	266,359
Inventory	68,810	-	-	68,810
Prepaid expenditures	56,380	-	-	56,380
Notes receivable	-	-	55,600	55,600
	\$ 3,703,087	\$ 2,169,137	\$ 2,554,850	\$ 8,427,074
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 44,793	\$ 46,209	\$ 281,055	\$ 372,057
Retainage payable	3,323	-	31,853	35,176
Due to other funds	-	66,801	286,311	353,112
Due to other governmental agencies	100,499	-	-	100,499
Deferred revenue	472,640	-	82,535	555,175
Other accrued items	217,337	15	9,965	227,317
Other liabilities	71,062	-	-	71,062
	909,654	113,025	691,719	1,714,398
Fund Balances:				
Reserved for debt services	-	-	121,112	121,112
Reserved for capital projects	-	2,056,112	-	2,056,112
Reserved for inventory and prepaid expenditures	125,190	-	-	125,190
Reserved for encumbrances	77,437	-	265,466	342,903
Reserved for non-current portion of note receivable	-	-	52,000	52,000
Unreserved, designated for contingencies	1,000,000	-	-	1,000,000
Unreserved, undesignated	1,590,806	-	-	1,590,806
Unreserved, undesignated special revenue funds	-	-	965,858	965,858
Unreserved, undesignated capital projects funds	-	-	458,695	458,695
	2,793,433	2,056,112	1,863,131	6,712,676
Total Liabilities and Fund Balance:	\$ 3,703,087	\$ 2,169,137	\$ 2,554,850	\$ 8,427,074

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, 2004

EXHIBIT A-4

Total fund balances - governmental funds balance sheet	\$ 6,712,676
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.	12,442,866
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(11,647,774)
Other long-term assets/liabilities are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>445,139</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 7,952,907</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, 2004**

EXHIBIT A-5

	General Fund	2003 Capital Imp CO Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,278,244	\$ -	\$ 1,119,942	\$ 8,398,186
Licenses	52,878	-	-	52,878
Permits	117,262	-	-	117,262
City services provided	495,959	-	816,065	1,312,024
Fines	732,784	-	205,294	938,078
Interest	42,177	24,184	21,418	87,779
Sale of plots	-	-	41,800	41,800
Miscellaneous	166,437	-	39,420	205,857
Intergovernmental	151,904	-	608,596	760,500
Contributions	1,098	-	45,694	46,792
Total Revenues	9,038,743	24,184	2,898,229	11,961,156
EXPENDITURES				
Current:				
General government	1,746,740	147	5,181	1,752,068
Community services	1,158,957	-	262,496	1,421,453
Fleet and facility services	331,170	-	-	331,170
Highways and streets	452,820	-	179,666	632,486
Public safety	5,958,919	-	51,356	6,010,275
Capital outlay	702,156	1,988,524	781,867	3,472,547
Debt service:				
Principal retirement	-	-	635,000	635,000
Interest and fiscal charges	-	-	550,497	550,497
Total Expenditures	10,350,762	1,988,671	2,466,063	14,805,496
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,312,019)	(1,964,487)	432,166	(2,844,340)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,073,238	-	70,174	1,143,412
Transfers (out)	(45,537)	(66,801)	(322,666)	(435,004)
Total Other Financing Sources (Uses)	1,027,701	(66,801)	(252,492)	708,408
NET CHANGES IN FUND BALANCES	(284,318)	(2,031,288)	179,674	(2,135,932)
FUND BALANCES, BEGINNING OF YEAR	3,077,751	4,087,400	1,655,430	8,820,581
PRIOR PERIOD ADJUSTMENT	-	-	28,027	28,027
FUND BALANCES, END OF YEAR	\$ 2,793,433	\$ 2,056,112	\$ 1,863,131	\$ 6,712,676

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, 2004**

EXHIBIT A-6

Net change in fund balances - total governmental funds	\$ (2,135,932)
<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>	2,278,624
<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>	702,977
<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>	(101,307)
<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>17,414</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ 761,776</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004**

EXHIBIT A-7

	Business-type Activities		Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund	Nonmajor Fund Golf Course Fund	Total Funds
ASSETS				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,909,637	\$ 150,209	\$ -	\$ 2,059,846
Accounts receivable				
Billed utility	851,120	315,296	-	1,166,416
Unbilled utility	438,474	151,799	-	590,273
Other	-	-	563	563
Allowance for uncollectible	(518,014)	(181,330)	-	(699,344)
Due from other funds	115,900	3,817	-	119,717
Inventory	-	-	32,982	32,982
Prepaid expenditures	9,461	2,766	5,442	17,669
Restricted cash and cash equivalents	7,147,595	-	14,675	7,162,270
<u>Noncurrent Assets</u>				
Restricted deferred bond issuance costs	702,228	4,605	4,605	711,438
Property and Equipment:				
Land	345,933	204,753	300,000	850,686
Buildings	278,079	29,593	163,225	470,897
Furniture and fixtures	31,067	-	-	31,067
Vehicles	1,036,143	1,759,183	-	2,795,326
Equipment	1,765,234	1,116,249	451,925	3,333,408
Facilities	50,600,593	2,990,575	1,215,225	54,806,393
Construction in progress	4,399,329	-	-	4,399,329
Less: Accumulated depreciation	(23,851,794)	(2,024,439)	(386,177)	(26,262,410)
Net Property and Equipment	34,604,584	4,075,914	1,744,198	40,424,696
Total Assets	<u>\$ 45,260,985</u>	<u>\$ 4,523,076</u>	<u>\$ 1,802,465</u>	<u>\$ 51,586,526</u>
LIABILITIES AND NET ASSETS				
<u>Current Liabilities</u>				
Accounts payable	\$ 62,054	\$ 85	\$ 12,948	\$ 75,087
Customer meter deposits	227,560	-	-	227,560
Retainage payable	461,243	-	-	461,243
Due to other funds	5,651	-	27,313	32,964
Other accrued items	45,227	14,591	12,446	72,264
Capital leases	75,593	93,103	31,290	199,986
Landfill costs payable	-	19,500	-	19,500
Other liabilities	43,707	66,688	-	110,395
Restricted - accounts payable	664,073	-	-	664,073
Restricted - accrued interest	186,783	3,654	5,755	196,192
Restricted - long-term debt - current portion	1,140,000	115,000	60,000	1,315,000
<u>Noncurrent Liabilities</u>				
Compensated absences	144,807	68,777	22,950	236,534
Capital leases	69,083	707,395	53,104	829,582
Certificates of obligation (net of unamortized bond premium)	18,909,944	126,279	1,006,279	20,042,502
General obligation bonds (net of unamortized bond premium)	5,446,386	-	-	5,446,386
Future landfill costs	-	468,000	-	468,000
Total Liabilities	<u>27,482,111</u>	<u>1,683,072</u>	<u>1,232,085</u>	<u>30,397,268</u>
Net Assets:				
Investment in capital assets (net of related debt)	16,175,481	3,030,483	560,457	19,766,421
Restricted:				
Debt Service	555,900	15,100	-	571,000
Capital Projects	78,155	-	-	78,155
Unrestricted	969,338	(205,579)	9,923	773,682
Total Net Assets	<u>17,778,874</u>	<u>2,840,004</u>	<u>570,380</u>	<u>21,189,258</u>
Total Liabilities and Net Assets	<u>\$ 45,260,985</u>	<u>\$ 4,523,076</u>	<u>\$ 1,802,465</u>	<u>\$ 51,586,526</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, 2004

EXHIBIT A-8

	Business-type Activities Enterprise Funds			Total Funds
	Water and Sewer Fund	Solid Waste Fund	Nonmajor Fund Golf Course Fund	
OPERATING REVENUES				
Charges for services	\$ 6,130,992	\$ 2,185,120	\$ 554,327	\$ 8,870,439
Contributions - developers	1,027,256	-	-	1,027,256
Miscellaneous	136,597	120,189	50,875	307,661
Total Operating Revenues	7,294,845	2,305,309	605,202	10,205,356
OPERATING EXPENSES				
Personnel services	1,428,557	714,182	403,695	2,546,434
Supplies and materials	1,213,998	78,418	60,321	1,352,737
Maintenance and repair	225,912	83,511	30,296	339,719
Services and charges	859,715	719,126	121,653	1,700,494
Depreciation	1,055,511	229,358	75,525	1,360,394
Total Operating Expenses	4,783,693	1,824,595	691,490	7,299,778
OPERATING INCOME (LOSS)	2,511,152	480,714	(86,288)	2,905,578
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	151,182	5,940	54	157,176
Interest expense	(1,283,650)	(58,056)	(53,423)	(1,395,129)
Miscellaneous expense	(23,763)	-	-	(23,763)
Landfill closure and postclosure care costs estimate reduction	-	19,500	-	19,500
Bond agent fees	(2,150)	-	-	(2,150)
Total Nonoperating Revenues (Expenses)	(1,158,381)	(32,616)	(53,369)	(1,244,366)
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,352,771	448,098	(139,657)	1,661,212
OPERATING TRANSFERS IN (OUT)				
Transfers in	81,599	-	264,339	345,938
Transfers (out)	(700,000)	(354,346)	-	(1,054,346)
Total Operating Transfers	(618,401)	(354,346)	264,339	(708,408)
CHANGE IN NET ASSETS	734,370	93,752	124,682	952,804
NET ASSETS, BEGINNING OF YEAR	17,044,504	2,746,252	445,698	20,236,454
NET ASSETS, END OF YEAR	\$ 17,778,874	\$ 2,840,004	\$ 570,380	\$ 21,189,258

