

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Bradi D. Diaz - Mayor
R. Ray Gatewood – Mayor Pro Tem

Ray Don Clayton – Council Member
John Gallen – Council Member
Fred Harris – Council Member

Robert Reeves – Council Member
Frank Somera Jr. – Council Member
James Stockman – Council Member

Steven J. Alexander – City Manager
Andrea M. Gardner – Assistant City Manager/Finance Director



FISCAL YEAR ENDED SEPTEMBER 30, 2005

“The City Built for Family Living”

About the Cover:

The City of Copperas Cove is “The City Built for Family Living”. Our cover shows just a few of the activities that can be enjoyed here. The Hills of Cove Golf Course has an active program for Junior Golfers. Keep Copperas Cove Beautiful (KCCB) has regular clean up events, and all are welcome to participate to keep our City litter-free and inviting to the eye. Public safety is a priority here. We maintain and upgrade our fleet to keep our citizens safe.

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

YEAR ENDED SEPTEMBER 30, 2005

PREPARED BY:

FINANCE AND ACCOUNTING DEPARTMENT

**ANDREA M. GARDNER
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
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

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City of Copperas Cove

“The City Built for Family Living”

City Manager's Office

January 31, 2006

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, 2005, 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, 2005, 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, 2005, 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 30,776 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 an Acceptable Rating from the Texas Education Agency (TEA). Additionally, for the 2005 academic school year the District had one exemplary school campuses and four recognized elementary and intermediate school campuses. The District's peak enrollment rate increased by approximately 34 students during fiscal year 2004-05 primarily due to the return of military personnel to Fort Hood. The peak enrollment for fiscal year 2004-05 was 7,418 and operates the following facilities: one primary high school, with an alternative high school, two junior high schools, two intermediate schools, and six elementary schools. All twelve 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 2004-05 totaled \$53,956,123. New residential construction made up \$46,632,875 of this amount while \$5,794,434 was related to new non-residential buildings, and new construction additions totaled approximately \$1,528,814.

The City has approved the zoning and/or platting of several new residential subdivisions. The re-plat of Walker Place 4 will contain 37 homes on 14.645 acres. The re-plat of Tonkawa Village Phase I will contain 64 homes on 18.195 acres; also, Tonkawa Village Phase II will contain 66 homes on 17.105 acres. Skyline Valley South Phase 3 will contain 19 homes on 21.844 acres. Mesa Verde at Skyline Phase II will contain 48 homes on 42.979 acres. The Meadows Phase 2 will have 82 homes on 23.2 acres. Also, House Creek North subdivision has 352 homes on 113.574 acres in Phase 1 and Phase 2 will contain 295 homes on 120.281 acres, while one commercial addition is to be constructed on 2.711 acres.

Ad Valorem Taxes. Total assessed value within the City has increased by approximately 21 percent since fiscal year 2000. The fiscal year 2005 projections, based on data provided by the Coryell County Appraisal District, indicate a 5 percent growth in assessed value over fiscal year 2004 levels.

Sales Tax. Sales tax collections have increased by approximately 29 percent since fiscal year 2000. Collections for fiscal year 2005 have increased by approximately 2 percent over fiscal year 2004 levels.

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

MAJOR INITIATIVES

At the end of the 2004-05 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, the entire project, at an estimated cost of \$56 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 the project. Unfortunately, funding will not be made available for the construction 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 completed the expansion and improvement of Constitution Avenue during the fiscal year. 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.

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 2005-06 fiscal year and will provide a much needed amenity along this road.

During the 2004-05 fiscal year, 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. This project was complete at the writing of this document.

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. This project includes the construction of a lift station along this road to provide City sewer services as property along this road develops. This project is expected to be under construction in 2005-06.

During the 2004-05 fiscal year, City staff worked with the Texas Department of Transportation and Fort Hood on an improvement to Tank Destroyer Blvd. that would create a northeast bypass for Copperas Cove. Conceptually, all entities involved agree with this project and once completed would ease some congestion on East U.S. Hwy 190, in the downtown area, provide a grade separated crossing over the rail and improve transportation in and around both Copperas Cove and Fort Hood.

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 were completed during the 2004-05 fiscal year.

ACCOMPLISHMENTS

During fiscal year 2005, 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 422 Copperas Cove Police Department Kiddo Cards.
- ◆ Conducted two sessions of the Copperas Cove Police Department Citizens Academy.
- ◆ Paid out \$2,900 in Crime Stoppers for tips on criminal activity.

Fire

- ◆ Provided stand-by emergency medical services at Presidential Ranch in Crawford, TX.
- ◆ Placed two new brush/grass firefighting trucks and one new ambulance into service.

- ◆ Provided 1,545 free immunizations to over 800 children through our “Shots through the Firehouse” program.
- ◆ Received a \$1,250 grant to sustain our free smoke detector program for seniors and the disabled.
- ◆ Purchased technology that allows faxing of cardiac strips from ambulance to hospital while in route.
- ◆ Implemented a fire company “in-service inspection” program to conduct inspections of all commercial buildings.

Community Services

- ◆ Provided a community Thanksgiving dinner for approximately 430 people.
- ◆ Circulated 109,299 library materials.
- ◆ Conducted various programs for 5,941 children.
- ◆ Received a \$5,000 Texas Book Festival Grant.
- ◆ Constructed bridge at City Park.
- ◆ Constructed pavilion at cemetery.
- ◆ Added tackle & flag football, softball, and baseball to recreation programs.

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).
- ◆ Expanded Northeast WWTP from 800,000 MGD to 2.5 MGD.
- ◆ Expanded Northwest WWTP from 3.05 MGD to 4 MGD.
- ◆ Received annual inspections from both EPA and TCEQ, on two wastewater plants and passed with no major deficiencies.
- ◆ Continued to monitor the progress of several water and wastewater infrastructure improvements.
- ◆ Participated in Texas Recycles Day.
- ◆ Hosted Spring and Fall Clean Up.
- ◆ Hosted Hazardous Household Waste Clean Up through Central Texas Council of Governments.

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 Texas Community Development Loan Fund and Coryell County Mutual Aid 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 \$407,593 on all investments for the fiscal year 2004-05.

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, 2005, are classified in the best category of credit risk as defined by the Governmental Accounting Standards Board. Note IV-A 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

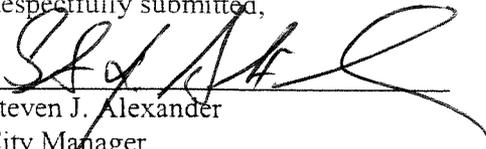
Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Copperas Cove for its comprehensive annual financial report for the fiscal year ended September 30, 2004. This was the fifteenth 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.

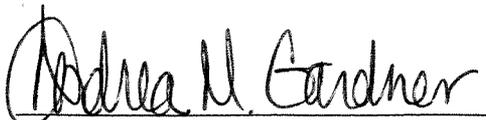
Acknowledgments: The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department, and all directors and department heads. We would like to express our appreciation to all members of the departments who assisted 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

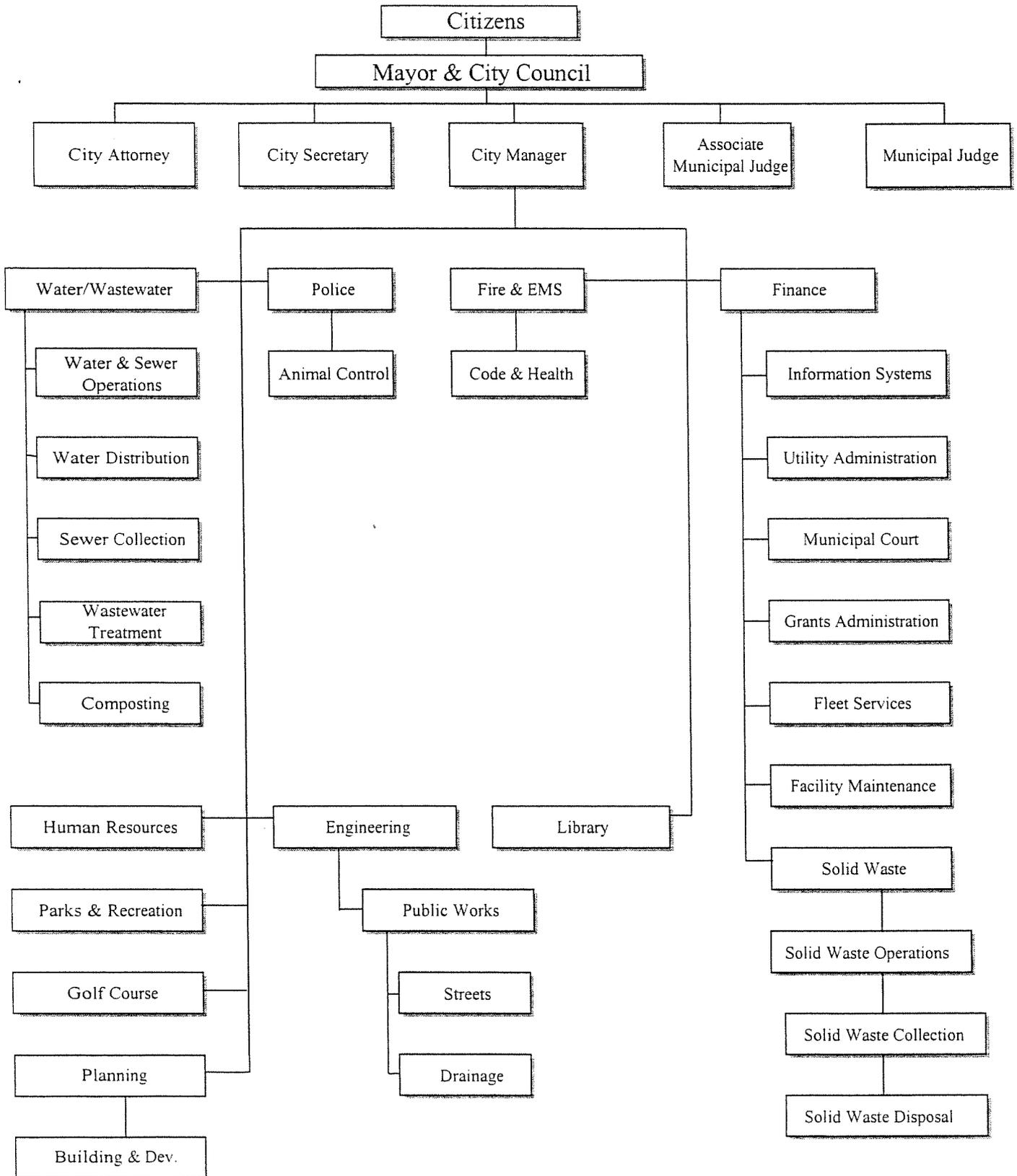


Andrea M. Gardner
Assistant City Manager/Director of Finance

City of Copperas Cove, Texas

Organizational Structure

2005-06 Fiscal Year



City of Copperas Cove, Texas
List of Principal Officials

City Council

Bradi D. Diaz - Mayor
R. Ray Gatewood - Mayor Pro Tem

Ray Don Clayton - Council Member
John Gallen - Council Member
Frederick Harris - Council Member

Robert Reeves – Council Member
Frank Somera, Jr. - Council Member
James Stockman - 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

Bruce Emery, Interim City Engineer
Margaret Fleet, Director of Library Services
Andrea M. Gardner, Assistant City Manager/Director of Finance
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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Copperas Cove
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

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



Nancy L. Zielle

President

Jeffrey R. Emer

Executive Director



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

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KILLEEN • COPPERAS COVE • TEMPLE

Member of
*American Institute & Texas Society of
Certified Public Accountants*

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, the discretely presented component unit, 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, 2005, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Copperas Cove, Texas, as of September 30, 2005, 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 and the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) on Exhibit C-1 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 31, 2006, 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, Vernon & Company P.C.

January 31, 2006

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, 2005. 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 \$31.9 million from the prior years \$29.1 million, an increase of 9.6 percent.
- As of September 30, 2005, the City of Copperas Cove's governmental funds reported combined ending fund balances of \$6.65 million, a decrease of \$58,815 in comparison with prior year.
- At September 30, 2005, unreserved fund balance for the General Fund was \$2.9 million, or 27.54 percent of total General Fund expenditures. The unreserved fund balance includes \$1 million that has been designated for contingencies. Compared to prior year, unreserved fund balance increased 13.5 percent. The unreserved and undesignated fund balance was \$1.9 million, or 18.2 percent of total General Fund expenditures.

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 and the 2003 Capital Improvement Certificate of Obligation Fund since they are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for 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, 2005.

Net Assets

The following table reflects the Condensed Statement of Net Assets as of September 30, 2005.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 8,117,306	8,283,266	\$ 8,661,498	11,158,013	\$ 16,778,804	19,441,279
Capital assets	13,125,654	12,442,866	42,128,757	40,424,696	55,254,411	52,867,562
Total assets	21,242,960	20,726,132	50,790,255	51,582,709	72,033,215	72,308,841
Other liabilities	2,495,567	2,683,693	3,592,847	4,436,563	6,088,414	7,120,256
Long-term liabilities	9,446,048	10,089,532	24,565,354	25,956,888	34,011,402	36,046,420
Total liabilities	11,941,615	12,773,225	28,158,201	30,393,451	40,099,816	43,166,676
Net assets:						
Invested in capital assets net of related debt	2,647,484	4,619,317	19,448,721	19,766,421	22,096,205	24,385,738
Restricted	1,830,504	2,177,224	649,155	649,155	2,479,659	2,826,379
Unrestricted	4,823,357	1,156,366	2,416,792	773,682	7,357,535	1,930,048
Total net assets	\$ 9,301,345	7,952,907	\$ 22,632,054	21,189,258	\$ 31,933,399	29,142,165

The City's combined net assets were \$31.9 million as of September 30, 2005. Of the \$31.9 million, \$9.3 million was in the governmental activities and \$22.6 million was in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of \$2.8 million or 9.6 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 (\$22.1 million or 69.19 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 decreased \$2.3 million or 9.4 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 \$2.5 million at September 30, 2005 or 8 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 decreased \$347,720 or 12.27 percent compared to September 30, 2004. This is due to an increase in restricted net assets for capital projects.

