

Comprehensive Annual Financial Report

City of Copperas Cove, Texas

Fiscal Year Ended September 30, 2006



Roger P. O'Dwyer, Mayor

James Stockman, Mayor Pro Tem

John Gallen, Council Member

R. Ray Gatewood, Council Member

Fred Harris, Council Member

Robert Reeves, Council Member

Larry D. Sheppard, Council Member

Frank Somera, Jr., Council Member



"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, 2006

PREPARED BY:

FINANCE AND ACCOUNTING DEPARTMENT

**ANDREA 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.



Allin House

“The City Built for Family Living”

CITY OF COPPERAS COVE, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

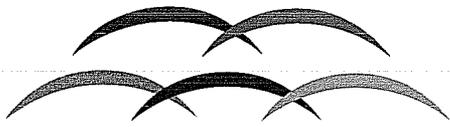
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CITY OF COPPERAS COVE, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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City of Copperas Cove

“The City Built for Family Living”

City Manager's Office

March 14, 2007

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, 2006, 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, 2006, 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, 2006, 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 43,995 military personnel and 8,909 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 2006 academic school year the District had one exemplary school campuses and six recognized elementary and intermediate school campuses. The District's peak enrollment rate increased by approximately 33 students during fiscal year 2005-06 primarily due to the return of military personnel to Fort Hood. The peak enrollment for fiscal year 2005-06 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 2005-06 totaled \$58,148,330. New residential construction made up \$41,396,374 of this amount while \$8,000,924 was related to new non-residential buildings, and new construction additions totaled approximately \$8,751,032.

The City has approved the zoning and/or platting of several new residential subdivisions. The plat of Walker Place 7 will contain 175 homes on acres. The plat of Tonkawa Village Phase II will contain 65 homes on acres; also, Tonkawa Village Phase III will contain 130 homes on acres. Skyline Flats Phase I will contain 100 homes on acres. The Meadows Phase 2 will have 82 homes on 23.2 acres. Also, House Creek North subdivision has 300 homes on acres in Phase 2 and Phase 3 will contain 320 homes on acres. The Valley at Great Hills Phase I will contain 98 homes, 2 large commercial lots and a 17 acre multi-family development. Thousand Oaks III will contain 52 new homes on acres and Gordon Mickan Addition will contain 115 homes on acres.

Ad Valorem Taxes. Total assessed value within the City has increased by approximately 28 percent since fiscal year 2001. The fiscal year 2006 projections, based on data provided by the Coryell County Appraisal District, indicate a 9 percent growth in assessed value over fiscal year 2005 levels.

Sales Tax. Sales tax collections have increased by approximately 30 percent since fiscal year 2001. Collections for fiscal year 2006 have increased by approximately 4 percent over fiscal year 2005 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 2005-06 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. The entire project had an original estimated cost of \$56 million; however, during fiscal year 2005-06 that amount was updated to \$83 million. The project has been placed on the Statewide Unified Transportation Plan (UTP) with approximately \$69 million in funding from the State and \$2 million from the

City, leaving the project \$12 million short. Inclusion in the Statewide Unified Transportation Plan gives the Texas Department of Transportation the authority to begin acquiring the right-of-way for the project. Contracts and payment for the right-of-way acquisition process were executed with the Texas Department of Transportation in February 2006 as required for the FM2657 Widening Project which will serve as an access entrance to the Reliever Route from US Hwy 190 on the west side of the City. The current funding availability for construction has been moved up from year 2015 to 2010. 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.

It was determined to be most feasible for the Texas Department of Transportation to assume responsibility for completing the FM 1113 Sidewalk project since they would be completing the widening of FM 1113. The FM 1113 Sidewalk project was due to be completed by the City with a \$1.3 million grant received from the Texas Department of Transportation. The FM 1113 Sidewalk project is to be constructed along FM 1113 between 5th Street and Lutheran Church Road and the FM 1113 Road Widening project is to be constructed from Lutheran Church to Topsey Road. The two projects will provide safer access along this roadway for pedestrians accessing City Park and the Copperas Cove High School, as well as provide some traffic congestion relief along this route.