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, 2004**

EXHIBIT A-9

	Business-type Activities Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Fund	Golf Course Fund	
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 7,276,586	\$ 2,273,870	\$ 605,225	\$ 10,155,681
Receipts for interfund services provided	-	61,599	-	61,599
Payments to suppliers	(1,845,324)	(873,668)	(218,573)	(2,937,565)
Payments to employees	(1,373,382)	(698,826)	(391,874)	(2,464,082)
Payments for interfund services used	(4,259,248)	(3,817)	(102,658)	(4,365,723)
Net Cash Provided by Operating Activities	<u>(201,368)</u>	<u>759,158</u>	<u>(107,880)</u>	<u>449,910</u>
Cash Flows from Investing Activities:				
Interest received	151,182	5,940	54	157,176
Net Cash Provided by Investing Activities	<u>151,182</u>	<u>5,940</u>	<u>54</u>	<u>157,176</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	81,599	-	264,339	345,938
Transfers (out)	(700,000)	(354,346)	-	(1,054,346)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(618,401)</u>	<u>(354,346)</u>	<u>264,339</u>	<u>(708,408)</u>
Cash Flows from Capital and Related Financing Activities:				
Principal paid on capital leases	(88,018)	(41,530)	(27,343)	(156,891)
Principal paid on long-term debt	(986,976)	(693,024)	(60,086)	(1,740,086)
Interest paid on capital leases	(12,638)	(13,429)	(2,784)	(28,851)
Interest paid on long-term debt	(1,238,800)	(48,592)	(50,639)	(1,338,031)
Acquisition of property and equipment	(6,047,428)	(3,687)	(15,973)	(6,067,088)
Bond issuance costs	8,230	311	312	8,853
Payment of bond agent fees	(2,150)	-	-	(2,150)
Net Cash Provided (Used) Capital & Related Financing Activities	<u>(8,367,780)</u>	<u>(799,951)</u>	<u>(156,513)</u>	<u>(9,324,244)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,036,367)	(389,199)	-	(9,425,566)
Cash and Cash Equivalents, Beginning of Year	18,093,599	539,408	14,675	18,647,682
Cash and Cash Equivalents, End of Year	<u>\$ 9,057,232</u>	<u>\$ 150,209</u>	<u>\$ 14,675</u>	<u>\$ 9,222,116</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 2,511,152	\$ 480,714	\$ (86,288)	\$ 2,905,578
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,055,511	229,358	75,525	1,360,394
Decrease (increase) in assets:				
Accounts receivable	(18,259)	(31,439)	23	(49,675)
Advance to Water and Sewer Fund	-	61,599	-	61,599
Due from other funds	(115,900)	(3,817)	-	(119,717)
Inventory	-	-	8,772	8,772
Prepaid expenditures	(9,461)	(2,766)	(3,444)	(15,671)
Increase (decrease) in liabilities:				
Accounts payable	113,178	(17,188)	(5,172)	90,818
Retainage payable	461,243	-	-	461,243
Accrued interest	2,000	(3,966)	(9,436)	(11,402)
Due to other funds	(4,081,749)	-	(102,658)	(4,184,407)
Advance from Solid Waste Fund	(61,599)	-	-	(61,599)
Other accrued liabilities	21,444	6,761	2,977	31,182
Other liabilities	(143,660)	24,546	-	(119,114)
Vacation and sick leave payable	55,175	15,356	11,821	82,352
Customer deposits	9,557	-	-	9,557
Total adjustments	<u>(2,712,520)</u>	<u>278,444</u>	<u>(21,592)</u>	<u>(2,455,668)</u>
Net Cash Provided by Operating Activities	<u>\$ (201,368)</u>	<u>\$ 759,158</u>	<u>\$ (107,880)</u>	<u>\$ 449,910</u>
Supplemental Disclosure				
Non-Cash Transactions				
Water/Sewer system	884,915	-	-	884,915
Developer contributions	(884,915)	-	-	(884,915)
Interest expense	(6,861)	(86)	(86)	(7,033)
Bond premium	6,861	86	86	7,033
Bond issuance costs	(53,230)	(311)	(311)	(53,852)
Amortization of bond issuance costs	53,230	311	311	53,852
Equipment	-	732,782	-	732,782
Capital lease additions	-	(732,782)	-	(732,782)
Landfill closure and postclosure care costs payable	-	19,500	-	19,500
Landfill closure and postclosure care costs estimate (reduction)	-	(19,500)	-	(19,500)

The accompanying notes are an integral part of this statement.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Copperas Cove, Texas, a Home-Rule Municipal Corporation, organized and existing under the Provisions of the Constitution of the State of Texas, adopted its Charter January 20, 1979, which was amended on April 5, 1983, May 7, 1988, May 3, 1997, May 5, 2001, and May 3, 2003. 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 implemented 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, 2004

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 depreciable 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, 2004

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, Special Revenue Funds, 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, 2004

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 proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and 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, as 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, 2004

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, 2004

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 (GAAP) 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 cost of the assets constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest expense, incurred from the date of the borrowing until completion of the project, is offset by interest earned on invested proceeds over the same period.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

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, 2004

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 fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$11,647,774 difference are as follows:

Note Payable	\$ (29,120)
General Obligation bonds payable	(3,420,000)
Certificates of Obligation bonds payable	(7,295,000)
Less: Issuance discount (to be amortized as interest expense)	19,026
Accrued interest payable	(69,093)
Capitalized leases payable	(280,052)
Compensated absences	<u>(573,535)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (11,647,774)</u></u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$2,278,624 difference are as follows:

Capital outlay	\$ 3,386,928
Depreciation expense	<u>(1,108,304)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,278,624</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 \$702,977 difference are as follows:

Principal repayments:	
General obligation debt	\$ 310,000
Notes Payable	1,480
Certificate of obligation debt	323,965
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>\$ 702,977</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 \$101,307 difference are as follows:

Compensated absences	\$ (101,335)
Accrued Interest	(983)
Amortization of bond discount	19,026
Amortization of bond issuance costs	<u>(18,015)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (101,307)</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

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.
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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

A. Budgetary Information (continued)

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 had one department that exceeded budgeted appropriations for this fiscal year.

B. Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2004, the City's actual total expenditures by function exceed budgeted amounts in the following department:

	<u>Appropriation</u>	<u>Excess of Expenditures Over Appropriations</u>	<u>Explanation Number</u>
Community Services	1,230,762	11,309	1

1. Unanticipated adjustments proposed by independent auditors when posted resulted in an immaterial unfavorable variance.

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 \$1,302,109 and the bank balance was \$1,480,282. Of the \$1,480,282 bank balance as of September 30, 2004, \$195,518 was not collateralized by either FDIC insurance or securities held by the pledging financial institution's trust department.

The carrying amount of demand deposits for the Economic Development Corporation, a discretely presented component unit, was \$2,067,866 and the bank balance was \$2,092,599. 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.

As of September 30, 2004, the Texas Parks & Wildlife fund, 2002 Economic Development Administration Grant fund and the Golf Course fund had negative cash balances in the pooled cash account of \$4,618, \$223,220 and \$15,269 respectively. These negative balances were eliminated by recording a liability to the General Fund for report purposes.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the City or its agent in the City's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

A. Deposits and Investments (continued)

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 \$6,770,629 and \$7,989,261 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.

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

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.

C. Receivables

Receivables at September 30, 2004 for the City'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	\$ 125,152	\$ -	\$ -	\$ -	\$ 27,670	\$ 152,822
Ambulance fees	198,512	-	-	-	-	198,512
Assessments	23,829	-	-	-	-	23,829
Utility accounts	-	1,289,594	467,095	563	-	1,757,252
Miscellaneous	55,766	-	-	-	80,602	136,368
Grants	1,280	-	-	-	616,971	618,251
Notes	-	-	-	-	55,600	55,600
Gross Receivables	404,539	1,289,594	467,095	563	780,843	2,942,634
Less: Allowance for Uncollectibles	-	(518,014)	(181,330)	-	-	(699,344)
Net Total Receivables	<u>\$ 404,539</u>	<u>\$ 771,580</u>	<u>\$ 285,765</u>	<u>\$ 563</u>	<u>\$ 780,843</u>	<u>\$ 2,243,290</u>

The Enterprise Fund accounts receivable include unbilled charges for services rendered at September 30, 2004.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

D. Capital Assets

Capital asset activity for the year ended September 30, 2004 was as follows:

Primary Government

	Balance 09/30/03	Additions	Deletions	Balance 9/30/2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,355,201	\$ -	\$ -	\$ 1,355,201
Construction in progress	925,681	961,177	207,451	1,679,407
Total capital assets, not being depreciated	<u>2,280,882</u>	<u>961,177</u>	<u>207,451</u>	<u>3,034,608</u>
Capital assets, being depreciated:				
Buildings / Improvements	6,490,748	451,468	-	6,942,216
Facilities	2,868,875	138,805	-	3,007,680
Furniture and fixtures	441,180	152,729	20	593,889
Vehicles	2,155,920	138,148	7,356	2,286,712
Equipment	2,589,747	1,752,052	2,173	4,339,626
Total capital assets being depreciated	<u>14,546,470</u>	<u>2,633,202</u>	<u>9,549</u>	<u>17,170,123</u>
Less accumulated depreciation for:				
Buildings / Improvements	2,477,249	252,711	-	2,729,960
Facilities	591,931	116,699	-	708,630
Furniture and fixtures	383,843	32,758	20	416,581
Vehicles	1,747,656	203,127	7,356	1,943,427
Equipment	1,462,431	503,009	2,173	1,963,267
Total accumulated depreciation	<u>6,663,110</u>	<u>1,108,304</u>	<u>9,549</u>	<u>7,761,865</u>
Total capital assets, being depreciated, net	<u>7,883,360</u>	<u>1,524,898</u>	<u>-</u>	<u>9,408,258</u>
Governmental activities capital assets, net	<u>\$ 10,164,242</u>	<u>\$ 2,486,075</u>	<u>\$ 207,451</u>	<u>\$ 12,442,866</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