The third portion consists of unrestricted net assets totaled \$7.36 million or 23.04 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 increased \$5.43 million or 281.21 percent compared to September 30, 2004.



Changes in Net Assets. The City’s total revenues for the fiscal year ended September 30, 2005 were \$24 million. Total revenues increased when compared to the prior year by \$1.7 million or 7.53 percent. The City’s total cost of all programs and services also increased from the prior years’ \$20.6 million to \$21.2 million, an increase of 2.93 percent. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2005.

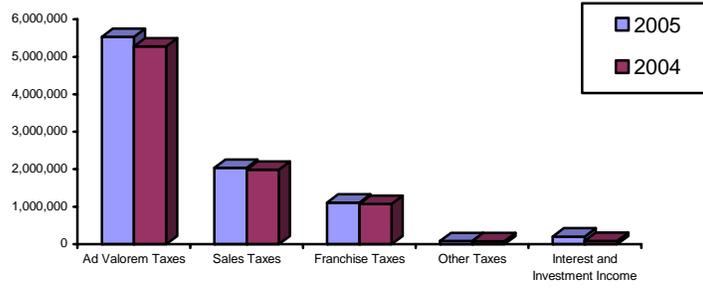
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 2,931,531	\$ 2,824,534	\$ 11,223,144	\$ 10,205,356	\$ 14,154,675	\$ 13,029,890
Operating Grants and contributions	705,520	654,160	-	-	705,520	654,160
General revenues:						
Ad valorem taxes	5,527,376	5,271,694	-	-	5,527,376	5,271,694
Franchise taxes	1,111,332	1,075,859	-	-	1,111,332	1,075,859
Sales taxes	2,034,195	1,985,647	-	-	2,034,195	1,985,647
Other taxes	86,688	78,817	-	-	86,688	78,817
Interest and investment income	206,744	87,779	200,849	157,176	407,593	244,955
Total revenues	\$ 12,603,386	\$ 11,978,490	\$ 11,423,993	\$ 10,362,532	\$ 24,027,379	\$ 22,341,022
Expenses:						
General Government	\$ 1,977,274	\$ 1,896,278	\$ -	\$ -	\$ 1,977,274	\$ 1,896,278
Community services	1,802,034	1,855,310	-	-	1,802,034	1,855,310
Fleet and Facility Maintenance	354,464	344,483	-	-	354,464	344,483
Highways and Streets	877,655	834,013	-	-	877,655	834,013
Public Safety	6,770,603	6,530,561	-	-	6,770,603	6,530,561
Interest on Long-term debt	364,607	464,477	-	-	364,607	464,477
Water and Sewer	-	-	6,416,373	6,093,256	6,416,373	6,093,256
Solid Waste	-	-	1,906,728	1,863,151	1,906,728	1,863,151
Golf Course	-	-	760,694	744,913	760,694	744,913
Total Expenses	12,146,637	11,925,122	9,083,795	8,701,320	21,230,432	20,626,442
Increase (decrease) in net assets before transfers	456,749	53,368	2,340,198	1,661,212	2,796,947	1,714,580
Transfers	897,402	708,408	(897,402)	(708,408)	-	-
Increase in net assets before transfers	1,348,438	761,776	1,442,796	952,804	2,791,234	1,714,580
Prior Period Adjustment	-	28,027	-	-	-	-
Net assets - October 1	7,952,907	7,163,104	21,189,258	20,236,454	29,142,165	27,399,558
Net assets - September 30	\$ 9,301,345	\$ 7,952,907	\$ 22,632,054	\$ 21,189,258	\$ 31,933,399	\$ 29,142,165

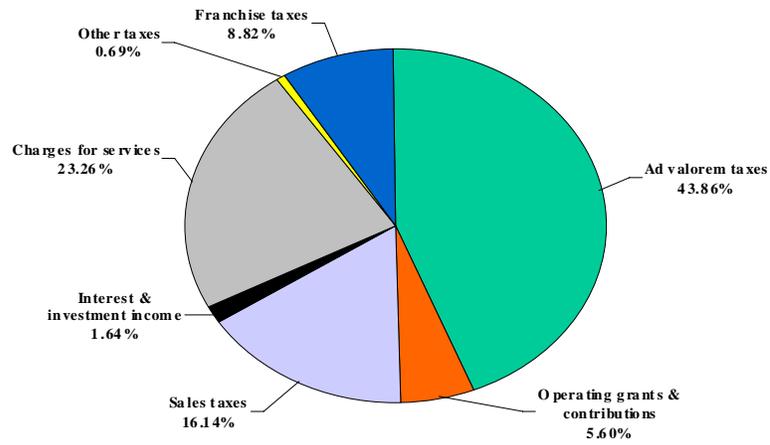
Program Revenues – Governmental Activities

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 \$255,682 or 4.85 percent. Charges for services increased \$106,997, which is an increase of 3.78 percent compared to last year. Sales tax increased slightly by \$48,548 or 2.44 percent compared to last year. Franchise and other taxes showed small increases compared to last year. However, interest and investment income increased significantly from \$87,779 to \$206,744, which is an increase of \$118,965 or 135.53 percent.

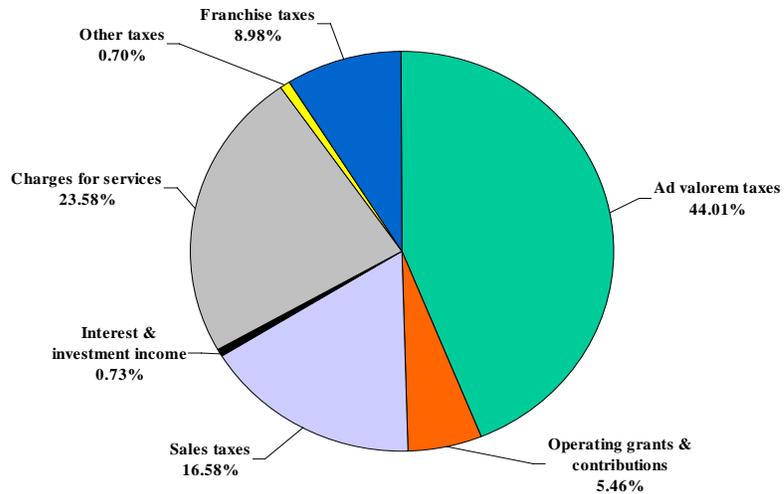
Program Revenues - Governmental Activities



Revenues by Source – Governmental Activities - 2005

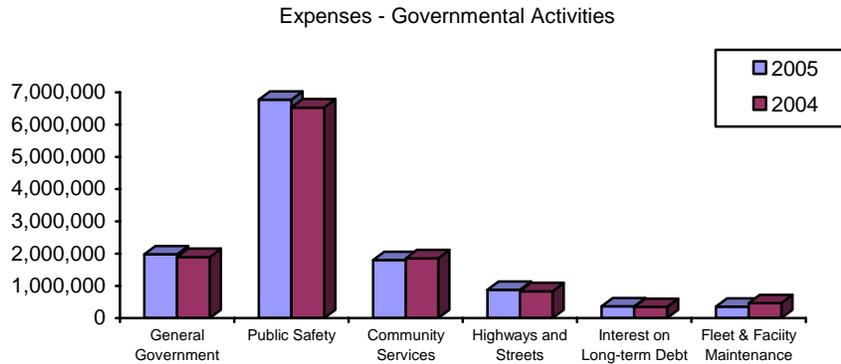


Revenues by Source – Governmental Activities - 2004



Program Expenses – Governmental Activities

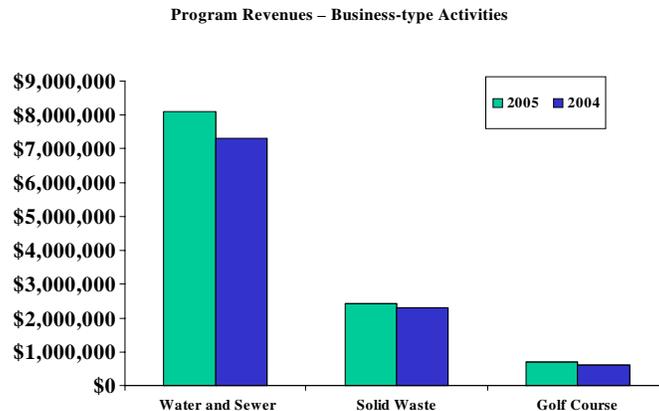
The Expenses – Governmental Activities chart below illustrate the City’s governmental expenses by function. As shown, public safety is the largest function in expenses at \$6.77 million or 55.74 percent compared to the prior years \$6.5 million or 54.77 percent, followed by general government’s \$1.97 million or 16.28 percent compared to prior years \$1.9 million or 15.90 percent. Community Services recorded \$1.8 million or 14.84 percent compared to prior years \$1.9 million or 15.55 percent.



Business-type Activities - Revenues

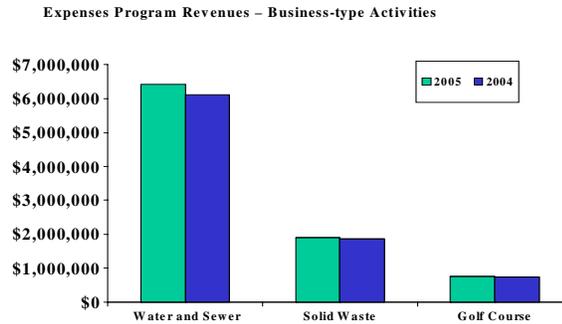
Business-type activities increased the City’s net assets by \$1,442,796 accounting for 51.69 percent of the total growth in the City’s net assets. Charges for services provided the largest share of revenues 98.24 percent, followed by interest and investment income at 1.76 percent for all business-type activities.

Water and sewer fees are the major revenue source for the business-type activities of the City, which recorded \$8.08 million in revenue. Compared to the prior year, Water and sewer revenues increased \$789,648 or 10.82 percent. Solid Waste revenues increased \$125,688 or 5.5 percent. The Golf Course fund also increased from \$605,202 in 2004 to \$707,654 in 2005 an increase of \$102,452 or 16.93 percent.



Business-type Activities - Expenses

Total expenses for business-type activities was \$9.08 million, an increase of \$382,475 or 4.4 percent compared to the prior year. Water and Sewer, the largest proprietary fund recorded \$6.4 million in expenses, an increase of \$323,117 or 5.3 percent compared to the prior year. Solid Waste expenses increased slightly from \$1.86 million to \$1.9 million or \$43,577 or 2.3 percent. Golf Course expenses also increased slightly from \$744,913 in 2004 to \$760,694 in 2005, an increase of \$15,781 or 2.12 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 \$6.65 million, a decrease of \$58,815 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, 2005, unreserved fund balance of the General Fund was \$2.9 million, while total fund balance reached \$3.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27.54 percent of total General Fund expenditures, while total fund balance represents 29.35 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 \$2,364,952 an increase of \$1.395 million or 144 percent, the Solid Waste Fund was \$73,064. Unrestricted net assets for the Golf Course Fund increased from prior year's \$9,923 to \$96,162 in 2005 and increase of 869 percent. The total increase (decrease) in net assets for the three funds was \$1,135,418, \$179,468, and \$127,910, respectively. Total operating revenues in fiscal year 2004-05 were \$11.2 million an increase of 10 percent over September 2004. Total operating expenses totaled \$7.77 million an increase of \$467,894 or 6.41 percent. Total operating income was \$3.5 million, an increase of 18.93 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 required in this report; however, numerous budget comparisons presented in this statement compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see pages 33-34 for more information on budget policies). An amendment to the City's General Fund budget totaling \$34,841 occurred at fiscal year end with council approval.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2005, the City has \$55.2 million invested in various capital assets, net of accumulated depreciation. Of the \$55.2 million, \$13.1 million is invested in governmental activities and \$42.1 million is invested in business-type activities. Compared to last year, total capital assets increased \$2.4 million or 4.5 percent. Capital assets in Governmental Activities increased \$682,788 or 5.5 percent from the prior year. The largest increase can be identified within the facilities line item with an increase of \$588,247 or 25.59 percent from prior year. Significant increases also took place in vehicles and construction in progress. Capital assets in Business-type Activities saw an overall increase of \$1.7 million or 4.21 percent.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2005. 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>	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,355,201	\$ 1,355,201	\$ 850,686	\$ 850,686	\$ 2,205,887	\$ 2,205,887
Buildings	3,962,362	4,212,256	255,841	267,805	4,218,203	4,480,061
Furniture	145,656	177,308	18,165	17,022	163,821	194,330
Vehicles	391,490	343,285	766,555	957,379	1,158,045	1,300,664
Equipment	2,371,688	2,376,359	1,592,653	1,668,761	3,964,341	4,045,120
Facilities	2,887,297	2,299,050	31,864,542	32,263,714	34,751,839	34,562,764
Construction in progress	2,011,960	1,679,407	6,780,315	4,399,329	8,792,275	6,078,736
Total	\$ 13,125,654	\$ 12,442,866	\$ 42,128,757	\$ 40,424,696	\$ 55,254,411	\$ 52,867,562

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, 2005. Further details can be found in Note IV-G on pages .