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. The Big Divide Road Project was due to be completed in fiscal year 2005-06; however, due to delays in the bid process the project completion has changed. 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 series of force main and gravity sewer lines for final discharge into the Northwest Wastewater Treatment Plant that are connected to a Lift Station that was installed by the developer for that area. The road and sewer portions of the project will be completed in fiscal year 2007-08 and the water portion will be completed once the FM2657 Widening Project is complete.

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 2005-06 fiscal year, federal funds in the amount of \$400,000 were earmarked for appropriation toward this project and the City of Copperas Cove designated \$400,000 for the project.

In fiscal year 2005-06, engineering was completed for the Golf Course Irrigation using Treated Wastewater Effluent Project. This project is to provide treated wastewater effluent for irrigation of the Hills of Cove Golf Course. The project is expected to eliminate the use of potable water for course irrigation, which will increase available water for residential and commercial retail sales. Additionally, the project also eliminates a large amount of water from being drawn off a main distribution line for recreational purposes. Funding for this project is provided through the 2003 Combination Tax and Revenue Certificates of Obligation with the total project costs estimated at \$290,000. The project is estimated for completion in fiscal year 2007-08.

In fiscal year 2005-06, the City Council authorized the issuance of 2006 Tax Notes in the amount of \$1 Million to provide funding for the land purchase and design of a new police facility. Plans are to seek funding in the amount of \$5 million for the construction of the police facility to begin late 2007.

ACCOMPLISHMENTS

During fiscal year 2006, 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

- ◆ Conducted two Citizen Emergency Response Team (CERT) classes with 26 participants.
- ◆ Placed one new ambulance into service.
- ◆ Provided 1,156 free immunizations to children through our "Shots through the Firehouse" program. Since its inception, over 6,000 immunizations have been provided.
- ◆ Received a \$1,200 Safe Neighborhood grant from Wal-Mart.
- ◆ Conducted 677 Fire Inspections, correcting 393 identified fire hazards.

Community Services

- ◆ Provided a community Thanksgiving dinner for approximately 400 people.
- ◆ Circulated 121,413 library materials.
- ◆ Conducted various programs for 8,293 children.
- ◆ Conducted a Summer Reading Program for over 600 children.
- ◆ Conducted Water Aerobics classes at aquatic facilities.
- ◆ Conducted two youth soccer leagues with over 900 youth participants.
- ◆ Conducted youth baseball and softball program with nearly 700 participants.

Public Works

- ◆ Improved public relations and services to customers.
- ◆ Implemented revised "Blanket Account" procedures.
- ◆ Completed renovations of the Utility Administration facility.
- ◆ Continued to maintain a "Superior Water System" rating recognized by the Texas Commission on Environmental Quality (TCEQ).
- ◆ Completed replacement of 1 MGD Water Storage Tank on Hogg Mountain.
- ◆ Completed the West End Water Line Project along Big Divide Road.
- ◆ 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 two city-wide Clean Up Events.
- ◆ 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 \$815,276 on all investments for the fiscal year 2005-06.

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, 2006, 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, 2006. This was the sixteenth 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.

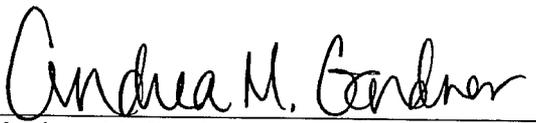
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,