D. Capital Assets (continued)

	Balance 9/30/2003	Additions	Deletions	Balance 9/30/2004
Water and Sewer activities:				
Capital assets, not being depreciated:				
Land	\$ 345,933	\$ -	\$ -	\$ 345,933
Construction in progress	2,766,657	4,879,426	3,246,754	4,399,329
Total capital assets, not being depreciated	3,112,590	4,879,426	3,246,754	\$ 4,745,262
Capital assets, being depreciated:				
Buildings	279,079	-	1,000	278,079
Furniture and fixtures	30,668	399	-	31,067
Vehicles	1,018,169	17,974	-	1,036,143
Equipment	1,533,517	231,717	-	1,765,234
Facilities	46,479,484	4,121,109	-	50,600,593
Total capital assets, being depreciated	49,340,917	4,371,199	1,000	53,711,116
Less accumulated depreciation for:				
Buildings	130,253	9,839	1,000	139,092
Furniture and fixtures	11,635	2,410	-	14,045
Vehicles	893,655	36,176	-	929,831
Equipment	790,528	117,469	-	907,997
Facilities	20,971,212	889,617	-	21,860,829
Total accumulated depreciation	22,797,283	1,055,511	1,000	23,851,794
Total capital assets, being depreciated, net	26,543,634	3,315,688	-	29,859,322
Water and Sewer activities capital assets, net	\$ 29,656,224	\$ 8,195,114	\$ 3,246,754	\$ 34,604,584
Solid Waste activities:				
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	541,028	37,349	1,759,183
Equipment	917,429	199,320	500	1,116,249
Facilities	2,990,575	-	-	2,990,575
Total capital assets, being depreciated	5,193,101	740,348	37,849	5,895,600
Less accumulated depreciation for:				
Buildings	27,594	50	-	27,644
Vehicles	877,637	67,827	37,349	908,115
Equipment	445,434	101,673	500	546,607
Facilities	482,264	59,809	-	542,073
Total accumulated depreciation	1,832,929	229,359	37,849	2,024,439
Total capital assets, being depreciated, net	3,360,172	510,989	-	3,871,161
Solid Waste activities capital assets, net	\$ 3,564,925	\$ 510,989	\$ -	\$ 4,075,914

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

D. Capital Assets (continued)

	Balance 9/30/2003	Additions	Deletions	Balance 9/30/2004
Golf Course activities:				
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	435,952	16,172	199	451,925
Facilities	1,215,225	-	-	1,215,225
Total capital assets, being depreciated	1,814,402	16,172	199	1,830,375
Less accumulated depreciation for:				
Buildings	29,530	6,827	-	36,357
Equipment	165,649	44,394	-	210,043
Facilities	115,473	24,304	-	139,777
Total accumulated depreciation	310,652	75,525	-	386,177
Total capital assets, being depreciated, net	1,503,750	(59,353)	199	1,444,198
Golf Course activities capital assets, net	\$ 1,803,750	\$ (59,353)	\$ 199	\$ 1,744,198
	Balance 9/30/2003	Additions	Deletions	Balance 9/30/2004
Total Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 850,686	\$ -	\$ -	\$ 850,686
Construction in progress	2,766,657	4,879,426	3,246,754	4,399,329
Total capital assets, not being depreciated	3,617,343	4,879,426	3,246,754	5,250,015
Capital assets, being depreciated:				
Buildings	471,897	-	1,000	470,897
Furniture and fixtures	30,668	399	-	31,067
Vehicles	2,273,673	559,001	37,349	2,795,325
Equipment	2,886,898	447,209	699	3,333,408
Facilities	50,685,284	4,121,109	-	54,806,393
Total capital assets, being depreciated	56,348,420	5,127,718	39,048	61,437,090
Less accumulated depreciation for:				
Buildings	187,377	16,715	1,000	203,092
Furniture and fixtures	11,635	2,410	-	14,045
Vehicles	1,771,292	104,003	37,349	1,837,946
Equipment	1,401,611	263,536	500	1,664,647
Facilities	21,568,949	973,730	-	22,542,679
Total accumulated depreciation	24,940,864	1,360,394	38,849	26,262,409
Total capital assets, being depreciated, net	31,407,556	3,767,324	199	35,174,681
Business-type activities capital assets, net	\$ 35,024,899	\$ 8,646,750	\$ 3,246,953	\$ 40,424,696

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

D. Capital Assets (continued)

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

Governmental activities:	
General Government	\$ 126,470
Public Safety	446,503
Community Service	366,537
Highways and Streets	155,760
Fleet Maintenance	13,034
	<u>\$ 1,108,304</u>
Total depreciation expense-governmental activities	
Business-type activities:	
Water and Sewer	\$ 1,055,511
Solid Waste	229,358
Golf Course	75,525
	<u>\$ 1,360,394</u>

Discretely presented component unit

Activity for the Economic Development Corporation (EDC) for the year ended September 30, 2004, was as follows:

	Balance 9/30/2003	Additions	Deletions	Balance 9/30/2004
Capital assets, not being depreciated:				
Land	\$ 477,260	\$ -	\$ -	\$ 477,260
Total capital assets, not being depreciated	<u>477,260</u>	<u>-</u>	<u>-</u>	<u>477,260</u>
Capital assets, being depreciated:				
Buildings	879,349	-	-	879,349
Equipment	75,196	9,659	-	84,855
Total capital assets, being depreciated	<u>954,545</u>	<u>9,659</u>	<u>-</u>	<u>964,204</u>
Less accumulated depreciation for:				
Buildings	42,833	9,080	-	51,913
Equipment	84,976	35,174	-	120,150
Total accumulated depreciation	<u>127,809</u>	<u>44,254</u>	<u>-</u>	<u>172,063</u>
Total capital assets, being depreciated, net	<u>826,736</u>	<u>(34,595)</u>	<u>-</u>	<u>792,141</u>
EDC capital assets, net	<u>\$ 1,303,996</u>	<u>\$ (34,595)</u>	<u>\$ -</u>	<u>\$ 1,269,401</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

E. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2004 is as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund:		
2003 Capital Imp CO Fund	\$ 59,801	\$ -
Non-Major Governmental Funds	170,411	-
Non-Major Enterprise Fund	27,313	-
Total General Fund	<u>257,525</u>	-
2003 Capital Imp CO Fund:		
General Fund	-	59,801
Non-Major Governmental Funds	-	7,000
Total 2003 Capital Imp CO Fund	<u>-</u>	<u>66,801</u>
Non-Major Governmental Funds		
2003 Capital Imp CO Fund	7,000	170,411
Water and Sewer Fund	1,834	115,900
Total Non-Major Governmental Funds	<u>8,834</u>	<u>286,311</u>
Water and Sewer Fund		
Solid Waste Fund	-	3,817
Non-Major Governmental Funds	115,900	1,834
Total Water and Sewer Fund	<u>115,900</u>	<u>5,651</u>
Solid Waste Fund		
Water and Sewer Fund	3,817	-
Total Solid Waste Fund	<u>3,817</u>	-
Non-Major Enterprise Fund		
Non-Major Governmental Funds	-	27,313
Total Non-Major Enterprise Fund	<u>-</u>	<u>27,313</u>
Total	<u>\$ 386,076</u>	<u>\$ 386,076</u>

Operating transfers during the year ended September 30, 2004 were:

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

	Transfer In	Transfer Out
Governmental Activities:		
General Fund	\$ 1,073,238	\$ 45,537
2003 Capital Imp CO Fund	-	66,801
Non-Major governmental activities	70,174	322,666
Business-type Activities:		
Water and Sewer	81,599	700,000
Solid Waste	-	354,346
Golf Course	264,339	-
Total	\$ 1,489,350	\$ 1,489,350

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 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, 2004.

	Governmental Funds	Proprietary Funds
Asset:		
Machinery and Equipment	\$ 415,116	\$ 1,544,470
Less: Accumulated Depreciation	88,953	270,484
Total	\$ 326,163	\$ 1,273,986

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, 2004.

Year Ending September 30,	Governmental Funds	Proprietary Funds
2005	\$ 117,035	\$ 199,986
2006	91,450	305,758
2007	35,228	197,952
2008	-	144,125
2009	-	144,125
2010 and thereafter	-	108,094
Total minimum lease payments	243,713	1,100,040
Less amount representing interest	6,307	85,940
Present value of future minimum lease payments	\$ 237,406	\$ 1,014,100

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

G. Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2004 is as follows:

	Balance			Balance	Due Within
	09/30/03	Additions	Deletions	09/30/04	One Year
Governmental Activities:					
General obligation bonds	\$ 3,730,000	\$ -	\$ 310,000	\$ 3,420,000	\$ 330,000
Notes Payable	30,600	-	1,480	29,120	1,517
Tax/Revenue certificates of obligation	7,620,000	-	325,000	7,295,000	305,000
Unamortized bond issue costs	(92,393)	-	(18,015)	(74,378)	(3,930)
Unamortized bond (discount)	(19,981)	-	(955)	(19,026)	(955)
Total bonds payable	11,268,226	-	617,510	10,650,716	631,632
Compensated absences	472,200	101,335	-	573,535	12,429
Capitalized leases	347,584	-	67,532	280,052	117,010
Governmental activity long-term debt	<u>\$ 12,088,010</u>	<u>\$ 101,335</u>	<u>\$ 685,042</u>	<u>\$ 11,504,303</u>	<u>\$ 761,071</u>
Business Type Activities					
General obligation bonds	6,175,000	-	220,000	5,955,000	225,000
Tax/Revenue certificates of obligation	22,330,000	-	1,525,000	20,805,000	1,090,000
Unamortized bond premium	97,795	-	9,552	88,243	9,551
Unamortized bond (discount)	(46,875)	-	(2,520)	(44,355)	(2,520)
Total bonds payable	28,555,920	-	1,752,032	26,803,888	1,322,031
Future landfill costs	487,500	19,500	19,500	487,500	19,500
Compensated absences	154,182	82,352	-	236,534	7,765
Capitalized leases	429,400	757,060	156,892	1,029,568	199,986
Business - type activity long-term debt	<u>\$ 29,627,002</u>	<u>\$ 858,912</u>	<u>\$ 1,928,424</u>	<u>\$ 28,557,490</u>	<u>\$ 1,549,282</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, is pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the reserve fund. All bonded debt requires semi-annual payments of interest. The various bond ordinances provide the City with rights of redemption at par, plus accrued interest, at specific future dates.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