Outstanding Debt
General Obligation Bonds and Tax/Revenue Certificates of Obligation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
General obligation	\$ 3,090,000	\$ 3,420,000	\$ 5,450,000	\$ 5,955,000	\$ 8,540,000	\$ 9,375,000
Tax/Revenue certificates of obligation	6,990,000	7,295,000	20,000,000	20,805,000	26,990,000	28,100,000
Total	\$ 10,080,000	\$ 10,715,000	\$ 25,450,000	\$ 26,760,000	\$ 35,530,000	\$ 37,475,000

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, 2005

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 2005-06 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 5.4 percent, which is a slight increase from a rate of 5.3 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 2004-05, recorded an increase of 260 permits or 28 percent. The value of the permits issued in FY 2004-05 was \$53,956,123, an increase of \$22,536,868 or 71.7 percent.

All of these factors were considered in preparing the City's budget for Fiscal Year 2005-06. The budget for the 2005-06 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 2005-06.
- 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 2005-06 fiscal year was estimated by the appraisal district to grow by 8.78 percent.
- Employee benefits remain intact with moderate adjustments.
- Included essential capital outlay expenditures.

The ad valorem tax rate did not change in fiscal year 2005-06 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, 2005

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 7,209,393	\$ 1,935,362	\$ 9,144,755	\$ 1,599,971
Receivables (net of allowances for uncollectibles):				
Accounts	91,177	-	91,177	-
Taxes	129,404	-	129,404	-
Ambulance fees	283,024	-	283,024	-
Assessments	23,829	-	23,829	-
Utility accounts	-	1,324,149	1,324,149	-
Miscellaneous	83,719	603	84,322	-
Grants	-	-	-	-
Due from other funds	1,834	115,900	117,734	-
Inventory	68,732	43,645	112,377	-
Prepaid expenditures	63,674	38,360	102,034	-
Notes receivable	74,000	-	74,000	-
Restricted cash and cash equivalents	-	4,545,893	4,545,893	880,000
Restricted deferred bond issuance costs	70,448	657,586	728,034	-
Unamortized bond discount	18,071	-	18,071	-
Capital assets:				
Non-depreciable	3,367,161	7,631,001	10,998,162	906,818
Depreciable (net)	9,758,493	34,497,756	44,256,249	753,437
Total Assets	<u>\$ 21,242,959</u>	<u>\$ 50,790,255</u>	<u>\$ 72,033,214</u>	<u>\$ 4,140,226</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 208,931	\$ 166,469	\$ 375,400	\$ 8,995
Retainage payable	4,979	5,000	9,979	-
Customer meter deposits	-	254,613	254,613	-
Due to other funds	115,900	1,834	117,734	-
Due to other governmental agencies	96,153	-	96,153	-
Deferred revenue	139,714	-	139,714	-
Other accrued items	327,107	94,509	421,616	-
Landfill costs payable	-	19,500	19,500	-
Other liabilities	69,714	128,470	198,184	-
Capital leases - due within one year	133,690	338,234	471,924	-
Restricted - bonds payable current	661,555	1,370,000	2,031,555	30,000
Restricted - accounts payable	-	163,974	163,974	-
Restricted - accrued interest	55,539	187,106	242,645	6,578
Compensated absences payable	498,199	205,303	703,502	-
Capital leases	184,086	657,835	841,921	-
Long-term debt	9,446,048	24,116,854	33,562,902	850,000
Future landfill costs	-	448,500	448,500	-
Total Liabilities	<u>11,941,615</u>	<u>28,158,201</u>	<u>40,099,816</u>	<u>895,573</u>
Net Assets:				
Investment in capital assets (net of related debt)	2,647,484	19,448,721	22,096,205	1,660,255
Restricted for:				
Debt Service	129,781	571,000	700,781	-
Capital Projects	1,700,723	78,155	1,778,878	-
Unrestricted	4,823,357	2,534,178	7,357,535	1,584,398
Total Net Assets	<u>\$ 9,301,345</u>	<u>\$ 22,632,054</u>	<u>\$ 31,933,399</u>	<u>\$ 3,244,653</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, 2005**

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	1,977,274	\$ 324,440	\$ -	\$ -	\$ (1,652,834)	\$ -	\$ (1,652,834)	\$ -
Community Services	1,802,034	825,813	587,572	-	(388,649)	-	(388,649)	-
Fleet and Facility Maintenance	354,464	-	-	-	(354,464)	-	(354,464)	-
Highways and Streets	877,655	754,729	-	-	(122,926)	-	(122,926)	-
Public Safety	6,770,603	1,026,549	112,235	-	(5,631,819)	-	(5,631,819)	-
Interest on Long-term Debt	364,607	-	-	-	(364,607)	-	(364,607)	-
Total governmental activities:	<u>12,146,637</u>	<u>2,931,531</u>	<u>699,807</u>	<u>-</u>	<u>(8,515,299)</u>	<u>-</u>	<u>(8,515,299)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	6,416,373	8,084,493	-	-	-	1,668,120	1,668,120	-
Solid Waste	1,906,728	2,430,997	-	-	-	524,269	524,269	-
Golf Course	760,694	707,654	-	-	-	(53,040)	(53,040)	-
Total business-type activities:	<u>9,083,795</u>	<u>11,223,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,139,349</u>	<u>2,139,349</u>	<u>-</u>
Total Primary Government	<u>\$ 21,230,432</u>	<u>\$ 14,154,675</u>	<u>\$ 699,807</u>	<u>\$ -</u>	<u>(8,515,299)</u>	<u>2,139,349</u>	<u>(6,375,950)</u>	<u>-</u>
COMPONENT UNIT								
Economic Development	\$ 612,460	\$ 100	\$ -	\$ -	-	-	-	(612,360)
Total Component Unit	<u>\$ 612,460</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(612,360)</u>
General revenues:								
Ad valorem taxes					5,484,539	-	5,484,539	-
Penalties and interest					42,837	-	42,837	-
Beverage taxes					14,724	-	14,724	-
Franchise taxes					1,111,332	-	1,111,332	-
City sales taxes					2,034,195	-	2,034,195	950,027
Bingo taxes					71,964	-	71,964	-
Contributions					-	-	-	429,558
Unrestricted investment earnings					206,744	200,849	5,895	61,253
Transfers					897,402	(897,402)	1,794,804	-
Total general revenues					<u>9,863,737</u>	<u>(696,553)</u>	<u>10,560,290</u>	<u>1,440,838</u>
Change in net assets					1,348,438	1,442,796	2,791,234	828,478
Net assets - beginning					7,952,907	21,189,258	29,142,165	2,416,175
Net assets - ending					<u>\$ 9,301,345</u>	<u>\$ 22,632,054</u>	<u>\$ 31,933,399</u>	<u>\$ 3,244,653</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2005**

EXHIBIT A-3

	General Fund	2003 Capital Imp CO Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,425,027	\$ 1,829,958	\$ 1,954,409	\$ 7,209,394
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	91,177	91,177
Taxes	106,483	-	22,921	129,404
Ambulance fees	283,024	-	-	283,024
Assessments	23,829	-	-	23,829
Miscellaneous	83,719	-	-	83,719
Due from other funds	225,594	-	21,169	246,763
Inventory	68,280	-	452	68,732
Prepaid expenditures	63,674	-	-	63,674
Notes receivable	-	-	74,000	74,000
	<u>\$ 4,279,630</u>	<u>\$ 1,829,958</u>	<u>\$ 2,164,128</u>	<u>\$ 8,273,716</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 124,443	\$ 60,731	\$ 23,757	\$ 208,931
Retainage payable	3,323	1,656	-	4,979
Due to other funds	19,335	66,801	274,693	360,829
Due to other governmental agencies	96,153	-	-	96,153
Deferred revenue	529,221	-	22,921	552,142
Other accrued items	304,094	47	22,966	327,107
Other liabilities	69,714	-	-	69,714
	<u>1,146,283</u>	<u>129,235</u>	<u>344,337</u>	<u>1,619,855</u>
Fund Balances:				
Reserved for debt services	-	-	129,781	129,781
Reserved for capital projects	-	1,700,723	-	1,700,723
Reserved for encumbrances	60,697	-	226,636	287,333
Reserved for inventory and prepaid expenditures	131,954	-	452	132,406
Unreserved, designated for contingencies	1,000,000	-	-	1,000,000
Unreserved, undesignated	1,940,696	-	-	1,940,696
Unreserved, undesignated special revenue funds	-	-	1,085,112	1,085,112
Unreserved, undesignated capital projects funds	-	-	377,810	377,810
	<u>3,133,347</u>	<u>1,700,723</u>	<u>1,819,791</u>	<u>6,653,861</u>
Total Liabilities and Fund Balance:	<u>\$ 4,279,630</u>	<u>\$ 1,829,958</u>	<u>\$ 2,164,128</u>	<u>\$ 8,273,716</u>

The accompanying notes are an integral part of this statement.

CITY OF COPPERAS COVE, TEXAS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

EXHIBIT A-4

Total fund balances - governmental funds balance sheet	\$ 6,653,861
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.	13,125,654
Long-term liabilities, including bonds payable (net of unamortized costs), are not due and payable in the current period and, therefore, are not reported in the funds.	(10,961,046)
Other long-term assets/liabilities are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>482,876</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 9,301,345</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, 2005**

EXHIBIT A-5

	General Fund	2003 Capital Imp CO Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,654,530	\$ -	\$ 1,092,787	\$ 8,747,317
Licenses	47,858	-	-	47,858
Permits	181,123	-	-	181,123
City services provided	574,041	-	912,219	1,486,260
Fines	683,799	-	50,031	733,830
Interest	105,695	52,194	48,855	206,744
Sale of plots	-	-	13,900	13,900
Miscellaneous	173,020	-	39,353	212,373
Intergovernmental	314,466	-	466,560	781,026
Contributions	-	-	126,549	126,549
Total Revenues	9,734,532	52,194	2,750,254	12,536,980
EXPENDITURES				
Current:				
General government	1,841,329	1,620	6,728	1,849,677
Community services	1,176,729	-	253,242	1,429,971
Fleet and facility services	341,005	-	-	341,005
Highways and streets	488,492	-	222,803	711,295
Public safety	6,284,241	-	49,209	6,333,450
Capital outlay	544,773	403,862	922,191	1,870,826
Debt service:				
Principal retirement	-	-	640,000	640,000
Interest and fiscal charges	-	-	508,259	508,259
Total Expenditures	10,676,569	405,482	2,602,432	13,684,483
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(942,037)	(353,288)	147,822	(1,147,503)
OTHER FINANCING SOURCES (USES)				
Other Financing Sources	191,286	-	-	191,286
Transfers in	1,175,000	-	19,335	1,194,335
Transfers (out)	(84,335)	(2,101)	(210,497)	(296,933)
Total Other Financing Sources (Uses)	1,281,951	(2,101)	(191,162)	1,088,688
NET CHANGES IN FUND BALANCES	339,914	(355,389)	(43,340)	(58,815)
FUND BALANCES, BEGINNING OF YEAR	2,793,433	2,056,112	1,863,131	6,712,676
FUND BALANCES, END OF YEAR	\$ 3,133,347	\$ 1,700,723	\$ 1,819,791	\$ 6,653,861

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, 2005**

EXHIBIT A-6

Net change in fund balances - total governmental funds	\$ (58,815)
<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>	682,788
<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>	598,793
<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>	64,979
<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>60,693</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ 1,348,438</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, 2005**

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	\$ 1,429,798	\$ 411,720	\$ 93,844	\$ 1,935,362
Accounts receivable				
Billed utility	933,538	346,746	-	1,280,284
Unbilled utility	598,379	160,798	-	759,177
Other	-	-	603	603
Allowance for uncollectible	(540,021)	(175,291)	-	(715,312)
Due from other funds	115,900	3,817	-	119,717
Inventory	-	-	43,645	43,645
Prepaid expenditures	15,761	20,601	1,998	38,360
Restricted cash and cash equivalents	4,545,893	-	-	4,545,893
<u>Noncurrent Assets</u>				
Restricted deferred bond issuance costs	648,998	4,294	4,294	657,586
Property and Equipment:				
Land	345,933	204,753	300,000	850,686
Buildings	281,071	29,593	165,135	475,799
Furniture and fixtures	34,915	-	-	34,915
Vehicles	1,036,143	1,759,183	-	2,795,326
Equipment	1,805,117	1,134,842	602,402	3,542,361
Facilities	51,252,168	2,990,575	1,215,225	55,457,968
Construction in progress	6,780,315	-	-	6,780,315
Less: Accumulated depreciation	(25,009,972)	(2,329,102)	(469,539)	(27,808,613)
Net Property and Equipment	36,525,690	3,789,844	1,813,223	42,128,757
Total Assets	<u>\$ 44,273,936</u>	<u>\$ 4,562,529</u>	<u>\$ 1,957,607</u>	<u>\$ 50,794,072</u>
LIABILITIES AND NET ASSETS				
<u>Current Liabilities</u>				
Accounts payable	\$ 81,391	\$ 67,036	\$ 18,042	\$ 166,469
Customer meter deposits	254,613	-	-	254,613
Retainage payable	5,000	-	-	5,000
Due to other funds	5,651	-	-	5,651
Other accrued items	56,374	21,297	16,838	94,509
Capital leases	46,058	202,555	89,621	338,234
Landfill costs payable	-	19,500	-	19,500
Other liabilities	46,678	81,792	-	128,470
Restricted - accounts payable	163,974	-	-	163,974
Restricted - accrued interest	178,455	3,348	5,303	187,106
Restricted - long-term debt - current portion	1,180,000	125,000	65,000	1,370,000
<u>Noncurrent Liabilities</u>				
Compensated absences	145,565	46,396	13,342	205,303
Capital leases	21,417	526,440	109,978	657,835
Certificates of obligation (net of unamortized bond premium)	18,259,468	1,193	941,193	19,201,854
General obligation bonds (net of unamortized bond premium)	4,915,000	-	-	4,915,000
Future landfill costs	-	448,500	-	448,500
Total Liabilities	<u>25,359,644</u>	<u>1,543,057</u>	<u>1,259,317</u>	<u>28,162,018</u>
Net Assets:				
Investment in capital assets (net of related debt)	15,915,285	2,931,308	602,128	19,448,721
Restricted:				
Debt Service	555,900	15,100	-	571,000
Capital Projects	78,155	-	-	78,155
Unrestricted	2,364,952	73,064	96,162	2,534,178
Total Net Assets	<u>18,914,292</u>	<u>3,019,472</u>	<u>698,290</u>	<u>22,632,054</u>
Total Liabilities and Net Assets	<u>\$ 44,273,936</u>	<u>\$ 4,562,529</u>	<u>\$ 1,957,607</u>	<u>\$ 50,794,072</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, 2005