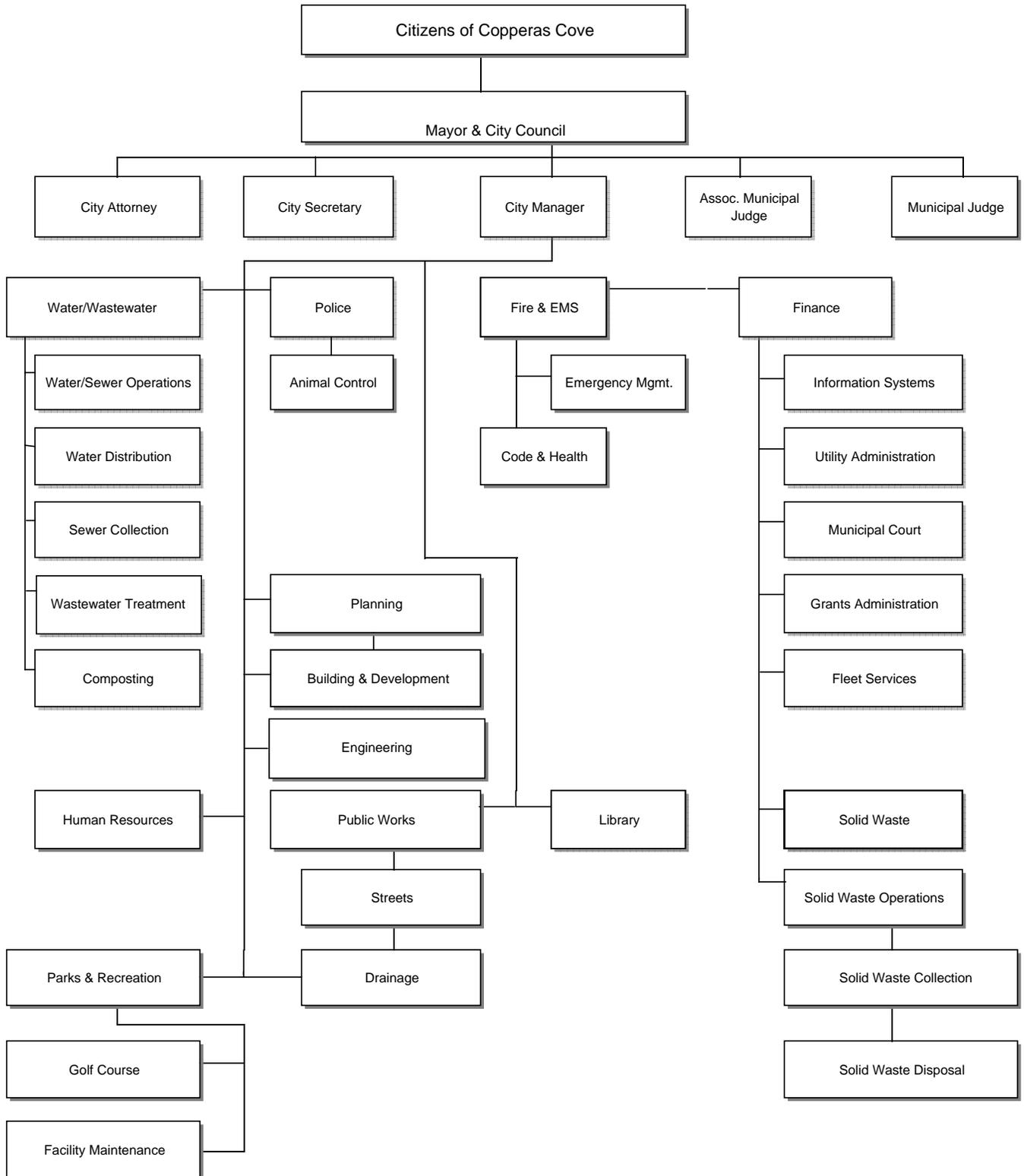

Steven J. Alexander
City Manager


Andrea M. Gardner
Asst. City Manager/ Director of Finance

City of Copperas Cove, Texas

Organizational Structure

2005-06 Fiscal Year



Mayor
 City Manager
 Asst. City Manager/Finance Director

Roger P. O'Dwyer
 Steven J. Alexander
 Andrea M. Gardner

City of Copperas Cove, Texas

List of Principal Officials

City Council

Roger P. O'Dwyer - Mayor
James Stockman - Mayor Pro Tem

John F. Gallen - Council Member
R. Ray Gatewood – Council Member
Fred R. Harris - Council Member