Long-term debt at September 30, 2004, includes the following individual issues (not including the unamortized premium of \$ 88,244 and unamortized discount of \$ 44,355 of the Water & Sewer Tax and Revenue Certificates of Obligation):

G. Long-Term Debt (continued)

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Governmental Funds						
General Obligation Bonds:						
1994 Various purpose	5.50 - 8.50	08-01-94	08-15-14	\$ 1,500,000	\$ 540,000	\$ 960,000
1998 Various purpose	3.70 - 4.50	09-01-98	08-15-13	1,000,000	336,333	663,667
1998 Refunding	3.70 - 4.50	09-01-98	08-15-12	2,750,000	953,667	1,796,333
Note payable	2.50	11-14-00	09-01-20	35,000	5,880	29,120
Tax/Revenue Certificates of Obligation:						
1997 Various purpose	4.10 - 5.35	03-01-97	08-15-12	2,010,000	935,000	1,075,000
1999 Various purpose	3.75 - 5.40	09-07-99	08-15-19	585,000	205,000	380,000
2001 Various purpose	3.00 - 5.25	06-15-01	08-15-21	1,915,000	215,000	1,700,000
2003 Various purpose	2.00 - 5.00	08-05-03	09-30-23	4,190,000	50,000	4,140,000
Total				<u>\$ 13,985,000</u>	<u>\$ 3,240,880</u>	<u>\$10,744,120</u>
Proprietary Funds						
General Obligation Bond:						
2001A Refunding	4.00 - 4.50	06-15-01	08-15-09	\$ 1,845,000	\$ 610,000	\$ 1,235,000
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	3,865,000	-
1997 Various purpose	4.10 - 5.35	09-07-99	08-15-17	1,000,000	200,000	800,000
1999 Various purpose	3.75 - 5.40	09-07-99	08-15-19	6,035,000	1,550,000	4,485,000
2001 Various purpose	4.00 - 5.25	06-15-01	08-15-21	6,485,000	610,000	5,875,000
2003 Improvements	2.00 - 5.00	08-05-03	09-30-23	9,820,000	175,000	9,645,000
Total				<u>\$ 33,770,000</u>	<u>\$ 7,010,000</u>	<u>\$26,760,000</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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

\$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 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, 2004, the outstanding maturities on the refunded debt were \$2,025,000.

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.

G. Long-Term Debt (continued)

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, 2004, the outstanding maturities on the refunded debt were \$1,380,000.

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 \$810,000 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, 2004 the outstanding maturities on the refunded debt were \$665,000 for the Series 1993 and \$4,190,000 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.

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

Year Ending <u>September 30,</u>	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	400,000	95,543	575,000	161,895
2010-2014	1,615,000	196,951	3,280,000	427,575
2015-2019	-	-	-	-
2020-2024	-	-	-	-
Total	<u>\$ 3,420,000</u>	<u>\$ 837,363</u>	<u>\$ 5,955,000</u>	<u>\$ 1,424,600</u>

G. Long-Term Debt (continued)

Note Payable

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

Year Ending <u>September 30,</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,517	\$ 728
2006	1,555	690
2007	1,594	651
2008	1,634	611
2009	1,675	571
2010-2014	9,021	2,205
2015-2019	10,207	1,019
2020-2024	1,917	48
Total	<u>\$ 29,120</u>	<u>\$ 6,523</u>

Revenue Bonds

The City also issues bonds where the City 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, 2004, 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.

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

Year Ending September 30.	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	330,000	287,843	810,000	865,879
2010-2014	1,635,000	1,197,398	4,590,000	3,754,432
2015-2019	2,435,000	740,803	7,615,000	2,331,359
2020-2024	1,655,000	183,850	4,580,000	546,688
Total	<u>\$ 7,295,000</u>	<u>\$ 3,698,264</u>	<u>\$ 20,805,000</u>	<u>\$ 11,306,810</u>

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, 2004. At year-end the City’s commitments with contractors are as follows:

Remaining

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

	Contract Amount	Spent-to-date	Commitment
Water and Sewer	\$ 3,546,742	\$ 3,468,587	\$ 78,155

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 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

C. Employee Benefits (continued)

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

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, 2003, valuation is effective for rates beginning January 2005).

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.

C. Employee Benefits (continued)

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/03	12/31/02	12/31/01
Actuarial Value of Assets	\$ 12,999,329	\$ 11,880,379	\$ 10,787,385
Actuarial Accrued Liability	\$ 15,199,038	\$ 13,458,416	\$ 11,838,496
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 2,199,709	\$ 1,578,037	\$ 1,051,111
Funded Ratio	85.5%	88.3%	91.1%
Annual covered Payroll	\$ 7,778,268	\$ 7,403,742	\$ 7,043,383
UAAL as a Percentage of Covered Payroll	28.3%	21.3%	14.9%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Required Contribution (ARC)	\$ 614,484	\$ 583,643	\$ 526,930
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
	614,484	583,643	526,930
Contributions Made	614,484	583,643	526,930
Increase in NPO	-	-	-
NPO at the End of Period	-	-	-
	\$ -	\$ -	\$ -

Actuarial Information

Actuarial Cost Method	Unit Credit
Amortization Method	Level % of Payroll 25 Years - Open Period
Asset Valuation Method	Amortized Cost
Assumptions:	
Investment Rate of Return	7%
Projected Salary Increases	None
Inflation	None
Cost of Living Increases	None

D. Metered Water and Sewer

The City had approximately 10,466 metered customers on their water and sewer systems at September 30, 2004. 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 Commission of Environmental Quality (TCEQ) oversees the implementation of these regulations and provides guidelines that parallel those of the EPA. The City of Copperas Cove falls under these controls. Subtitle "D" regulations require that all landfills abide by specific criteria. Among these criteria are regulations on the closure and postclosure of municipal solid waste landfills. The regulations require that once the landfill is closed, the owner/operator is responsible for maintaining the final cover, monitoring groundwater and methane gas, and

E. Municipal Solid Waste Landfill (continued)

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2004

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, 2004. The revised cost estimate was \$487,500. 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 TCEQ 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 TCEQ regulations. The revised estimate of landfill closure and post closure care costs is \$487,500. 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 \$507,000. 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, 2004.

G. Prior Period Adjustment

A prior period adjustment of \$28,027 is presented in the 1997 Combination Tax and Revenue Certificates of Obligation fund due to expenditures and retainage payable recorded in prior years being deemed not to be a liability of the City as of September 30, 2004. In addition, a prior period adjustment of \$671,372 is presented on Exhibit A-2 to correct a GASB 34 conversion error reported on the City's Component Unit's financial statements in the prior year.

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2004**

EXHIBIT B-1

ASSETS	<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	\$ 1,186,544	\$ 119,278	\$ 459,351	\$ 1,765,173
Receivables (net of allowances for uncollectibles):				
Accounts	80,602	-	-	80,602
Taxes	-	27,670	-	27,670
Miscellaneous	-	-	-	-
Grants	-	-	616,971	616,971
Due from other funds	-	1,834	7,000	8,834
Notes receivable	<u>55,600</u>	<u>-</u>	<u>-</u>	<u>55,600</u>
Total Assets	<u><u>\$ 1,322,746</u></u>	<u><u>\$ 148,782</u></u>	<u><u>\$ 1,083,322</u></u>	<u><u>\$ 2,554,850</u></u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 24,839	\$ -	\$ 256,216	\$ 281,055
Retainage payable	-	-	31,853	31,853
Due to other funds	4,618	-	281,693	286,311
Deferred revenue	-	27,670	54,865	82,535
Other accrued items	<u>9,965</u>	<u>-</u>	<u>-</u>	<u>9,965</u>
Total Liabilities	<u>39,422</u>	<u>27,670</u>	<u>624,627</u>	<u>691,719</u>
Fund Balances:				
Reserved:				
Debt service	-	121,112	-	121,112
Encumbrances	265,466	-	-	265,466
Non-current portion of note receivable	52,000	-	-	52,000
Unreserved, undesignated	<u>965,858</u>	<u>-</u>	<u>458,695</u>	<u>1,424,553</u>
Total Fund Balances	<u>1,283,324</u>	<u>121,112</u>	<u>458,695</u>	<u>1,863,131</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,322,746</u></u>	<u><u>\$ 148,782</u></u>	<u><u>\$ 1,083,322</u></u>	<u><u>\$ 2,554,850</u></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, 2004**

EXHIBIT B-2

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES				
Taxes	\$ 123,496	\$ 996,446	\$ -	\$ 1,119,942
Charges for services	816,065	-	-	816,065
Fines	205,294	-	-	205,294
Interest	9,982	6,429	5,007	21,418
Sale of plots	41,800	-	-	41,800
Miscellaneous	39,420	-	-	39,420
Intergovernmental	-	-	608,596	608,596
Contributions	45,694	-	-	45,694
Total Revenues	1,281,751	1,002,875	613,603	2,898,229
EXPENDITURES				
Current:				
General government	5,181	-	-	5,181
Community services	262,496	-	-	262,496
Highway and streets	179,666	-	-	179,666
Public safety	51,356	-	-	51,356
Capital outlay	69,421	-	712,446	781,867
Debt service:				
Principal retirement	200,000	435,000	-	635,000
Interest and fiscal charges	87,795	462,702	-	550,497
Total Expenditures	855,915	897,702	712,446	2,466,063
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	425,836	105,173	(98,843)	432,166
OTHER FINANCING SOURCES (USES)				
Transfers in	-	12,747	57,427	70,174
Transfers (out)	(90,106)	(218,802)	(13,758)	(322,666)
Total Other Financing Sources (Uses)	(90,106)	(206,055)	43,669	(252,492)
NET CHANGE IN FUND BALANCES	335,730	(100,882)	(55,174)	179,674
FUND BALANCES, BEGINNING OF YEAR	947,594	221,994	485,842	1,655,430
PRIOR PERIOD ADJUSTMENT	-	-	28,027	28,027
FUND BALANCES, END OF YEAR	\$ 1,283,324	\$ 121,112	\$ 458,695	\$ 1,863,131