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	\$ 7,254,279	\$ 2,283,513	\$ 644,957	\$ 10,182,749
Contributions - developers	615,911	-	-	615,911
Miscellaneous	214,303	147,484	62,697	424,484
Total Operating Revenues	<u>8,084,493</u>	<u>2,430,997</u>	<u>707,654</u>	<u>11,223,144</u>
OPERATING EXPENSES				
Personnel services	1,478,482	588,041	403,325	2,469,848
Supplies and materials	1,356,696	105,622	45,770	1,508,088
Maintenance and repair	262,148	69,250	18,717	350,115
Services and charges	926,536	813,876	151,176	1,891,588
Depreciation	1,159,278	304,894	83,861	1,548,033
Total Operating Expenses	<u>5,183,140</u>	<u>1,881,683</u>	<u>702,849</u>	<u>7,767,672</u>
OPERATING INCOME (LOSS)	<u>2,901,353</u>	<u>549,314</u>	<u>4,805</u>	<u>3,455,472</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	193,197	7,199	453	200,849
Interest expense	(1,195,701)	(44,545)	(57,845)	(1,298,091)
Miscellaneous expense	(36,732)	-	-	(36,732)
Landfill closure and postclosure care costs estimate reduction	-	19,500	-	19,500
Bond agent fees	(800)	-	-	(800)
Total Nonoperating Revenues (Expenses)	<u>(1,040,036)</u>	<u>(17,846)</u>	<u>(57,392)</u>	<u>(1,115,274)</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>1,861,317</u>	<u>531,468</u>	<u>(52,587)</u>	<u>2,340,198</u>
OPERATING TRANSFERS IN (OUT)				
Transfers in	22,101	-	180,497	202,598
Transfers (out)	(748,000)	(352,000)	-	(1,100,000)
Total Operating Transfers	<u>(725,899)</u>	<u>(352,000)</u>	<u>180,497</u>	<u>(897,402)</u>
CHANGE IN NET ASSETS	1,135,418	179,468	127,910	1,442,796
NET ASSETS, BEGINNING OF YEAR	<u>17,778,874</u>	<u>2,840,004</u>	<u>570,380</u>	<u>21,189,258</u>
NET ASSETS, END OF YEAR	<u>\$ 18,914,292</u>	<u>\$ 3,019,472</u>	<u>\$ 698,290</u>	<u>\$ 22,632,054</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

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	\$ 7,181,977	\$ 2,293,259	\$ 688,358	\$ 10,163,594
Payments to suppliers	(3,344,673)	(871,640)	(213,808)	(4,430,121)
Payments to employees	(1,479,240)	(565,660)	(393,717)	(2,438,617)
Payments for interfund services used	-	-	(27,313)	(27,313)
Net Cash Provided by Operating Activities	<u>2,358,064</u>	<u>855,959</u>	<u>53,520</u>	<u>3,267,543</u>
Cash Flows from Investing Activities:				
Interest received	193,197	7,199	453	200,849
Net Cash Provided by Investing Activities	<u>193,197</u>	<u>7,199</u>	<u>453</u>	<u>200,849</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	22,101	-	180,497	202,598
Transfers (out)	(748,000)	(352,000)	-	(1,100,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(725,899)</u>	<u>(352,000)</u>	<u>180,497</u>	<u>(897,402)</u>
Cash Flows from Capital and Related Financing Activities:				
Principal paid on capital leases	(77,201)	(71,503)	(32,679)	(181,383)
Principal paid on long-term debt	(1,140,000)	(115,000)	(60,000)	(1,315,000)
Interest paid on capital leases	(3,250)	(31,651)	(2,800)	(37,701)
Interest paid on long-term debt	(1,170,659)	(13,200)	(55,497)	(1,239,356)
Acquisition of property and equipment	(2,568,223)	(18,604)	(4,636)	(2,591,463)
Bond issuance costs	53,230	311	311	53,852
Payment of bond agent fees	(800)	-	-	(800)
Net Cash Provided (Used) Capital & Related Financing Activities	<u>(4,906,903)</u>	<u>(249,647)</u>	<u>(155,301)</u>	<u>(5,311,851)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,081,541)	261,511	79,169	(2,740,861)
Cash and Cash Equivalents, Beginning of Year	9,057,232	150,209	14,675	9,222,116
Cash and Cash Equivalents, End of Year	<u>\$ 5,975,691</u>	<u>\$ 411,720</u>	<u>\$ 93,844</u>	<u>\$ 6,481,255</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 2,901,353	\$ 549,314	\$ 4,805	\$ 3,455,472
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,159,278	304,894	83,861	1,548,033
Decrease (increase) in assets:				
Accounts receivable	(220,316)	(46,488)	(40)	(266,844)
Inventory	-	-	(10,663)	(10,663)
Prepaid expenditures	(6,300)	(17,835)	3,444	(20,691)
Increase (decrease) in liabilities:				
Accounts payable	(480,762)	66,951	5,094	(408,717)
Retainage payable	(412,879)	-	-	(412,879)
Accrued interest	(8,328)	(306)	(452)	(9,086)
Due to other funds	-	-	(27,313)	(27,313)
Other accrued liabilities	11,147	6,706	4,392	22,245
Other liabilities	2,971	15,104	-	18,075
Vacation and sick leave payable	758	(22,381)	(9,608)	(31,231)
Customer deposits	27,053	-	-	27,053
Developers contributions	(615,911)	-	-	(615,911)
Total adjustments	<u>(543,289)</u>	<u>306,645</u>	<u>48,715</u>	<u>(187,929)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,358,064</u>	<u>\$ 855,959</u>	<u>\$ 53,520</u>	<u>\$ 3,267,543</u>
Supplemental Disclosure Non-Cash Transactions				
Water/Sewer system	615,911	-	-	615,911
Developer contributions	(615,911)	-	-	(615,911)
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	-	-	147,884	147,884
Capital lease additions	-	-	(147,884)	(147,884)
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 (continued)
SEPTEMBER 30, 2005

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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 Unit. The component unit column in the government-wide financial statements includes the financial data of the City's component unit, the Copperas Cove Economic Development Corporation (CCEDC). It is reported in a separate column to emphasize that it is legally separate from the City. The Board of Directors of the component unit is appointed by the City Council. The organization is fiscally dependent on the City 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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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

government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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

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 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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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

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.

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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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

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.

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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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

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.

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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

the borrowing until completion of the project, is offset by interest earned on invested proceeds over the same period.

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, 2005

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 \$10,961,046 difference are as follows:

Note Payable	\$ (27,603)
General Obligation bonds payable	(3,090,000)
Certificates of Obligation bonds payable	(6,990,000)
Less: Issuance discount (to be amortized as interest expense)	18,071
Accrued interest payable	(55,539)
Capitalized leases payable	(317,776)
Compensated absences	<u>(498,199)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (10,961,046)</u></u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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 \$682,788 difference are as follows:

Capital outlay	\$ 1,914,052
Depreciation expense	<u>(1,231,264)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 682,788</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 \$598,793 difference are as follows:

Capital lease commitments	\$ (191,286)
Principal repayments:	
General obligation debt	330,000
Notes Payable	305,000
Certificate of obligation debt	1,517
Capital leases	<u>153,562</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 598,793</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 \$64,979 difference are as follows:

Compensated absences	\$ 75,336
Accrued Interest	13,554
Amortization of bond discount	(19,981)
Amortization of bond issuance costs	<u>(3,930)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 64,979</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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 for the Texas Community Development Loan Fund and the Coryell County Mutual Aid 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, 2005

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, 2005, the City's actual total expenditures by function exceed budgeted amounts in the following department:

	Appropriation	Over Appropriations	Number
Fleet and Facility Services	364,395	823	1
Public Safety	6,419,178	38,445	1
Transfers out	65,000	19,335	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 \$1,332,108 and the bank balance was \$1,690,949. Of the \$1,690,949 bank balance as of September 30, 2005, the entire balance was 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 \$2,479,970 and the bank balance was \$2,500,238. 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.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

A. Deposits and Investments (continued)

District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s policy regarding types of deposits allowed and collateral requirements are mentioned in the previous paragraphs. As noted above, the City is not exposed to custodial credit risk for its deposits as all are covered by FDIC insurance and pledged securities held in the name of the City.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investments that are held by an outside party are fully insured and backed by the U.S. Government and, registered in the name of the City. Therefore, the City is not exposed to custodial credit risk.

Interest Rate Risk – Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The allowed stated maturity of any individual investment owned by the City shall not exceed two years from the time of purchase. Limiting investment maturities are the City’s means for limiting its exposure to fair value losses arising from interest rate increases.

Concentration Risk – Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. All of the City’s investments are invested in an external investment pool and therefore, not exposed to concentration risk.

The City's investments at September 30, 2005, are shown below:

Name	Market Value
State Operated Pools:	
TexPool	\$ 7,337,584
TexStar	5,013,169
	\$ 12,350,753
Total	\$ 12,350,753

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

A. Deposits and Investments (continued)

The City uses the following external investment pools:

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.

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

B. Property Taxes (continued)

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, 2005 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	\$ 106,483				\$ 22,921	\$ 129,404
Ambulance fees	283,024					283,024
Assessments	23,829					23,829
Utility accounts	-	1,531,917	507,544			2,039,461
Miscellaneous	83,719			603	91,177	175,499
Grants	-					-
Notes	-				74,000	74,000
Gross Receivables	497,055	1,531,917	507,544	603	188,098	2,725,217
Less: Allowance for Uncollectibles	-	(540,021)	(175,291)	-	-	(715,312)
Net Total Receivables	<u>\$ 497,055</u>	<u>\$ 991,896</u>	<u>\$ 332,253</u>	<u>\$ 603</u>	<u>\$ 188,098</u>	<u>\$ 2,009,905</u>

The Enterprise Fund accounts receivable include unbilled charges for services rendered at September 30, 2005.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

D. Capital Assets

Capital asset activity for the year ended September 30, 2005 was as follows:

Primary Government

	Balance 09/30/04	Additions	Deletions	Balance 9/30/2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,355,201	\$ -	\$ -	\$ 1,355,201
Construction in progress	1,679,407	332,553	-	2,011,960
Total capital assets, not being depreciated	<u>3,034,608</u>	<u>332,553</u>	<u>-</u>	<u>3,367,161</u>
Capital assets, being depreciated:				
Buildings / Improvements	6,942,216	-	-	6,942,216
Facilities	3,007,680	734,318	-	3,741,998
Furniture and fixtures	593,889	1,290	169	595,010
Vehicles	2,286,712	250,626	28,300	2,509,038
Equipment	4,339,626	595,265	7,209	4,927,682
Total capital assets being depreciated	<u>17,170,123</u>	<u>1,581,499</u>	<u>35,678</u>	<u>18,715,944</u>
Less accumulated depreciation for:				
Buildings / Improvements	2,729,960	249,894	-	2,979,854
Facilities	708,630	146,071	-	854,701
Furniture and fixtures	416,581	32,942	169	449,354
Vehicles	1,943,427	202,421	28,300	2,117,548
Equipment	1,963,267	599,936	7,209	2,555,994
Total accumulated depreciation	<u>7,761,865</u>	<u>1,231,264</u>	<u>35,678</u>	<u>8,957,451</u>
Total capital assets, being depreciated, net	<u>9,408,258</u>	<u>350,235</u>	<u>-</u>	<u>9,758,493</u>
Governmental activities capital assets, net	<u>\$ 12,442,866</u>	<u>\$ 682,788</u>	<u>\$ -</u>	<u>\$ 13,125,654</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