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2004**

ASSETS	<u>Youth Activities</u>	<u>Hotel/Motel Tax</u>	<u>Abandoned Vehicle</u>	<u>Animal Shelter</u>
Cash and cash equivalents	\$ 71,981	\$ 93,628	\$ 4,661	\$ 1,542
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	-	-
Miscellaneous	-	-	-	-
Due from other funds	-	-	-	-
Notes receivable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 71,981</u>	<u>\$ 93,628</u>	<u>\$ 4,661</u>	<u>\$ 1,542</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,469	\$ 16,758	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Other accrued items	1,065	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>3,534</u>	<u>16,758</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved:				
Encumbrances	-	-	-	-
Non-current portion of note receivable	-	-	-	-
Unreserved, undesignated	68,447	76,870	4,661	1,542
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>68,447</u>	<u>76,870</u>	<u>4,661</u>	<u>1,542</u>
	<u>\$ 71,981</u>	<u>\$ 93,628</u>	<u>\$ 4,661</u>	<u>\$ 1,542</u>
Total Liabilities and Fund Balance:	<u>\$ 71,981</u>	<u>\$ 93,628</u>	<u>\$ 4,661</u>	<u>\$ 1,542</u>

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2004**

ASSETS	Drainage Utility	City Cemetery	Municipal Court
Cash and cash equivalents	\$ 630,934	\$ 59,399	\$ 178,702
Receivables (net of allowances for uncollectibles):			
Accounts	74,889	-	-
Miscellaneous	-	-	-
Due from other funds	-	-	-
Notes receivable	-	-	-
Total Assets	\$ 705,823	\$ 59,399	\$ 178,702
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,845	\$ 1,525	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	-
Other accrued items	8,873	-	-
Total Liabilities	10,718	1,525	-
Fund Balances:			
Reserved:			
Encumbrances	265,466	-	-
Non-current portion of note receivable	-	-	-
Unreserved, undesignated	429,639	57,874	178,702
Total Fund Balances	695,105	57,874	178,702
Total Liabilities and Fund Balance:	\$ 705,823	\$ 59,399	\$ 178,702

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2004**

	Texas Community Development Loan	Coryell County Mutual Aid	Joint Image Campaign
ASSETS			
Cash and cash equivalents	\$ 130,337	\$ 10,767	\$ 1,531
Receivables (net of allowances for uncollectibles):			
Accounts	-	-	-
Miscellaneous	-	-	-
Due from other funds	-	-	-
Notes receivable	<u>55,600</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 185,937</u>	<u>\$ 10,767</u>	<u>\$ 1,531</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 1,147
Due to other funds	-	-	-
Deferred revenue	-	-	-
Other accrued items	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,147</u>
Fund Balances:			
Reserved:			
Encumbrances	-	-	-
Non-current portion of note receivable	52,000	-	-
Unreserved, undesignated	<u>133,937</u>	<u>10,767</u>	<u>384</u>
Total Fund Balances	<u>185,937</u>	<u>10,767</u>	<u>384</u>
Total Liabilities and Fund Balance:	<u>\$ 185,937</u>	<u>\$ 10,767</u>	<u>\$ 1,531</u>

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2004**

	Texas Parks & Wildlife	Tobacco Grant	Total Nonmajor Special Revenue Funds (See Exhibit B-1)
ASSETS			
Cash and cash equivalents	\$ -	\$ 3,062	\$ 1,186,544
Receivables (net of allowances for uncollectibles):			
Accounts	5,713	-	80,602
Miscellaneous	-	-	-
Due from other funds	-	-	-
Notes receivable	-	-	55,600
Total Assets	\$ 5,713	\$ 3,062	\$ 1,322,746
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,095	\$ -	\$ 24,839
Due to other funds	4,618	-	4,618
Deferred revenue	-	-	-
Other accrued items	-	27	9,965
Total Liabilities	5,713	27	39,422
Fund Balances:			
Reserved:			
Encumbrances	-	-	265,466
Non-current portion of note receivable	-	-	52,000
Unreserved, undesignated	-	3,035	965,858
Total Fund Balances	-	3,035	1,283,324
Total Liabilities and Fund Balances:	\$ 5,713	\$ 3,062	\$ 1,322,746

**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, 2004**

	Youth Activities	Hotel/Motel Tax	Abandoned Vehicle	Animal Shelter
REVENUES				
Taxes	\$ -	\$ 123,496	\$ -	\$ -
Charges for services	85,641	-	-	-
Fines	-	-	-	-
Interest	73	150	8	1
Sale of plots	-	-	-	-
Miscellaneous	-	-	3,155	-
Contributions	-	-	-	546
	<u>85,714</u>	<u>123,646</u>	<u>3,163</u>	<u>547</u>
Total Revenues				
EXPENDITURES				
Current:				
General government	-	-	4,339	-
Community services	65,137	136,439	-	-
Highway and streets	-	-	-	-
Public safety	-	-	-	3
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>65,137</u>	<u>136,439</u>	<u>4,339</u>	<u>3</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>20,577</u>	<u>(12,793)</u>	<u>(1,176)</u>	<u>544</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	20,577	(12,793)	(1,176)	544
FUND BALANCES, BEGINNING OF YEAR	<u>47,870</u>	<u>89,663</u>	<u>5,837</u>	<u>998</u>
FUND BALANCES, END OF YEAR	<u>\$ 68,447</u>	<u>\$ 76,870</u>	<u>\$ 4,661</u>	<u>\$ 1,542</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, 2004**

	Drainage Utility	City Cemetery	Municipal Court	Texas Community Development Loan
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	730,424	-	-	-
Fines	-	-	205,294	-
Interest	7,481	575	242	1,445
Sale of plots	-	41,800	-	-
Miscellaneous	-	-	-	-
Contributions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>737,905</u>	<u>42,375</u>	<u>205,536</u>	<u>1,445</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Community services	-	25,744	-	-
Highway and streets	179,666	-	-	-
Public safety	-	-	24,151	-
Capital outlay	49,020	8,966	2,577	-
Debt service:				
Principal retirement	200,000	-	-	-
Interest and fiscal charges	87,795	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>516,481</u>	<u>34,710</u>	<u>26,728</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>221,424</u>	<u>7,665</u>	<u>178,808</u>	<u>1,445</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	(90,000)	-	(106)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>-</u>	<u>(106)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	131,424	7,665	178,702	1,445
FUND BALANCES, BEGINNING OF YEAR	<u>563,681</u>	<u>50,209</u>	<u>-</u>	<u>184,492</u>
FUND BALANCES, END OF YEAR	<u>\$ 695,105</u>	<u>\$ 57,874</u>	<u>\$ 178,702</u>	<u>\$ 185,937</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, 2004**

	Coryell County Mutual Aid	Joint Image Campaign	Texas Parks & Wildlife	Tobacco Grant
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines	-	-	-	-
Interest	5	2	-	-
Sale of plots	-	-	-	-
Miscellaneous	36,265	-	-	-
Contributions	-	35,558	5,713	3,877
	<u>36,270</u>	<u>35,560</u>	<u>5,713</u>	<u>3,877</u>
Total Revenues				
	<u>36,270</u>	<u>35,560</u>	<u>5,713</u>	<u>3,877</u>
EXPENDITURES				
Current:				
General government	-	-	-	842
Community services	-	35,176	-	-
Highway and streets	-	-	-	-
Public safety	27,202	-	-	-
Capital outlay	3,145	-	5,713	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>30,347</u>	<u>35,176</u>	<u>5,713</u>	<u>842</u>
Total Expenditures				
	<u>30,347</u>	<u>35,176</u>	<u>5,713</u>	<u>842</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,923</u>	<u>384</u>	<u>-</u>	<u>3,035</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	5,923	384	-	3,035
FUND BALANCES, BEGINNING OF YEAR	<u>4,844</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 10,767</u>	<u>\$ 384</u>	<u>\$ -</u>	<u>\$ 3,035</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, 2004**

	<u>Total Nonmajor Revenue Funds (See Exhibit B-2)</u>
REVENUES	
Taxes	\$ 123,496
Charges for services	816,065
Fines	205,294
Interest	9,982
Sale of plots	41,800
Miscellaneous	39,420
Contributions	<u>45,694</u>
 Total Revenues	 <u>1,281,751</u>
EXPENDITURES	
Current:	
General government	5,181
Community services	262,496
Highway and streets	179,666
Public safety	51,356
Capital outlay	69,421
Debt service:	
Principal retirement	200,000
Interest and fiscal charges	<u>87,795</u>
 Total Expenditures	 <u>855,915</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>425,836</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	-
Transfers (out)	<u>(90,106)</u>
 Total Other Financing Sources (Uses)	 <u>(90,106)</u>
 NET CHANGE IN FUND BALANCES	 <u>335,730</u>
FUND BALANCES, BEGINNING OF YEAR	<u>947,594</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,283,324</u>

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2004**

ASSETS	1994 G.O. Bonds	1997 Combination Tax and Revenue Certificates of Obligation	1998 G.O. Bonds
Cash and cash equivalents	\$ 37,853	\$ 5,398	\$ 398
Grant receivable	-	-	-
Due from other funds	-	-	-
	-	-	-
Total Assets	\$ 37,853	\$ 5,398	\$ 398
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Retainage payable	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Reserved for encumbrances	-	-	-
Unreserved fund balances	37,853	5,398	398
	37,853	5,398	398
Total Fund Balances	37,853	5,398	398
Total Liabilities and Fund Balances	\$ 37,853	\$ 5,398	\$ 398

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2004**

	1999 Combination Tax and Revenue Certificates of Obligation	2001 Combination Tax and Revenue Certificates of Obligation
ASSETS		
Cash and cash equivalents	\$ 208	\$ 415,494
Grant receivable	-	-
Due from other funds	-	-
	<hr/>	<hr/>
Total Assets	<u>\$ 208</u>	<u>\$ 415,494</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 656
Retainage payable	-	-
Due to other funds	-	-
Deferred revenue	-	-
	<hr/>	<hr/>
Total Liabilities	<u>-</u>	<u>656</u>
Fund Balances:		
Reserved for encumbrances	-	-
Unreserved fund balances	208	414,838
	<hr/>	<hr/>
Total Fund Balances	<u>208</u>	<u>414,838</u>
Total Liabilities and Fund Balances	<u>\$ 208</u>	<u>\$ 415,494</u>