D. Capital Assets (continued)

	Balance 9/30/2004	Additions	Deletions	Balance 9/30/2005
Water and Sewer activities:				
Capital assets, not being depreciated:				
Land	\$ 345,933	\$ -	\$ -	\$ 345,933
Construction in progress	4,399,329	2,380,986	-	6,780,315
Total capital assets, not being depreciated	4,745,262	2,380,986	-	\$ 7,126,248
Capital assets, being depreciated:				
Buildings	278,079	2,992	-	281,071
Furniture and fixtures	31,067	3,848	-	34,915
Vehicles	1,036,143	-	-	1,036,143
Equipment	1,765,234	40,983	1,100	1,805,117
Facilities	50,600,593	651,575	-	51,252,168
Total capital assets, being depreciated	53,711,116	699,398	1,100	54,409,414
Less accumulated depreciation for:				
Buildings	139,092	9,899	-	148,991
Furniture and fixtures	14,045	2,705	-	16,750
Vehicles	929,831	38,963	-	968,794
Equipment	907,997	141,080	1,100	1,047,977
Facilities	21,860,829	966,631	-	22,827,460
Total accumulated depreciation	23,851,794	1,159,278	1,100	25,009,972
Total capital assets, being depreciated, net	29,859,322	(459,880)	-	29,399,442
Water and Sewer activities capital assets, net	\$ 34,604,584	\$ 1,921,106	\$ -	\$ 36,525,690
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	1,759,183	-	-	1,759,183
Equipment	1,116,249	18,824	231	1,134,842
Facilities	2,990,575	-	-	2,990,575
Total capital assets, being depreciated	5,895,600	18,824	231	5,914,193
Less accumulated depreciation for:				
Buildings	27,644	100	-	27,744
Vehicles	908,115	151,862	-	1,059,977
Equipment	546,607	93,120	231	639,496
Facilities	542,073	59,812	-	601,885
Total accumulated depreciation	2,024,439	304,894	231	2,329,102
Total capital assets, being depreciated, net	3,871,161	(286,070)	-	3,585,091
Solid Waste activities capital assets, net	\$ 4,075,914	\$ (286,070)	\$ -	\$ 3,789,844

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

D. Capital Assets (continued)

	Balance 9/30/2004	Additions	Deletions	Balance 9/30/2005
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	1,910	-	165,135
Equipment	451,925	150,976	499	602,402
Facilities	1,215,225	-	-	1,215,225
Total capital assets, being depreciated	1,830,375	152,886	499	1,982,762
Less accumulated depreciation for:				
Buildings	36,357	6,866	-	43,223
Equipment	210,043	52,691	499	262,235
Facilities	139,777	24,304	-	164,081
Total accumulated depreciation	386,177	83,861	499	469,539
Total capital assets, being depreciated, net	1,444,198	69,025	-	1,513,223
Golf Course activities capital assets, net	\$ 1,744,198	\$ 69,025	\$ -	\$ 1,813,223
	Balance 9/30/2004	Additions	Deletions	Balance 9/30/2005
Total Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 850,686	\$ -	\$ -	\$ 850,686
Construction in progress	4,399,329	2,380,986	-	6,780,315
Total capital assets, not being depreciated	5,250,015	2,380,986	-	7,631,001
Capital assets, being depreciated:				
Buildings	470,897	4,902	-	475,799
Furniture and fixtures	31,067	3,848	-	34,915
Vehicles	2,795,326	-	-	2,795,326
Equipment	3,333,408	210,783	1,830	3,542,361
Facilities	54,806,393	651,575	-	55,457,968
Total capital assets, being depreciated	61,437,091	871,108	1,830	62,306,369
Less accumulated depreciation for:				
Buildings	203,093	16,865	-	219,958
Furniture and fixtures	14,045	2,705	-	16,750
Vehicles	1,837,946	190,825	-	2,028,771
Equipment	1,664,647	286,891	1,830	1,949,708
Facilities	22,542,679	1,050,747	-	23,593,426
Total accumulated depreciation	26,262,410	1,548,033	1,830	27,808,613
Total capital assets, being depreciated, net	35,174,681	(676,925)	-	34,497,756
Business-type activities capital assets, net	\$ 40,424,696	\$ 1,704,061	\$ -	\$ 42,128,757

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

D. Capital Assets (continued)

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

Governmental activities:	
General Government	\$ 141,512
Public Safety	498,963
Community Service	395,261
Highways and Streets	181,438
Fleet Maintenance	14,090
	<u>\$ 1,231,264</u>
Total depreciation expense-governmental activities	
Business-type activities:	
Water and Sewer	\$ 1,159,278
Solid Waste	304,894
Golf Course	83,861
	<u>\$ 1,548,033</u>

Discretely presented component unit

Activity for the Economic Development Corporation (EDC) for the year ended September 30, 2005, was as follows:

	Balance 9/30/2004	Additions	Deletions	Balance 9/30/2005
Capital assets, not being depreciated:				
Land	\$ 477,260	\$ 429,558	\$ -	\$ 906,818
Total capital assets, not being depreciated	<u>477,260</u>	<u>429,558</u>	<u>-</u>	<u>906,818</u>
Capital assets, being depreciated:				
Buildings	879,349	-	-	879,349
Equipment	84,855	5,802	-	90,657
Total capital assets, being depreciated	<u>964,204</u>	<u>5,802</u>	<u>-</u>	<u>970,006</u>
Less accumulated depreciation for:				
Buildings	51,913	35,174	-	87,087
Equipment	120,150	9,332	-	129,482
Total accumulated depreciation	<u>172,063</u>	<u>44,506</u>	<u>-</u>	<u>216,569</u>
Total capital assets, being depreciated, net	<u>792,141</u>	<u>(38,704)</u>	<u>-</u>	<u>753,437</u>
EDC capital assets, net	<u>\$ 1,269,401</u>	<u>\$ 390,854</u>	<u>\$ -</u>	<u>\$ 1,660,255</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

E. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2005 is as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund:		
2003 Capital Imp CO Fund	\$ 66,801	\$ -
Non-Major Governmental Funds	158,793	19,335
Total General Fund	225,594	19,335
2003 Capital Imp CO Fund:		
General Fund	-	66,801
Total 2003 Capital Imp CO Fund	-	66,801
Non-Major Governmental Funds		
General Fund	19,335	158,793
Water and Sewer Fund	1,834	115,900
Total Non-Major Governmental Funds	21,169	274,693
Water and Sewer Fund		
Solid Waste Fund	-	3,817
Non-Major Governmental Funds	115,900	1,834
Total Water and Sewer Fund	115,900	5,651
Solid Waste Fund		
Water and Sewer Fund	3,817	-
Total Solid Waste Fund	3,817	-
 Total	 \$ 366,480	 \$ 366,480

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

E. Interfund Receivables, Payables, and Transfers (continued)

Operating transfers during the year ended September 30, 2005 were:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities:		
General Fund	\$ 1,175,000	\$ 84,335
2003 Capital Imp CO Fund	-	2,101
Non-Major governmental activities	19,335	210,497
Business-type Activities:		
Water and Sewer	22,101	748,000
Solid Waste	-	352,000
Golf Course	180,497	-
Total	<u><u>\$ 1,396,933</u></u>	<u><u>\$ 1,396,933</u></u>

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, 2005.

	Governmental Funds	Proprietary Funds
Asset:		
Machinery and Equipment	\$ 606,402	\$ 1,692,354
Less: Accumulated Depreciation	157,820	432,081
Total	<u><u>\$ 448,582</u></u>	<u><u>\$ 1,260,273</u></u>

The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at September 30, 2005.

Year Ending September 30,	Governmental Funds	Proprietary Funds
2006	\$ 133,690	\$ 338,234
2007	79,301	247,047
2008	44,072	187,111
2009	44,072	182,955
2010	36,709	110,646
2011 and thereafter	1,832	-
Total minimum lease payments	<u>339,676</u>	<u>1,065,993</u>
Less amount representing interest	21,900	69,924
Present value of future minimum lease payments	<u><u>\$ 317,776</u></u>	<u><u>\$ 996,069</u></u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

G. Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2005 is as follows:

	Balance 09/30/04	Additions	Deletions	Balance 09/30/05	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 3,420,000	\$ -	\$ 330,000	\$ 3,090,000	\$ 340,000
Notes Payable	29,120	-	1,517	27,603	1,555
Tax/Revenue certificates of obligation	7,295,000	-	305,000	6,990,000	320,000
Unamortized bond issue costs	(74,378)	-	(3,930)	(70,448)	-
Unamortized bond (discount)	(19,026)	-	(955)	(18,071)	-
Total bonds payable	10,650,716	-	631,632	10,019,084	661,555
Compensated absences	573,535	-	75,336	498,199	-
Capitalized leases	280,052	191,286	153,562	317,776	133,690
Governmental activity long-term debt	<u>\$ 11,504,303</u>	<u>\$ 191,286</u>	<u>\$ 860,530</u>	<u>\$ 10,835,059</u>	<u>\$ 795,245</u>
Business Type Activities					
General obligation bonds	5,955,000	-	505,000	5,450,000	520,000
Tax/Revenue certificates of obligation	20,805,000	-	805,000	20,000,000	850,000
Unamortized bond premium	88,243	-	9,554	78,689	-
Unamortized bond (discount)	(44,355)	-	(2,520)	(41,835)	-
Total bonds payable	26,803,888	-	1,317,034	25,486,854	1,370,000
Future landfill costs	487,500	-	19,500	468,000	19,500
Compensated absences	236,534	-	31,231	205,303	-
Capitalized leases	1,029,568	147,884	181,383	996,069	338,234
Business - type activity long-term debt	<u>\$ 28,557,490</u>	<u>\$ 147,884</u>	<u>\$ 1,549,148</u>	<u>\$ 27,156,226</u>	<u>\$ 1,727,734</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.

Long-term debt at September 30, 2005, includes the following individual issues (not including the unamortized premium of \$ 78,869 and unamortized discount of \$ 41,835 of the Water & Sewer Tax and Revenue Certificates of Obligation):

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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	\$ 615,000	\$ 885,000
1998 Various purpose	3.70 - 4.50	09-01-98	08-15-13	1,000,000	401,333	598,667
1998 Refunding	3.70 - 4.50	09-01-98	08-15-12	2,750,000	1,143,667	1,606,333
Note payable	2.50	11-14-00	09-01-20	35,000	7,397	27,603
Tax/Revenue Certificates of Obligation:						
1997 Various purpose	4.10 - 5.35	03-01-97	08-15-12	2,010,000	1,045,000	965,000
1999 Various purpose	3.75 - 5.40	09-07-99	08-15-19	585,000	250,000	335,000
2001 Various purpose	3.00 - 5.25	06-15-01	08-15-21	1,915,000	295,000	1,620,000
2003 Various purpose	2.00 - 5.00	08-05-03	09-30-23	4,190,000	120,000	4,070,000
Total				<u>\$ 13,985,000</u>	<u>\$ 3,877,397</u>	<u>\$10,107,603</u>
Proprietary Funds						
General Obligation Bond:						
2001A Refunding	4.00 - 4.50	06-15-01	08-15-09	\$ 1,845,000	\$ 835,000	\$ 1,010,000
2003A Refunding	2.00 - 5.00	08-05-03	09-30-23	4,720,000	280,000	4,440,000
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	240,000	760,000
1999 Various purpose	3.75 - 5.40	09-07-99	08-15-19	6,035,000	1,895,000	4,140,000
2001 Various purpose	4.00 - 5.25	06-15-01	08-15-21	6,485,000	845,000	5,640,000
2003 Improvements	2.00 - 5.00	08-05-03	09-30-23	9,820,000	360,000	9,460,000
Total				<u>\$ 33,770,000</u>	<u>\$ 8,320,000</u>	<u>\$25,450,000</u>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$9,175,000. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

On October 6, 1998, the City issued \$2,750,000 in General Obligation Refunding Bonds with an average interest rate of 4.16 percent to refund \$2,750,000 of outstanding 1993 Series Drainage 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, 2005, the outstanding maturities on the refunded debt were \$1,875,000.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

G. Long-Term Debt (continued)

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

On June 15, 2001, the City issued \$1,845,000 in General Obligation Refunding Bonds with an average interest rate of 4.19 percent to refund \$2,245,000 of outstanding Waterworks and Sewer System Revenue Bonds, Series 1989. The net proceeds of \$2,306,738 (after payment of \$49,134 in underwriting fees, insurance, accrued interest and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed. As of September 30, 2005, the outstanding maturities on the refunded debt were \$1,135,000.

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, 2005 the outstanding maturities on the refunded debt were \$665,000 for the Series 1993 and \$4,085,000 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:

Year Ending <u>September 30,</u>	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	420,000	77,418	630,000	139,475
2011-2015	1,195,000	119,533	2,650,000	288,100
2016-2020	-	-	-	-
2021-2024	-	-	-	-
Total	<u>\$ 3,090,000</u>	<u>\$ 678,413</u>	<u>\$ 5,450,000</u>	<u>\$ 1,190,505</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

G. Long-Term Debt (continued)

Note Payable

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2006	\$ 1,555	\$ 690
2007	1,594	651
2008	1,634	611
2009	1,675	571
2010	1,716	529
2011-2015	9,242	1,983
2016-2020	10,187	760
2021-2024	-	-
Total	<u>\$ 27,603</u>	<u>\$ 5,795</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, 2005, 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:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 320,000	\$ 329,130	\$ 850,000	\$ 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	345,000	272,645	820,000	829,994
2011-2015	1,760,000	1,119,470	5,235,000	3,538,067
2016-2020	2,400,000	624,398	7,510,000	1,954,168
2021-2024	1,220,000	105,538	3,220,000	310,250
Total	<u>\$ 6,990,000</u>	<u>\$ 3,356,214</u>	<u>\$ 20,000,000</u>	<u>\$ 10,301,549</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

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, 2005. At year-end the City’s commitments with contractors are as follows:

	<u>Contract Amount</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Water and Sewer	\$ 8,600,925	\$ 3,126,944	\$ 5,473,981

C. Employee Benefits

1. Plan Description

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

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

C. Employee Benefits (continued)

would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit Rate:	6%
Matching Ratio (City to Employee):	2 to 1
A member is vested after:	5 years
Members can retire at certain ages, based on the years of services with the City. The Service Retirement Eligibilities for the City are:	5 years/age 60 or 20 years/any age

2. Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortized the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the City and the employee make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2004, valuation is effective for rates beginning January 2006).

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

C. Employee Benefits (continued)

Schedule of Actuarial Liabilities and Funding Progress			
	12/31/04	12/31/03	12/31/02
Actuarial Valuation Date	12/31/04	12/31/03	12/31/02
Actuarial Value of Assets	\$ 13,594,432	\$ 12,999,329	\$ 11,880,379
Actuarial Accrued Liability	\$ 15,864,075	\$ 15,199,038	\$ 13,458,416
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 2,269,643	\$ 2,199,709	\$ 1,578,037
Funded Ratio	85.7%	85.5%	88.3%
Annual covered Payroll	\$ 8,354,212	\$ 7,778,268	\$ 7,403,742
UAAL as a Percentage of Covered Payroll	27.2%	28.3%	21.3%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Required Contribution (ARC)	\$ 682,966	\$ 614,484	\$ 583,643
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
	682,966	614,484	583,643
Contributions Made	682,966	614,484	583,643
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 10,801 metered customers on their water and sewer systems at September 30, 2005. 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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2005

E. Municipal Solid Waste Landfill (continued)

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, 2005. The revised cost estimate was \$468,000. This revision resulted in recognition of a change in accounting estimate and a decrease in the landfill closure and post closure care costs liability of \$19,500. All estimated costs related to the landfill have been recognized. The City currently has 100 acres permitted for landfill use. Of this, 20 acres were previously filled under regulations prior to Subtitle "D". Currently, there are 32.45 acres in approved Subtitle "D" landfill space of which six acres have been prepared and two acres have been used. The remaining 47.55 acres can be designated for future landfill if the City chooses to do so once permitted for Subtitle "D" in accordance with 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 \$468,000. Prior to this estimate adjustment, the City had a total remaining landfill closure and post closure care costs liability in the Solid Waste Fund of \$487,500. 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, 2005.

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2005**

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	\$ 1,193,294	\$ 127,947	\$ 633,168	\$ 1,954,409
Receivables (net of allowances for uncollectibles):				
Accounts	91,177	-	-	91,177
Taxes	-	22,921	-	22,921
Due from other funds	-	1,834	19,335	21,169
Inventory	452	-	-	452
Notes receivable	74,000	-	-	74,000
Total Assets	<u>\$ 1,358,923</u>	<u>\$ 152,702</u>	<u>\$ 652,503</u>	<u>\$ 2,164,128</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 23,757	\$ -	\$ -	\$ 23,757
Due to other funds	-	-	274,693	274,693
Deferred revenue	-	22,921	-	22,921
Other accrued items	22,966	-	-	22,966
Total Liabilities	<u>46,723</u>	<u>22,921</u>	<u>274,693</u>	<u>344,337</u>
Fund Balances:				
Reserved:				
Debt service	-	129,781	-	129,781
Encumbrances	226,636	-	-	226,636
Inventory	452	-	-	452
Unreserved, undesignated	1,085,112	-	377,810	1,462,922
Total Fund Balances	<u>1,312,200</u>	<u>129,781</u>	<u>377,810</u>	<u>1,819,791</u>
Total Liabilities and Fund Balances	<u>\$ 1,358,923</u>	<u>\$ 152,702</u>	<u>\$ 652,503</u>	<u>\$ 2,164,128</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, 2005**

EXHIBIT B-2

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds (See Exhibit A-5)</u>
REVENUES				
Taxes	\$ 125,357	\$ 967,430	\$ -	\$ 1,092,787
Charges for services	912,219	-	-	912,219
Fines	50,031	-	-	50,031
Interest	22,743	15,549	10,563	48,855
Sale of plots	13,900	-	-	13,900
Miscellaneous	39,222	131	-	39,353
Intergovernmental	-	-	466,560	466,560
Contributions	126,549	-	-	126,549
	<u>1,290,021</u>	<u>983,110</u>	<u>477,123</u>	<u>2,750,254</u>
Total Revenues				
EXPENDITURES				
Current:				
General government	6,728	-	-	6,728
Community services	253,242	-	-	253,242
Highway and streets	222,803	-	-	222,803
Public safety	49,209	-	-	49,209
Capital outlay	344,848	-	577,343	922,191
Debt service:				
Principal retirement	210,000	430,000	-	640,000
Interest and fiscal charges	79,315	428,944	-	508,259
	<u>1,166,145</u>	<u>858,944</u>	<u>577,343</u>	<u>2,602,432</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>123,876</u>	<u>124,166</u>	<u>(100,220)</u>	<u>147,822</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	19,335	19,335
Transfers (out)	(95,000)	(115,497)	-	(210,497)
	<u>(95,000)</u>	<u>(115,497)</u>	<u>19,335</u>	<u>(191,162)</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	28,876	8,669	(80,885)	(43,340)
FUND BALANCES, BEGINNING OF YEAR	<u>1,283,324</u>	<u>121,112</u>	<u>458,695</u>	<u>1,863,131</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,312,200</u>	<u>\$ 129,781</u>	<u>\$ 377,810</u>	<u>\$ 1,819,791</u>

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2005**

ASSETS	<u>Joint Image Campaign</u>	<u>Texas Parks & Wildlife</u>	<u>Tobacco Grant</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit B-1)</u>
Cash and cash equivalents	\$ 7,854	\$ 23,107	\$ 1,707	\$ 1,193,294
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	-	91,177
Inventory	-	-	-	452
Notes receivable	-	-	-	74,000
	<u>7,854</u>	<u>23,107</u>	<u>1,707</u>	<u>1,358,923</u>
Total Assets	<u>\$ 7,854</u>	<u>\$ 23,107</u>	<u>\$ 1,707</u>	<u>\$ 1,358,923</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 3	\$ 23,757
Other accrued items	-	-	83	22,966
	<u>-</u>	<u>-</u>	<u>86</u>	<u>46,723</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>86</u>	<u>46,723</u>
Fund Balances:				
Reserved:				
Encumbrances	-	-	-	226,636
Inventory	-	-	-	452
Unreserved, undesignated	7,854	23,107	1,621	1,085,112
	<u>7,854</u>	<u>23,107</u>	<u>1,621</u>	<u>1,312,200</u>
Total Fund Balances	<u>7,854</u>	<u>23,107</u>	<u>1,621</u>	<u>1,312,200</u>
Total Liabilities and Fund Balances:	<u>\$ 7,854</u>	<u>\$ 23,107</u>	<u>\$ 1,707</u>	<u>\$ 1,358,923</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, 2005**

	Joint Image Campaign	Texas Parks & Wildlife	Tobacco Grant	Total Nonmajor Revenue Funds (See Exhibit B-2)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 125,357
Charges for services	-	-	-	912,219
Fines	-	-	-	50,031
Interest	15	-	-	22,743
Sale of plots	-	-	-	13,900
Miscellaneous	-	-	-	39,222
Contributions	31,500	94,287	565	126,549
Total Revenues	<u>31,515</u>	<u>94,287</u>	<u>565</u>	<u>1,290,021</u>
EXPENDITURES				
Current:				
General government	-	1,018	1,979	6,728
Community services	24,045	-	-	253,242
Highway and streets	-	-	-	222,803
Public safety	-	-	-	49,209
Capital outlay	-	70,162	-	344,848
Debt service:				
Principal retirement	-	-	-	210,000
Interest and fiscal charges	-	-	-	79,315
Total Expenditures	<u>24,045</u>	<u>71,180</u>	<u>1,979</u>	<u>1,166,145</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,470</u>	<u>23,107</u>	<u>(1,414)</u>	<u>123,876</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	-	(95,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,000)</u>
NET CHANGE IN FUND BALANCES	7,470	23,107	(1,414)	28,876
FUND BALANCES, BEGINNING OF YEAR	<u>384</u>	<u>-</u>	<u>3,035</u>	<u>1,283,324</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,854</u>	<u>\$ 23,107</u>	<u>\$ 1,621</u>	<u>\$ 1,312,200</u>

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2005**

ASSETS	1994 G.O. Bonds	1997 Combination Tax and Revenue Certificates of Obligation	1998 G.O. Bonds
Cash and cash equivalents	\$ 37,853	\$ 1,171	\$ 408
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 37,853</u>	<u>\$ 1,171</u>	<u>\$ 408</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Unreserved fund balances	<u>37,853</u>	<u>1,171</u>	<u>408</u>
Total Fund Balances	<u>37,853</u>	<u>1,171</u>	<u>408</u>
Total Liabilities and Fund Balances	<u>\$ 37,853</u>	<u>\$ 1,171</u>	<u>\$ 408</u>

1999 Combination Tax and Revenue Certificates of Obligation	2001 Combination Tax and Revenue Certificates of Obligation	2002 Economic Development Administration Grant	Total Nonmajor Capital Projects Funds (See Exhibit B-1)
214	\$ 338,164	\$ 255,358	\$ 633,168
-	-	19,335	19,335
<u>\$ 214</u>	<u>\$ 338,164</u>	<u>\$ 274,693</u>	<u>\$ 652,503</u>
-	-	\$ 274,693	\$ 274,693
-	-	274,693	274,693
214	338,164	-	377,810
214	338,164	-	377,810
<u>\$ 214</u>	<u>\$ 338,164</u>	<u>\$ 274,693</u>	<u>\$ 652,503</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, 2005**

	1994 G.O. Bonds	1997 Combination Tax and Revenue Certificates of Obligation	1998 G.O. Bonds
REVENUES			
Interest	\$ -	\$ 119	\$ 10
Grant revenues	-	-	-
Total Revenues	<u>-</u>	<u>119</u>	<u>10</u>
EXPENDITURES			
Capital outlay	-	4,346	-
Total Expenditures	<u>-</u>	<u>4,346</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(4,227)</u>	<u>10</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(4,227)	10
FUND BALANCES, BEGINNING OF YEAR	<u>37,853</u>	<u>5,398</u>	<u>398</u>
FUND BALANCES, END OF YEAR	<u>\$ 37,853</u>	<u>\$ 1,171</u>	<u>\$ 408</u>

EXHIBIT B-6

1999 Combination Tax and Revenue Certificates of Obligation	2001 Combination Tax and Revenue Certificates of Obligation	2002 Economic Development Administration Grant	Total Nonmajor Capital Projects Funds (See Exhibit B-2)
\$ 6	\$ 10,225	\$ 203	\$ 10,563
-	-	466,560	466,560
<u>6</u>	<u>10,225</u>	<u>466,763</u>	<u>477,123</u>
-	86,899	486,098	577,343
-	86,899	486,098	577,343
<u>6</u>	<u>(76,674)</u>	<u>(19,335)</u>	<u>(100,220)</u>
-	-	19,335	19,335
-	-	19,335	19,335
6	(76,674)	-	(80,885)
<u>208</u>	<u>414,838</u>	<u>-</u>	<u>458,695</u>
<u>\$ 214</u>	<u>\$ 338,164</u>	<u>\$ -</u>	<u>\$ 377,810</u>

**CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

EXHIBIT C-1

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 7,650,990	\$ 7,660,021	\$ 7,654,530	\$ (5,491)
Licenses	59,510	59,510	47,858	(11,652)
Permits	134,650	134,650	181,123	46,473
City services provided	550,500	550,500	574,041	23,541
Fines	806,400	788,400	683,799	(104,601)
Interest	41,000	41,000	105,695	64,695
Miscellaneous	173,940	173,940	173,020	(920)
Intergovernmental	101,240	133,835	314,496	180,661
Contributions	1,000	1,000	30	(970)
Total Revenues	<u>9,519,230</u>	<u>9,542,856</u>	<u>9,734,592</u>	<u>191,736</u>
EXPENDITURES				
Current:				
General government	1,808,737	1,880,243	1,866,492	13,751
Community services	1,245,670	1,215,717	1,214,250	1,467
Fleet and facility services	376,837	364,395	365,218	(823)
Highways and streets	820,069	787,884	565,020	222,864
Public safety	6,381,263	6,419,178	6,457,623	(38,445)
Total Expenditures	<u>10,632,576</u>	<u>10,667,417</u>	<u>10,468,603</u>	<u>198,814</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,113,346)</u>	<u>(1,124,561)</u>	<u>(734,011)</u>	<u>390,550</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,175,000	1,175,000	1,175,000	-
Transfers (out)	(45,500)	(65,000)	(84,335)	(19,335)
Total Other Financing Sources (Uses)	<u>1,129,500</u>	<u>1,110,000</u>	<u>1,090,665</u>	<u>(19,335)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 16,154</u>	<u>\$ (14,561)</u>	<u>356,654</u>	<u>\$ 371,215</u>
FUND BALANCE, BEGINNING OF YEAR			2,793,433	
CURRENT YEAR ENCUMBERANCES			60,697	
PRIOR YEAR ENCUMBERANCES			<u>(77,437)</u>	
ADJUSTED FUND BALANCE			<u>2,776,693</u>	
FUND BALANCE, END OF YEAR			<u>\$ 3,133,347</u>	

CITY OF COPPERAS COVE, TEXAS
MUNICIPAL COURT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2005

EXHIBIT C-10

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Fines	\$ 64,269	\$ 64,269	\$ 50,031
Interest	250	250	289
Total Revenues	<u>64,519</u>	<u>64,519</u>	<u>50,320</u>
EXPENDITURES			
Current:			
Public safety:			
Municipal court:			
Supplies and materials	-	4,446	3,693
Maintenance and repair	-	18,138	17,021
Services and charges	-	5,293	3,293
Total Municipal court	<u>-</u>	<u>27,877</u>	<u>24,007</u>
Capital Outlay:			
Public safety	<u>-</u>	<u>28,360</u>	<u>30,436</u>
Total Expenditures	<u>-</u>	<u>56,237</u>	<u>54,443</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>64,519</u>	<u>8,282</u>	<u>(4,123)</u>
FUND BALANCE, BEGINNING OF YEAR			178,702
CURRENT YEAR ENCUMBRANCES			-
PRIOR YEAR ENCUMBRANCES			<u>-</u>
ADJUSTED FUND BALANCE			<u>178,702</u>
FUND BALANCE, END OF YEAR			<u>\$ 174,579</u>