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2004**

	2002 Economic Development Administration Grant	Total Nonmajor Capital Projects Funds (See Exhibit B-1)
ASSETS		
Cash and cash equivalents	\$ -	\$ 459,351
Grant receivable	616,971	616,971
Due from other funds	7,000	7,000
	<u>623,971</u>	<u>1,083,322</u>
Total Assets	<u>\$ 623,971</u>	<u>\$ 1,083,322</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 255,560	\$ 256,216
Retainage payable	31,853	31,853
Due to other funds	281,693	281,693
Deferred revenue	54,865	54,865
	<u>623,971</u>	<u>624,627</u>
Total Liabilities	<u>623,971</u>	<u>624,627</u>
Fund Balances:		
Reserved for encumbrances	-	-
Unreserved fund balances	-	458,695
	<u>-</u>	<u>458,695</u>
Total Fund Balances	<u>-</u>	<u>458,695</u>
Total Liabilities and Fund Balances	<u>\$ 623,971</u>	<u>\$ 1,083,322</u>

CITY OF COPPERAS COVE, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	1994 G.O. Bonds	1997 Combination Tax and Revenue Certificates of Obligation	1998 G.O. Bonds
REVENUES			
Interest	\$ 24	\$ 86	\$ 4
Grant revenues	-	-	-
Total Revenues	<u>24</u>	<u>86</u>	<u>4</u>
EXPENDITURES			
Capital outlay	60	8,957	-
Total Expenditures	<u>60</u>	<u>8,957</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(36)</u>	<u>(8,871)</u>	<u>4</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	(13,758)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(13,758)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(36)	(22,629)	4
FUND BALANCES, BEGINNING OF YEAR	37,889	-	394
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>28,027</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 37,853</u>	<u>\$ 5,398</u>	<u>\$ 398</u>

CITY OF COPPERAS COVE, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	1999 Combination Tax and Revenue Certificates of Obligation	2001 Combination Tax and Revenue Certificates of Obligation	2002 Economic Development Administration Grant
REVENUES			
Interest	\$ 3	\$ 4,890	\$ -
Grant revenues	-	-	608,596
Total Revenues	<u>3</u>	<u>4,890</u>	<u>608,596</u>
EXPENDITURES			
Capital outlay	-	37,406	666,023
Total Expenditures	<u>-</u>	<u>37,406</u>	<u>666,023</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3</u>	<u>(32,516)</u>	<u>(57,427)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	57,427
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>57,427</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	3	(32,516)	-
FUND BALANCES, BEGINNING OF YEAR	205	447,354	-
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 208</u>	<u>\$ 414,838</u>	<u>\$ -</u>

CITY OF COPPERAS COVE, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Total Nonmajor Capital Projects Funds (See Exhibit B-2)
REVENUES	
Interest	\$ 5,007
Grant revenues	<u>608,596</u>
Total Revenues	<u>613,603</u>
EXPENDITURES	
Capital outlay	<u>712,446</u>
Total Expenditures	<u>712,446</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(98,843)</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in	57,427
Operating transfers out	<u>(13,758)</u>
Total Other Financing Sources (Uses)	<u>43,669</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(55,174)
FUND BALANCES, BEGINNING OF YEAR	485,842
PRIOR PERIOD ADJUSTMENT	<u>28,027</u>
FUND BALANCES, END OF YEAR	<u>\$ 458,695</u>

CITY OF COPPERAS COVE, TEXAS

EXHIBIT C-1

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 7,279,945	\$ 7,279,945	\$ 7,278,244	\$ (1,701)
Licenses	61,685	61,685	52,878	(8,807)
Permits	114,425	114,425	117,262	2,837
City services provided	539,850	527,250	495,959	(31,291)
Fines	831,800	831,800	732,784	(99,016)
Interest	60,000	60,000	42,177	(17,823)
Miscellaneous	160,007	160,007	166,437	6,430
Intergovernmental	99,635	99,635	151,904	52,269
Contributions	-	-	1,098	1,098
Total Revenues	<u>9,147,347</u>	<u>9,134,747</u>	<u>9,038,743</u>	<u>(96,004)</u>
EXPENDITURES				
Current:				
General government	1,791,566	1,823,566	1,809,050	14,516
Community services	1,262,762	1,230,762	1,242,071	(11,309)
Fleet and facility services	339,626	339,626	338,179	1,447
Highways and streets	808,625	808,625	798,984	9,641
Public safety	6,209,669	6,209,669	6,160,859	48,810
Total Expenditures	<u>10,412,248</u>	<u>10,412,248</u>	<u>10,349,143</u>	<u>63,105</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,264,901)</u>	<u>(1,277,501)</u>	<u>(1,310,400)</u>	<u>(32,899)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,050,000	1,050,000	1,073,238	23,238
Transfers (out)	<u>(45,537)</u>	<u>(45,537)</u>	<u>(45,537)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,004,463</u>	<u>1,004,463</u>	<u>1,027,701</u>	<u>23,238</u>
NET CHANGES IN FUND BALANCES	<u>\$ (260,438)</u>	<u>\$ (273,038)</u>	<u>(282,699)</u>	<u>\$ (9,661)</u>
FUND BALANCE, BEGINNING OF YEAR			3,077,751	
CURRENT YEAR ENCUMBERANCES			77,437	
PRIOR YEAR ENCUMBERANCES			<u>(79,057)</u>	
ADJUSTED FUND BALANCE			<u>3,076,132</u>	
FUND BALANCE, END OF YEAR			<u>\$ 2,793,433</u>	

CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-2
Page 2 of 2

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
CITY SERVICES PROVIDED:				
Swimming Pool	\$ 25,000	\$ 25,000	\$ 23,042	\$ (1,958)
Community building rental	14,000	1,400	9,610	8,210
Library miscellaneous	9,500	9,500	10,720	1,220
Animal shelter fees	27,500	27,500	30,342	2,842
Ambulance fees	370,000	370,000	338,977	(31,023)
Police overtime reimbursement	42,000	42,000	23,231	(18,769)
Police restitution	1,700	1,700	2,347	647
Open records	250	250	1,044	794
Rezoning request fees	1,200	1,200	850	(350)
Variance request fees	1,100	1,100	440	(660)
Festival	12,500	12,500	15,788	3,288
Copy Machine	4,600	4,600	4,522	(78)
Mowing	9,000	9,000	10,393	1,393
Service charge - nsf checks	12,000	12,000	10,525	(1,475)
Plat filing fees	3,500	3,500	7,600	4,100
RV park fees	6,000	6,000	6,530	530
	<u>539,850</u>	<u>527,250</u>	<u>495,959</u>	<u>(31,291)</u>
FINES:				
Traffic violations	432,600	432,600	371,717	(60,883)
Library fines	18,500	18,500	15,875	(2,625)
BC fire runs	270	270	4,286	4,016
Municipal court fines	147,000	147,000	133,252	(13,748)
Arrest warrant income	130,000	130,000	126,274	(3,726)
Arresting officer fees	43,530	43,530	29,438	(14,092)
State court fees	59,900	59,900	51,942	(7,958)
	<u>831,800</u>	<u>831,800</u>	<u>732,784</u>	<u>(99,016)</u>
INTEREST:				
Interest earnings	60,000	60,000	42,177	(17,823)
	<u>60,000</u>	<u>60,000</u>	<u>42,177</u>	<u>(17,823)</u>
MISCELLANEOUS:				
Sale of equipment and vehicles	1,000	1,000	-	(1,000)
Sale of city maps	101	101	103	2
Police auction	1,500	1,500	-	(1,500)
Special events - seniors	1,500	1,500	745	(755)
Library meeting room rental	550	550	1,432	882
City safety fund	13,500	13,500	12,573	(927)
Rental Income	24,400	24,400	19,440	(4,960)
HB 70 fees	18,556	18,556	11,722	(6,834)
Miscellaneous	72,900	72,900	90,099	17,199
Penalty and interest	26,000	26,000	30,323	4,323
	<u>160,007</u>	<u>160,007</u>	<u>166,437</u>	<u>6,430</u>
INTERGOVERNMENTAL:				
Grant administration	-	-	57,197	57,197
School district funding	87,610	87,610	86,767	(843)
Admin fee - teen court	1,525	1,525	1,570	45
Admin fee - defensive driving	10,500	10,500	6,370	(4,130)
	<u>99,635</u>	<u>99,635</u>	<u>151,904</u>	<u>52,269</u>
CONTRIBUTIONS:				
Library gifts and memorials	-	-	941	941
Miscellaneous contributions	-	-	157	157
	<u>-</u>	<u>-</u>	<u>1,098</u>	<u>1,098</u>
Totals	<u>\$ 9,147,347</u>	<u>\$ 9,134,747</u>	<u>\$ 9,038,743</u>	<u>\$ (96,004)</u>

CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-2
Page 1 of 2

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
TAXES:				
Current ad valorem	\$ 4,256,073	\$ 4,256,073	\$ 4,209,944	\$ (46,129)
Delinquent ad valorem	33,000	33,000	51,474	18,474
Franchise	1,133,472	1,133,472	1,075,859	(57,613)
Wrecker	3,500	3,500	4,050	550
Sales	1,775,000	1,775,000	1,858,100	83,100
Mixed drink	16,900	16,900	16,023	(877)
Bingo	62,000	62,000	62,794	794
	<u>7,279,945</u>	<u>7,279,945</u>	<u>7,278,244</u>	<u>(1,701)</u>
LICENSES:				
Electricians	4,800	4,800	3,070	(1,730)
Bicycle	100	100	8	(92)
Ambulance	2,000	2,000	2,200	200
Contractors	32,500	32,500	31,185	(1,315)
Animal	3,000	3,000	2,735	(265)
Food establishments	11,550	11,550	10,540	(1,010)
Managers' certification	5,750	5,750	1,695	(4,055)
Wrecker	425	425	425	-
Bail bondsmen	660	660	660	-
Taxi cab	900	900	360	(540)
	<u>61,685</u>	<u>61,685</u>	<u>52,878</u>	<u>(8,807)</u>
PERMITS:				
Building	50,500	50,500	47,010	(3,490)
Alarms	-	-	1,735	1,735
Street cut	4,000	4,000	7,829	3,829
Electrical	12,500	12,500	12,430	(70)
Solicitors	1,300	1,300	1,605	305
Gas	2,000	2,000	1,510	(490)
Mechanical	8,000	8,000	8,990	990
Garage sale	5,400	5,400	6,853	1,453
Plumbing	15,000	15,000	14,886	(115)
Car wash	500	500	330	(170)
Mobile Home Parks	375	375	250	(125)
Signs	700	700	530	(170)
Food workers	12,000	12,000	11,945	(55)
Swimming pools	650	650	690	40
Certificates	1,500	1,500	670	(830)
	<u>114,425</u>	<u>114,425</u>	<u>117,262</u>	<u>2,837</u>

CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-2
Page 2 of 2

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
CITY SERVICES PROVIDED:				
Swimming Pool	\$ 25,000	\$ 25,000	\$ 23,042	\$ (1,958)
Community building rental	14,000	1,400	9,610	8,210
Library miscellaneous	9,500	9,500	10,720	1,220
Animal shelter fees	27,500	27,500	30,342	2,842
Ambulance fees	370,000	370,000	338,977	(31,023)
Police overtime reimbursement	42,000	42,000	23,231	(18,769)
Police restitution	1,700	1,700	2,347	647
Open records	250	250	1,044	794
Rezoning request fees	1,200	1,200	850	(350)
Variance request fees	1,100	1,100	440	(660)
Festival	12,500	12,500	15,788	3,288
Copy Machine	4,600	4,600	4,522	(78)
Mowing	9,000	9,000	10,393	1,393
Service charge - nsf checks	12,000	12,000	10,525	(1,475)
Plat filing fees	3,500	3,500	7,600	4,100
RV park fees	6,000	6,000	6,530	530
	<u>539,850</u>	<u>527,250</u>	<u>495,959</u>	<u>(31,291)</u>
FINES:				
Traffic violations	432,600	432,600	371,717	(60,883)
Library fines	18,500	18,500	15,875	(2,625)
BC fire runs	270	270	4,286	4,016
Municipal court fines	147,000	147,000	133,252	(13,748)
Arrest warrant income	130,000	130,000	126,274	(3,726)
Arresting officer fees	43,530	43,530	29,438	(14,092)
State court fees	59,900	59,900	51,942	(7,958)
	<u>831,800</u>	<u>831,800</u>	<u>732,784</u>	<u>(99,016)</u>
INTEREST:				
Interest earnings	60,000	60,000	42,177	(17,823)
	<u>60,000</u>	<u>60,000</u>	<u>42,177</u>	<u>(17,823)</u>
MISCELLANEOUS:				
Sale of equipment and vehicles	1,000	1,000	-	(1,000)
Sale of city maps	101	101	103	2
Police auction	1,500	1,500	-	(1,500)
Special events - seniors	1,500	1,500	745	(755)
Library meeting room rental	550	550	1,432	882
City safety fund	13,500	13,500	12,573	(927)
Rental Income	24,400	24,400	19,440	(4,960)
HB 70 fees	18,556	18,556	11,722	(6,834)
Miscellaneous	72,900	72,900	90,099	17,199
Penalty and interest	26,000	26,000	30,323	4,323
	<u>160,007</u>	<u>160,007</u>	<u>166,437</u>	<u>6,430</u>
INTERGOVERNMENTAL:				
Grant administration	-	-	57,197	57,197
School district funding	87,610	87,610	86,767	(843)
Admin fee - teen court	1,525	1,525	1,570	45
Admin fee - defensive driving	10,500	10,500	6,370	(4,130)
	<u>99,635</u>	<u>99,635</u>	<u>151,904</u>	<u>52,269</u>
CONTRIBUTIONS:				
Library gifts and memorials	-	-	941	941
Miscellaneous contributions	-	-	157	157
	<u>-</u>	<u>-</u>	<u>1,098</u>	<u>1,098</u>
Totals	<u>\$ 9,147,347</u>	<u>\$ 9,134,747</u>	<u>\$ 9,038,743</u>	<u>\$ (96,004)</u>

CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-3

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT:				
Current:				
City Council	\$ 43,400	\$ 43,400	\$ 37,740	\$ 5,660
City Manager	176,607	176,607	176,822	(215)
Financial services and accounting	423,890	423,890	429,385	(5,495)
Grants administration	49,976	49,626	48,957	669
City secretary	106,123	106,123	107,901	(1,778)
City attorney	98,260	98,260	96,922	1,338
Data Processing	146,787	146,787	142,911	3,876
Personnel	150,315	150,315	149,213	1,102
Nondepartmental	306,947	339,297	331,505	7,792
Public Works	30,775	30,775	30,391	384
Planning	63,852	63,852	64,838	(986)
Engineering	194,634	194,634	192,466	2,168
	<u>1,791,566</u>	<u>1,823,566</u>	<u>1,809,050</u>	<u>14,516</u>
COMMUNITY SERVICES:				
Current:				
Parks and recreation	761,042	742,542	751,283	(8,741)
Library	409,757	409,757	412,456	(2,699)
Code and health	91,963	78,463	78,332	131
	<u>1,262,762</u>	<u>1,230,762</u>	<u>1,242,071</u>	<u>(11,309)</u>
FLEET & FACILITY SERVICES:				
Current:				
Fleet maintenance	188,277	188,277	184,983	3,294
Facility maintenance	151,349	151,349	153,196	(1,847)
	<u>339,626</u>	<u>339,626</u>	<u>338,179</u>	<u>1,447</u>
HIGHWAYS AND STREETS:				
Current:				
Streets	808,625	808,625	798,984	9,641
	<u>808,625</u>	<u>808,625</u>	<u>798,984</u>	<u>9,641</u>
PUBLIC SAFETY:				
Current:				
Building inspections	183,260	183,260	181,189	2,071
Municipal Court	268,827	268,827	268,320	507
Animal control	167,162	167,162	165,825	1,337
Police department	3,286,608	3,286,608	3,220,809	65,799
Fire/EMS department	2,303,812	2,303,812	2,324,717	(20,905)
	<u>6,209,669</u>	<u>6,209,669</u>	<u>6,160,859</u>	<u>48,810</u>
Totals	<u>\$ 10,412,248</u>	<u>\$ 10,412,248</u>	<u>\$ 10,349,143</u>	<u>\$ 63,105</u>

CITY OF COPPERAS COVE, TEXAS
ABANDONED VEHICLE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2004

EXHIBIT C-6

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest	\$ 50	\$ 50	\$ 8	\$ (42)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>3,155</u>	<u>2,155</u>
Total Revenues	<u>1,050</u>	<u>1,050</u>	<u>3,163</u>	<u>2,113</u>
EXPENDITURES				
Current:				
General government	<u>3,256</u>	<u>3,256</u>	<u>4,339</u>	<u>(1,083)</u>
Total Expenditures	<u>3,256</u>	<u>3,256</u>	<u>4,339</u>	<u>(1,083)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (2,206)</u>	<u>\$ (2,206)</u>	<u>(1,176)</u>	<u>\$ 1,030</u>
FUND BALANCE, BEGINNING OF YEAR			5,837	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			<u>-</u>	
ADJUSTED FUND BALANCE			<u>5,837</u>	
FUND BALANCE, END OF YEAR			<u>\$ 4,661</u>	

CITY OF COPPERAS COVE, TEXAS
ANIMAL SHELTER FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2004

EXHIBIT C-7

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest	\$ 7	\$ 7	\$ 1	\$ (6)
Contributions	<u>150</u>	<u>150</u>	<u>546</u>	<u>396</u>
Total Revenues	<u>157</u>	<u>157</u>	<u>547</u>	<u>390</u>
EXPENDITURES				
Current:				
Public Safety:				
Services and charges	<u>507</u>	<u>507</u>	<u>3</u>	<u>504</u>
Total Expenditures	<u>507</u>	<u>507</u>	<u>3</u>	<u>504</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (350)</u>	<u>\$ (350)</u>	<u>544</u>	<u>\$ 894</u>
FUND BALANCE, BEGINNING OF YEAR			998	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			<u>-</u>	
ADJUSTED FUND BALANCE			<u>998</u>	
FUND BALANCE, END OF YEAR			<u>\$ 1,542</u>	

**CITY OF COPPERAS COVE, TEXAS
DRAINAGE UTILITY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2004**

EXHIBIT C-8

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services:				
Maintenance	\$ 744,000	\$ 744,000	\$ 730,424	\$ (13,576)
Total Charges for services	744,000	744,000	730,424	(13,576)
Interest	11,000	11,000	7,481	(3,519)
Total Revenues	755,000	755,000	737,905	(17,095)
EXPENDITURES				
Current:				
Highways and streets:				
Maintenance				
Personnel services	178,046	173,922	154,530	19,392
Supplies and materials	10,890	10,961	9,143	1,818
Maintenance and repairs	16,250	16,250	9,560	6,690
Services and charges	11,907	15,070	6,298	8,772
Total Maintenance	217,093	216,203	179,531	36,672
Capital Outlay:				
General government	300,000	300,890	281,631	19,259
Debt Service:				
Principal	200,000	200,000	200,000	-
Interest and fiscal charges	87,795	87,795	87,795	-
Total Debt service	287,795	287,795	287,795	-
Total Expenditures	804,888	804,888	748,957	55,931
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(49,888)	(49,888)	(11,052)	38,836
OTHER FINANCING (USES)				
Operating transfers (out)	(90,000)	(90,000)	(90,000)	-
Total Other Financing (Uses)	(90,000)	(90,000)	(90,000)	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (139,888)	\$ (139,888)	(101,052)	\$ 38,836
FUND BALANCE, BEGINNING OF YEAR			563,681	
CURRENT YEAR ENCUMBRANCES			265,466	
PRIOR YEAR ENCUMBRANCES			(32,990)	
ADJUSTED FUND BALANCE			796,157	
FUND BALANCE, END OF YEAR			\$ 695,105	