CITY OF COPPERAS COVE, TEXAS
MUNICIPAL COURT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2005

EXHIBIT C-10

Variance
Favorable
(Unfavorable)
\$ (14,238)
39
(14,199)

753
1,117
2,000
3,870

(2,076)

1,794

(12,405)

CITY OF COPPERAS COVE, TEXAS
 JOINT IMAGE CAMPAIGN
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 For the Year Ended September 30, 2005

EXHIBIT C-11

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Interest	\$ -	\$ -	\$ 15
Contributions	-	<u>30,000</u>	<u>31,500</u>
Total Revenues	<u>-</u>	<u>30,000</u>	<u>31,515</u>
EXPENDITURES			
Current:			
Community services	-	<u>30,000</u>	<u>24,045</u>
Total Community services	<u>-</u>	<u>30,000</u>	<u>24,045</u>
Total Expenditures	<u>-</u>	<u>30,000</u>	<u>24,045</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>7,470</u>
FUND BALANCE, BEGINNING OF YEAR			384
CURRENT YEAR ENCUMBRANCES			-
PRIOR YEAR ENCUMBRANCES			<u>-</u>
ADJUSTED FUND BALANCE			<u>384</u>
FUND BALANCE, END OF YEAR			<u>\$ 7,854</u>

CITY OF COPPERAS COVE, TEXAS
JOINT IMAGE CAMPAIGN
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2005

EXHIBIT C-11

Variance Favorable (Unfavorable)	
\$ 15	
<u>1,500</u>	
<u>1,515</u>	
<u>5,955</u>	
<u>5,955</u>	
<u>5,955</u>	
<u><u>7,470</u></u>	

CITY OF COPPERAS COVE, TEXAS
TEXAS PARKS WILDLIFE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2005

EXHIBIT C-12

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Interest	\$ -	\$ -	
Contributions	-	100,000	94,287
Total Revenues	<u>-</u>	<u>100,000</u>	<u>94,287</u>
EXPENDITURES			
Current:			
General government	-	1,018	1,018
Capital Outlay:			
Community Services	-	78,339	70,162
Total Expenditures	<u>-</u>	<u>79,357</u>	<u>71,180</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>20,643</u>	<u>23,107</u>
FUND BALANCE, BEGINNING OF YEAR			-
CURRENT YEAR ENCUMBRANCES			-
PRIOR YEAR ENCUMBRANCES			<u>-</u>
ADJUSTED FUND BALANCE			<u>-</u>
FUND BALANCE, END OF YEAR			<u>\$ 23,107</u>

CITY OF COPPERAS COVE, TEXAS
TEXAS PARKS WILDLIFE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2005

EXHIBIT C-12

Variance
Favorable
(Unfavorable)
<hr/>
\$ -
<u>(5,713)</u>
<u>(5,713)</u>
 <hr/>
-
 <hr/>
8,177
<hr/>
8,177
<hr/>
2,464

CITY OF COPPERAS COVE, TEXAS
 TOBACCO GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 For the Year Ended September 30, 2005

EXHIBIT C-13

	Original Budget	Final Budget	Actual
REVENUES			
Interest	\$ -	\$ -	\$ -
Contributions	-	<u>3,000</u>	<u>565</u>
Total Revenues	<u>-</u>	<u>3,000</u>	<u>565</u>
EXPENDITURES			
Current:			
Community services	<u>-</u>	<u>-</u>	<u>1,979</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,979</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>3,000</u>	<u>(1,414)</u>
FUND BALANCE, BEGINNING OF YEAR			3,035
CURRENT YEAR ENCUMBRANCES			-
PRIOR YEAR ENCUMBRANCES			<u>-</u>
ADJUSTED FUND BALANCE			<u>3,035</u>
FUND BALANCE, END OF YEAR			<u>\$ 1,621</u>

CITY OF COPPERAS COVE, TEXAS
TOBACCO GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2005

EXHIBIT C-13

Variance
Favorable
<u>(Unfavorable)</u>
\$ -
<u>(2,435)</u>
<u>(2,435)</u>
<u>(1,979)</u>
<u>(1,979)</u>
<u>(4,414)</u>

CITY OF COPPERAS COVE, TEXAS
 2003 CAP. IMP CO FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 For the Year Ended September 30, 2005

EXHIBIT C-14

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Interest	\$ -	\$ 15,768	\$ 52,194
Miscellaneous	-	-	-
Total Revenues	<u>-</u>	<u>15,768</u>	<u>52,194</u>
EXPENDITURES			
Current:			
General government	<u>-</u>	<u>-</u>	<u>1,620</u>
Capital Outlay:			
Public safety	<u>-</u>	<u>1,188,656</u>	<u>403,862</u>
Total Expenditures	<u>-</u>	<u>1,188,656</u>	<u>405,482</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(1,172,888)</u>	<u>(353,288)</u>
OTHER FINANCING (USES)			
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(2,101)</u>
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(2,101)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>(1,172,888)</u>	<u>(355,389)</u>
FUND BALANCE, BEGINNING OF YEAR			2,056,112
CURRENT YEAR ENCUMBRANCES			-
PRIOR YEAR ENCUMBRANCES			<u>-</u>
ADJUSTED FUND BALANCE			<u>2,056,112</u>
FUND BALANCE, END OF YEAR			<u>\$ 1,700,723</u>

CITY OF COPPERAS COVE, TEXAS
2003 CAP. IMP CO FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2005

EXHIBIT C-14

Variance Favorable (Unfavorable)
\$ 36,426
<u>-</u>
<u>36,426</u>
 <u>(1,620)</u>
 <u>784,794</u>
 <u>783,174</u>
 <u>819,600</u>
 (2,101)
<u>(2,101)</u>
 <u><u>817,499</u></u>

**CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**EXHIBIT C-2
Page 2 of 2**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
CITY SERVICES PROVIDED:				
Swimming Pool	\$ 28,000	\$ 28,000	\$ 28,092	\$ 92
Community building rental	18,000	18,000	35,930	17,930
Library miscellaneous	10,200	10,200	13,579	3,379
Animal shelter fees	32,000	32,000	30,370	(1,630)
Ambulance fees	375,000	375,000	367,653	(7,347)
Police overtime reimbursement	30,000	30,000	17,277	(12,723)
Police restitution	2,700	2,700	3,344	644
Open records	500	500	710	210
Rezoning request fees	1,200	1,200	1,200	-
Variance request fees	800	800	550	(250)
Festival	12,500	12,500	11,463	(1,037)
Copy Machine	4,600	4,600	4,872	272
Mowing	11,000	11,000	28,858	17,858
Service charge - nsf checks	11,000	11,000	9,625	(1,375)
Plat filing fees	4,500	4,500	10,053	5,553
RV park fees	8,500	8,500	10,465	1,965
	<u>550,500</u>	<u>550,500</u>	<u>574,041</u>	<u>23,541</u>
FINES:				
Traffic violations	411,000	400,000	320,970	(79,030)
Library fines	17,000	17,000	16,011	(989)
BC fire runs	4,000	4,000	3,930	(70)
Municipal court fines	140,000	133,000	147,335	14,335
Arrest warrant income	121,500	121,500	118,715	(2,785)
Arresting officer fees	41,900	41,900	24,980	(16,920)
State court fees	71,000	71,000	51,858	(19,142)
	<u>806,400</u>	<u>788,400</u>	<u>683,799</u>	<u>(104,601)</u>
INTEREST:				
Interest earnings	41,000	41,000	105,695	64,695
	<u>41,000</u>	<u>41,000</u>	<u>105,695</u>	<u>64,695</u>
MISCELLANEOUS:				
Sale of city maps	100	100	161	61
Police auction	3,400	3,400	394	(3,006)
Special events - seniors	500	500	915	415
Library meeting room rental	1,000	1,000	506	(494)
City safety fund	13,500	13,500	9,424	(4,076)
Rental Income	26,640	26,640	19,440	(7,200)
HB 70 fees	17,800	17,800	10,446	(7,354)
Miscellaneous	80,000	80,000	96,364	16,364
Penalty and interest	31,000	31,000	35,370	4,370
	<u>173,940</u>	<u>173,940</u>	<u>173,020</u>	<u>(920)</u>
INTERGOVERNMENTAL:				
Grant administration	-	32,595	216,458	183,863
School district funding	90,240	90,240	90,238	(2)
Admin fee - teen court	2,000	2,000	1,390	(610)
Admin fee - defensive driving	9,000	9,000	6,410	(2,590)
	<u>101,240</u>	<u>133,835</u>	<u>314,496</u>	<u>180,661</u>
CONTRIBUTIONS:				
Library gifts and memorials	1,000	1,000	30	(970)
	<u>1,000</u>	<u>1,000</u>	<u>30</u>	<u>(970)</u>
Totals	<u>\$ 9,519,230</u>	<u>\$ 9,542,856</u>	<u>\$ 9,734,592</u>	<u>\$ 191,736</u>

CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT C-3

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT:				
Current:				
City Council	\$ 43,158	\$ 41,658	\$ 39,625	\$ 2,033
City Manager	186,607	189,801	191,858	(2,057)
Financial services and accounting	473,754	473,671	474,482	(811)
Grants administration	55,413	53,910	54,452	(542)
City secretary	116,511	123,621	124,568	(947)
City attorney	96,321	95,695	95,692	3
Data Processing	152,653	151,577	152,943	(1,366)
Personnel	153,668	150,284	151,424	(1,140)
Nondepartmental	248,247	320,734	305,750	14,984
Public Works	31,053	31,843	32,228	(385)
Planning	45,763	46,211	40,345	5,866
Engineering	205,589	201,238	203,125	(1,887)
	<u>1,808,737</u>	<u>1,880,243</u>	<u>1,866,492</u>	<u>13,751</u>
COMMUNITY SERVICES:				
Current:				
Parks and recreation	727,912	695,533	695,216	317
Library	429,182	434,033	432,085	1,948
Code and health	88,576	86,151	86,949	(798)
	<u>1,245,670</u>	<u>1,215,717</u>	<u>1,214,250</u>	<u>1,467</u>
FLEET & FACILITY SERVICES:				
Current:				
Fleet maintenance	201,395	196,763	198,852	(2,089)
Facility maintenance	175,442	167,632	166,366	1,266
	<u>376,837</u>	<u>364,395</u>	<u>365,218</u>	<u>(823)</u>
HIGHWAYS AND STREETS:				
Current:				
Streets	820,069	787,884	565,020	222,864
	<u>820,069</u>	<u>787,884</u>	<u>565,020</u>	<u>222,864</u>
PUBLIC SAFETY:				
Current:				
Building inspections	192,863	192,633	195,044	(2,411)
Municipal Court	277,641	277,447	277,485	(38)
Animal control	154,641	156,768	149,829	6,939
Police department	3,338,114	3,336,752	3,260,833	75,919
Fire/EMS department	2,418,004	2,455,578	2,574,432	(118,854)
	<u>6,381,263</u>	<u>6,419,178</u>	<u>6,457,623</u>	<u>(38,445)</u>
Totals	<u>\$ 10,632,576</u>	<u>\$ 10,667,417</u>	<u>\$ 10,468,603</u>	<u>\$ 198,814</u>

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, 2005

EXHIBIT C-4

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Charges for services	\$ 68,025	\$ 157,590	\$ 157,490
Interest	65	131	131
Total Revenues	<u>68,090</u>	<u>157,721</u>	<u>157,621</u>
EXPENDITURES			
Current:			
Community services:			
Personnel services	30,136	22,314	28,220
Supplies and materials	44,550	89,992	88,411
Services and charges	<u>1,375</u>	<u>1,082</u>	<u>1,081</u>
Total Community services	<u>76,061</u>	<u>113,388</u>	<u>117,712</u>
Capital Outlay:			
General government	<u>-</u>	<u>10,991</u>	<u>10,992</u>
Total Expenditures	<u>76,061</u>	<u>124,379</u>	<u>128,704</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (7,971)</u>	<u>\$ 33,342</u>	<u>28,917</u>
FUND BALANCE, BEGINNING OF YEAR			68,447
CURRENT YEAR ENCUMBRANCES			1,636
PRIOR YEAR ENCUMBRANCES			<u>-</u>
ADJUSTED FUND BALANCE			<u>70,083</u>
FUND BALANCE, END OF YEAR			<u>\$ 99,000</u>

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, 2005

EXHIBIT C-4

Variance
Favorable
(Unfavorable)
<hr/>
\$ (100)
-
<hr/>
(100)
(5,906)
1,581
<hr/>
1
<hr/>
(4,324)
(1)
<hr/>
(4,325)
<hr/>
\$ (4,425)

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, 2005

EXHIBIT C-5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Taxes	\$ 95,000	\$ 95,000	\$ 125,357
Interest	155	155	126
Total Revenues	<u>95,155</u>	<u>95,155</u>	<u>125,483</u>
EXPENDITURES			
Current:			
Community services	<u>86,500</u>	<u>92,875</u>	<u>89,458</u>
Capital Outlay:			
General government	<u>8,500</u>	<u>30,000</u>	<u>6,626</u>
Total Expenditures	<u>95,000</u>	<u>122,875</u>	<u>96,084</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 155</u>	<u>\$ (27,720)</u>	<u>29,399</u>
FUND BALANCE, BEGINNING OF YEAR			76,870
CURRENT YEAR ENCUMBRANCES			-
PRIOR YEAR ENCUMBRANCES			<u>-</u>
ADJUSTED FUND BALANCE			<u>76,870</u>
FUND BALANCE, END OF YEAR			<u>\$ 106,269</u>

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, 2005

EXHIBIT C-5

Variance Favorable (Unfavorable)
\$ 30,357
<u>(29)</u>
<u>30,328</u>
 <u>3,417</u>
 <u>23,374</u>
 <u>26,791</u>
 <u>\$ 57,119</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, 2005

EXHIBIT C-6

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Interest	\$ 10	\$ 10	\$ 5
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>1,100</u>
Total Revenues	<u>1,010</u>	<u>1,010</u>	<u>1,105</u>
EXPENDITURES			
Current:			
General government	<u>2,850</u>	<u>5,868</u>	<u>3,666</u>
Total Expenditures	<u>2,850</u>	<u>5,868</u>	<u>3,666</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,840)</u>	<u>\$ (4,858)</u>	<u>(2,561)</u>
FUND BALANCE, BEGINNING OF YEAR			4,661
CURRENT YEAR ENCUMBRANCES			-
PRIOR YEAR ENCUMBRANCES			<u>-</u>
ADJUSTED FUND BALANCE			<u>4,661</u>
FUND BALANCE, END OF YEAR			<u>\$ 2,100</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, 2005

EXHIBIT C-6

Variance Favorable (Unfavorable)	
\$ (5)	
<u>100</u>	
<u>95</u>	
<u>2,202</u>	
<u>2,202</u>	
<u>\$ 2,297</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, 2005

EXHIBIT C-7

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Interest	\$ 2	\$ 2	\$ 2
Contributions	250	250	197
Total Revenues	<u>252</u>	<u>252</u>	<u>199</u>
EXPENDITURES			
Current:			
Public Safety:			
Supplies and materials	1,278	1,278	-
Total Expenditures	<u>1,278</u>	<u>1,278</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,026)</u>	<u>\$ (1,026)</u>	<u>199</u>
FUND BALANCE, BEGINNING OF YEAR			1,542
CURRENT YEAR ENCUMBRANCES			-
PRIOR YEAR ENCUMBRANCES			<u>-</u>
ADJUSTED FUND BALANCE			<u>1,542</u>
FUND BALANCE, END OF YEAR			<u>\$ 1,741</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, 2005

EXHIBIT C-7

Variance
Favorable
(Unfavorable)
<hr/>
\$ -
<hr/>
(53)
<hr/>
(53)
<hr/>
1,278
<hr/>
1,278
\$ 1,225
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**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, 2005**

EXHIBIT C-8

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Charges for services:			
Maintenance	\$ 725,000	\$ 725,000	\$ 754,722
Miscellaneous	2,000	2,000	7
Total Charges for services	<u>727,000</u>	<u>727,000</u>	<u>754,729</u>
Interest	<u>6,700</u>	<u>6,700</u>	<u>17,342</u>
Total Revenues	<u>733,700</u>	<u>733,700</u>	<u>772,071</u>
EXPENDITURES			
Current:			
Highways and streets:			
Maintenance			
Personnel services	199,317	195,676	182,456
Supplies and materials	13,390	11,749	9,602
Maintenance and repairs	16,750	16,218	13,450
Services and charges	261,429	268,116	242,295
Total Maintenance	<u>490,886</u>	<u>491,759</u>	<u>447,803</u>
Capital Outlay:			
General government	<u>492,713</u>	<u>93,267</u>	<u>(47,662)</u>
Debt Service:			
Principal	210,000	210,000	210,000
Interest and fiscal charges	79,315	79,315	79,315
Total Debt service	<u>289,315</u>	<u>289,315</u>	<u>289,315</u>
Total Expenditures	<u>1,272,914</u>	<u>874,341</u>	<u>689,456</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(539,214)</u>	<u>(140,641)</u>	<u>82,615</u>
OTHER FINANCING (USES)			
Operating transfers (out)	<u>(95,000)</u>	<u>(95,000)</u>	<u>(95,000)</u>
Total Other Financing (Uses)	<u>(95,000)</u>	<u>(95,000)</u>	<u>(95,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (634,214)</u>	<u>\$ (235,641)</u>	<u>(12,385)</u>
FUND BALANCE, BEGINNING OF YEAR			695,105
CURRENT YEAR ENCUMBRANCES			225,000
PRIOR YEAR ENCUMBRANCES			<u>(265,466)</u>
ADJUSTED FUND BALANCE			<u>654,639</u>
FUND BALANCE, END OF YEAR			<u>\$ 642,254</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, 2005

EXHIBIT C-8

	Variance	
	Favorable	(Unfavorable)
	<u> </u>	<u> </u>
\$	29,722	
	(1,993)	
	<u>27,729</u>	
	<u>10,642</u>	
	<u>38,371</u>	
	13,220	
	2,147	
	2,768	
	<u>25,821</u>	
	<u>43,956</u>	
	<u>140,929</u>	
	-	
	<u>-</u>	
	<u>-</u>	
	184,885	
	<u>223,256</u>	
	<u>-</u>	
	<u>-</u>	
\$	<u>223,256</u>	

CITY OF COPPERAS COVE, TEXAS
 CITY CEMETERY FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 For the Year Ended September 30, 2005

EXHIBIT C-9

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Interest	\$ 500	\$ 500	\$ 1,476
Sale of plots	30,000	30,000	13,900
Sale of plots	-	-	42
Total Revenues	<u>30,500</u>	<u>30,500</u>	<u>15,418</u>
EXPENDITURES			
Current:			
Community services:			
Personnel service	-	21,432	19,864
Supplies and materials	-	77	77
Maintenance and repairs	-	2,120	1,637
Services and charges	-	3,290	2,085
Total Community services	<u>-</u>	<u>26,919</u>	<u>23,663</u>
Capital outlay:			
General government	-	5,465	5,064
Total Expenditures	<u>-</u>	<u>32,384</u>	<u>28,727</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>30,500</u>	<u>(1,884)</u>	<u>(13,309)</u>
FUND BALANCE, BEGINNING OF YEAR			57,874
CURRENT YEAR ENCUMBRANCES			-
PRIOR YEAR ENCUMBRANCES			<u>-</u>
ADJUSTED FUND BALANCE			<u>57,874</u>
FUND BALANCE, END OF YEAR			<u>\$ 44,565</u>

CITY OF COPPERAS COVE, TEXAS
CITY CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2005

EXHIBIT C-9

Variance
Favorable
(Unfavorable)
<hr/>
\$ 976
(16,100)
42
<hr/>
(15,082)

1,568
-
483
<hr/>
1,205
<hr/>
3,256

<hr/>
401
<hr/>
3,657
<hr/>
(11,425)
<hr/>

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

FUNCTIONS/PROGRAMS	2003	2004	2005
General Government	\$ 1,708,931	\$ 1,896,278	\$ 1,977,274
Community Services	1,663,213	1,855,310	1,802,034
Fleet and Facility Maintenance	321,073	344,483	354,464
Highways and Streets	778,099	834,013	877,655
Public Safety	6,228,186	6,530,561	6,770,603
Interest on Long-term Debt	398,906	464,477	364,607
Total Expenses	\$ 11,098,408	\$ 11,925,122	\$ 12,146,637

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 THREE FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Program Revenues			
Charges for Services	\$ 2,758,999	\$ 2,824,534	\$ 2,931,531
Operating Grants and Contributions	25,513	654,160	705,520
General Revenues			
Ad Valoren Taxes	4,981,035	5,234,334	5,484,539
Penalties and Interest	34,659	37,360	42,837
Beverage Taxes	16,131	16,023	14,724
Franchise Taxes	1,064,181	1,075,859	1,111,332
City Sales Taxes	1,924,665	1,985,647	2,034,195
Bingo Taxes	61,489	62,794	71,964
Unrestricted Investment Earnings	138,493	87,779	206,744
Total Revenue	<u>\$ 11,005,165</u>	<u>\$ 11,978,490</u>	<u>\$ 12,603,386</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	Community Services	Fleet and Facility Services	Highways and Streets	Public Safety
1996	\$ 1,042,987	\$ 735,835	\$ 154,786	\$ 498,472	\$ 3,449,095
1997	1,575,522	717,618	208,482	743,710	3,908,025
1998	** 1,987,682	798,649	219,780	727,746	4,280,030
1999	1,640,642	924,422	234,485	783,563	4,476,555
2000	1,753,133	1,044,748	244,535	917,830	4,669,564
2001	1,712,554	1,113,281	257,408	1,014,950	5,352,530
2002	1,624,374	1,047,178	273,370	903,135	5,586,523
2003	*** 1,555,477	1,198,182	306,347	403,959	5,743,059
2004	1,746,740	1,158,957	331,170	452,820	5,958,919
2005	1,841,329	1,176,729	341,005	488,492	6,284,241

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.

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

Fiscal Year	Taxes	Licenses	Permits	City Services Provided	Fines
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
2005	7,654,530	47,858	181,123	574,041	683,799

Source: Finance Department, City of Copperas Cove, Texas

* Includes General Fund revenue and other financing sources only.

CITY OF COPPERAS COVE, TEXAS
COMPUTATION OF LEGAL DEBT LIMIT
SEPTEMBER 30, 2005

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 2005 tax roll	\$ 716,601,938
Limit on amount designated for debt service	<u>2.5%</u>
Legal Debt Limit	<u><u>\$ 17,915,048</u></u>
Actual amount expended for General Obligation Debt Service (excluding lease payments) during the year ended September 30, 2005	<u><u>\$ 858,944</u></u>

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
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	152,822	99.44%
2005	716,601,938	5,553,655	5,507,707	129,404	99.17%

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

* Includes General Fund and Debt Service Fund tax revenue.

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

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio of Assessed to Estimated Actual Value</u>
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
2005	716,601,938	784,115,516	0.9139

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
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
2005	0.77500	1.60400	-	0.42407	0.14600	2.94907

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 2005 TAX ROLL**

	Nature of Property	Percentage of Total Taxable Value	Estimated Actual Value
Wal-Mart Properties	Discount Department Store	2.49%	\$ 17,865,420
Central Telephone Company	Utilities - Phone	1.23%	8,788,780
TXU Electric Delivery Company	Utilities - Electric	1.19%	8,521,740
Cove Terrace Associates LTD	Apartment Complex	0.84%	6,030,900
Texas Cable Partners LP	Utilities - Cable Television	0.59%	4,262,680
Colonial Plaza Partnership	Retail	0.53%	3,786,920
Crosstowne LTD	Retail	0.50%	3,586,030
Judy Lane Properties	Apartment Complex	0.46%	3,297,240
H E Butt Grocery Store	Grocery Store	0.34%	2,401,160
Vale Construction	Retail	0.17%	1,226,050
Subtotal		8.34%	59,766,920
All Other Taxpayers		91.66%	656,835,018
Total 2005 - Tax Roll		<u>100.00%</u>	<u>\$ 716,601,938</u>
Total 2004 - Tax Roll*		<u>100.00%</u>	<u>\$ 679,479,318</u>

Source: Coryell County Tax Appraisal District, Gatesville, Texas

* For comparative purposes only.

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
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
2005	30,450	716,601,938	9,862,325	0.0138	323.89

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
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
2005	858,944	10,676,569	0.0805

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, 2005

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	\$ -	12/31/2005	51.19%	\$ -
Copperas Cove I.S.D.	44,763,653 **	12/31/2005	89.20%	39,929,178
Lampasas County	3,060,000 **	12/31/2005	0.14%	4,284
Lampasas I.S.D.	<u>5,764,844 **</u>	12/31/2005	0.27%	<u>15,565</u>
Total Overlapping Debt				<u>39,949,028</u>
City of Copperas Cove		1/31/2004		<u>10,892,424</u>
				<u><u>\$ 50,841,452</u></u>

Source: Municipal Advisory Council.

** Gross debt.

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

<u>Fiscal Year</u>	<u>Estimated Actual Property Value</u>	<u>Value of Construction Permits Issued</u>	<u>Bank Deposits</u>
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	22,299,548	1,487,623,000
2004	714,682,521	31,519,255	1,565,939,000
2005	716,601,938	53,956,123	* 297,729,000

Source:

Coryell County
Appraisal Dist.Building Inspection *
Department, City of
Copperas Cove, TX.*Financial
Institutions
Copperas Cove,
Texas Only

*www.fdic.gov

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

Fiscal Year	Beginning Receivable Balance	Billings	Collections	Ending Receivables Balance
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
2005	23,829	-	-	23,829

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

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Operating Expenses</u>	<u>Net Available for Debt Service</u>
1996	\$ 5,537,735	\$ 2,539,171	\$ 2,998,564
1997	5,102,595	2,608,795	2,493,800
1998	5,137,777	2,801,361	2,336,416
1999	5,136,881	2,931,037	2,205,844
2000	6,169,773	3,302,683	2,867,090
2001	6,377,113	3,497,837	2,879,276
2002	6,623,946	3,452,402	3,171,544
2003	6,584,438	3,479,829	3,104,609
2004	7,446,027	3,728,182	3,717,845
2005	8,084,493	4,023,862	4,060,631

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.

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

Fiscal Year	Population	Income Per Capita	Unemployment Rate
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%
2005	30,450 ***	20,389	5.4%

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.

**** Population estimate provided by Texas State Data Center.

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:	16.566
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:	1,600
Number of volunteer firemen:	-
Number of paid firemen:	46
Firemen per 1,000 population:	1.51

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:	59,957
Circulation of volume:	109,299
Circulation per capita:	3.70

Parks and Recreation

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

Streets (all figures approximate)

Paved streets:	121 miles
Unpaved streets:	0 miles

Utilities

Water System

Miles of water mains:	230
Daily average consumption:	4 MGD
Maximum daily capacity:	13.5 MGD
Number of service connections:	10,801
Source of water:	Bell County Water Control and Improvement District No. 1