CITY OF COPPERAS COVE, TEXAS
HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2004

EXHIBIT C-5

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 90,000	\$ 123,496	\$ 123,496	\$ -
Interest	400	150	150	-
Total Revenues	90,400	123,646	123,646	-
EXPENDITURES				
Current:				
Community services	114,000	136,445	136,439	6
Total Expenditures	114,000	136,445	136,439	6
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (23,600)	\$ (12,799)	(12,793)	\$ 6
FUND BALANCE, BEGINNING OF YEAR			89,663	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			89,663	
FUND BALANCE, END OF YEAR			\$ 76,870	

CITY OF COPPERAS COVE, TEXAS
YOUTH ACTIVITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2004

EXHIBIT C-4

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 76,454	\$ 76,454	\$ 85,641	\$ 9,187
Interest	165	165	73	(92)
Total Revenues	76,619	76,619	85,714	9,095
EXPENDITURES				
Current:				
Community services:				
Personnel services	27,539	27,077	23,660	3,417
Supplies and materials	47,500	47,687	39,810	7,877
Maintenance and repairs	558	558	557	1
Services and charges	1,360	1,635	989	646
Total Community services	76,957	76,957	65,017	11,940
Total Expenditures	76,957	76,957	65,017	11,940
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (338)	\$ (338)	20,697	\$ 21,035
FUND BALANCE, BEGINNING OF YEAR			47,870	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			(120)	
ADJUSTED FUND BALANCE			47,750	
FUND BALANCE, END OF YEAR			\$ 68,447	

CITY OF COPPERAS COVE, TEXAS
GENERAL GOVERNMENT EXPENSES BY FUNCTIONS/PROGRAMS
LAST TWO FISCAL YEARS

FUNCTIONS/PROGRAMS	2003	2004
General Government	\$ 1,708,931	\$ 1,896,278
Community Services	1,663,213	1,855,310
Fleet and Facility Maintenance	321,073	344,483
Highways and Streets	778,099	834,013
Public Safety	6,228,186	6,530,561
Interest on Long-term Debt	398,906	464,477
Total Expenses	\$ 11,098,408	\$ 11,925,122

Note: GASB 34 was implemented in the 2003 fiscal year. Therefore 2003 is the first year this data was collected.

Source: Finance Department, City of Copperas Cove, Texas

CITY OF COPPERAS COVE, TEXAS
GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TWO FISCAL YEARS

	<u>2003</u>	<u>2004</u>
Program Revenues		
Charges for Services	\$ 2,758,999	\$ 2,824,534
Operating Grants and Contributions	25,513	654,160
General Revenues		
Ad Valoren Taxes	4,981,035	5,234,334
Penalties and Interest	34,659	37,360
Beverage Taxes	16,131	16,023
Franchise Taxes	1,064,181	1,075,859
City Sales Taxes	1,924,665	1,985,647
Bingo Taxes	61,489	62,794
Unrestricted Investment Earnings	138,493	87,779
Total Revenue	<u>\$ 11,005,165</u>	<u>\$ 11,978,490</u>

Note: GASB 34 was implemented in the 2003 fiscal year. Therefore 2003 is the first year this data was collected.

Source: Finance Department, City of Copperas Cove, Texas

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
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
2004	1,746,740	5,958,919	1,158,957	452,820	331,170

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.

<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total Expenditures</u>	<u>Transfers Out</u>	<u>Totals</u>
\$ 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
-	702,156	10,350,762	45,537	10,396,299

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

Fiscal Year	Taxes	Licenses	Permits	City Services Provided	Fines
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
2004	7,278,244	52,878	117,262	495,959	732,784

Source: Finance Department, City of Copperas Cove, Texas

* Includes General Fund revenue and other financing sources only.

<u>Interest</u>	<u>Miscellaneous and Contributions</u>	<u>Inter- Governmental</u>	<u>Other Financing Sources</u>	<u>Totals</u>
\$ 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
42,177	167,535	151,904	1,073,238	10,111,981

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
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%
2004	679,479,318	5,265,965	5,236,331	160,034	99.44%

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

Fiscal Year	Assessed Value	Estimated Actual Value	Ratio of Assessed to Estimated Actual Value
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
2004	679,479,318	714,682,521	0.9507

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
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	0.14750	2.87257
2004	0.77500	1.60400	-	0.41207	0.14700	2.93807

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 2004 TAX ROLL**

Nature of Property	Percentage of Total Taxable Value	Estimated Actual Value
Wal-Mart Properties	2.11%	\$ 15,105,160
Central Telephone Company	1.36%	9,747,890
Oncor Electric Delivery	1.19%	8,497,800
Veterans Affairs	0.58%	4,160,740
Texas Cable Partners LP	0.56%	3,987,530
H E Butt Grocery Store	0.52%	3,695,850
Cove Terrace Associates LTD	0.50%	3,586,030
Colonial Plaza Partnership	0.44%	3,138,930
Judy Lane Properties	0.38%	2,725,930
Crosstowne LTD	0.37%	2,627,240
Subtotal	8.01%	57,273,100
All Other Taxpayers	91.99%	657,409,421
Total 2004 - Tax Roll	<u>100.00%</u>	<u>\$ 714,682,521</u>
Total 2003 - Tax Roll*	<u>100.00%</u>	<u>\$ 683,946,827</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, 2004

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 2004 tax roll	\$ 679,479,318
Limit on amount designated for debt service	<u>2.5%</u>
Legal Debt Limit	<u><u>\$ 16,986,983</u></u>
Actual amount expended for General Obligation Debt Service (excluding lease payments) during the year ended September 30, 2004	<u><u>\$ 897,702</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
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
2004	30,450	679,473,318	11,964,597	0.0176	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
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
2004	897,702	10,350,762	0.0867

Source: Finance Department, City of Copperas Cove, Texas

** Excludes transfers out.

CITY OF COPPERAS COVE, TEXAS
COMPUTATION OF DIRECT AND ESTIMATED OVERLAPPING DEBT
BONDED DEBT GENERAL OBLIGATION BONDS
SEPTEMBER 30, 2004

Taxing Entity	Net General Obligation Debt	As of	Estimated Percentage Applicable To the City of Copperas Cove	Amount Applicable to the City of Copperas Cove
Coryell County	\$ -	9/30/2004	0.00%	\$ -
Copperas Cove I.S.D.	28,069,021	9/30/2004	75.33%	21,144,394
Lampasas County	3,295,000 **	9/30/2004	8.84%	291,278
Lampasas I.S.D.	<u>5,899,996</u>	8/31/2004	15.83%	<u>933,969</u>
Subtotal	<u>37,264,017</u>			<u>22,369,641</u>
City of Copperas Cove	<u>11,964,597</u>	9/30/2004	100.00%	<u>11,964,597</u>
Total Overlapping Debt	<u>\$ 49,228,614</u>			<u>\$ 34,334,238</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
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
2004	714,682,521	22,203,409	**** 1,565,939,000

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**** Includes all
banks and all
bank branches
in the Killeen MSA

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

Fiscal Year	Beginning Receivable Balance	Billings	Collections	Ending Receivables Balance
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	-	-	25,549
2004	25,549	-	1,720	23,829

**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	Principal
1995	\$ 4,559,856	\$ 3,104,635	\$ 1,455,221	\$ 540,000
1996	5,537,735	2,539,171	2,998,564	610,000
1997	5,102,595	2,608,795	2,493,800	485,000
1998	5,137,777	2,801,361	2,336,416	510,000
1999	5,136,881	2,931,037	2,205,844	535,000
2000	6,169,773	3,302,683	2,867,090	560,000
2001	6,377,113	3,497,837	2,879,276	575,000
2002	6,623,946	3,452,402	3,171,544	515,000
2003	6,584,438	3,479,829	3,104,609	445,000
2004	7,446,027	3,728,182	3,717,845	220,000

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.

Debt Service Requirements		
<u>Interest</u>	<u>Totals</u>	<u>Coverage</u>
\$ 760,525	\$ 1,300,525	1.12
598,773	1,208,773	2.48
534,406	1,019,406	2.45
511,308	1,021,308	2.29
486,595	1,021,595	2.16
468,695	1,028,695	2.79
367,510	942,510	3.05
412,613	927,613	3.42
357,358	802,358	3.87
251,022	471,022	7.89

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Income Per Capita</u>	<u>Unemployment Rate</u>
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%
2004	30,450 ***	18,305	5.3%

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

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, May 5, 2001 and May 3, 2003

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

Governmental Facilities

Fire Protection

Number of stations:	3
Number of hydrants:	885
Number of volunteer firemen:	-
Number of paid firemen:	45
Firemen per 1,000 population:	1.48

Police Protection

Number of stations:	2
Number of reserve police officers:	-
Number of sworn officers:	53
Officers per 1,000 population:	1.74

Libraries

Number of public libraries:	1
Number of volumes:	57,363
Circulation of volume:	106,348
Circulation per capita:	3.63

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:	227
Daily average consumption:	5 MGD
Maximum daily capacity:	13.5 MGD
Number of service connections:	10,466
Source of water:	Bell County Water Control and Improvement District No. 1

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

Utilities (Continued)

Sewage System

Miles of sanitary sewers:	200
Number of lift stations:	14
Daily average treatment:	3.1 MGD
Maximum capacity of treatment plants:	6.35 MGD
Number of service connections:	9,508

Community Statistics

School District Employees:	1,142
City Employees:	279
Fort Hood Servicemen:	45,777
Fort Hood Non-Servicemen Employees:	12,134