Robert L. Reeves - Council Member
Frank D. Somera Jr. - Council Member
Larry D. Sheppard - Council Member

City Staff

Reporting to City Council

Steven J. Alexander, CPA, City Manager
James R. Thompson, City Attorney
Jane Lees, City Secretary
F.W. "Bill" Price - City Judge
B.C. Jones – Associate Municipal Judge

Reporting to the City Manager

Andrea M. Gardner, Assistant City Manager/Finance Director
John Adel - Director of Planning
Margaret M. Fleet, Director of Library Services
Dennis K. Haas, Fire Chief
Robert M. McKinnon, Director of Water/Wastewater
Tim V. Molnes, Police Chief
Kelli T. Sames, Director of Human Resources
Ken E. 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, 2005

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



President

Executive Director



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

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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, 2006, 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, 2006, 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 15, the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) on Exhibit B-1, and the Budgetary Comparison Schedules on Exhibit C-3, Exhibit C-6 through C-15 and Exhibit C-18 through C-19 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 February 13, 2007, 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.

February 13, 2007

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, 2006. 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 16 and the accompanying notes to the financial statements.

Financial Highlights

- The total net assets of the City of Copperas Cove increased to \$33.6 million from the prior years \$31.9 million, an increase of 5.3 percent.
- As of September 30, 2006, the City of Copperas Cove's governmental funds reported combined ending fund balances of \$8.02 million, a increase of \$1,366,417 in comparison with prior year.
- At September 30, 2006, unreserved fund balance for the General Fund was \$3.1 million, or 24.21 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 6.23 percent.

Overview of the Financial Statements

The City implemented the Governmental Accounting Standards Board (GASB) Statement 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (the new model) with the financial statements for the year ended September 30, 2003. The new model contains a number of changes to the requirements for governmental reporting. The major changes are as follows:

- Government-wide reporting – while governments have traditionally focused reporting on groupings of funds (i.e. General Fund, Special Revenue Funds, Capital Project Funds, etc.), the new model also contains financial statements on a government-wide basis.
- Fund financial statements – the new model maintains governmental and proprietary fund financial statements, but the focus is on major funds within each fund type.
- New focus for governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resource measurement focus and accrual basis of

accounting. The traditional current financial resources focus and modified accrual basis of accounting are maintained for the governmental fund financial statements in the new model.

- Infrastructure reporting – the new model requires governments to report the value of infrastructure assets of governmental activities (roads, bridges, storm drainage systems, parks, etc.). The City plans to record its infrastructure as Governmental assets in the near future and has recorded infrastructure for the water and sewer funds in the appropriate funds as it was built or donated.
- Changes in budgetary reporting – the new model requires the display of both the original adopted budget and the amended budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds, although they may be presented for other funds as additional information. The City does not have any major special revenue funds.
- Required narrative analysis – the new model requires that the financial statements be accompanied by narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other indicators, including non-financial indicators like the City's property tax base and condition of infrastructure, should be considered.

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

The statement of activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, community services, fleet and

facility maintenance, highways and streets, and public safety. The business-type activities of the City include water and sewer, solid waste and a golf course.

The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements

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

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

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

The City maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund 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 55, 58, 65-72, and 77-79.)

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds – Proprietary funds are used to account for business-type activities of the City. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The City maintains one type of proprietary fund. Proprietary funds are used for activities that primarily serve customers outside the governmental unit for which fees are charged. The City has three enterprise funds: 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 22-24 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 25-54 of this report.

Other information – The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 56-57, 59-64, and 73-76 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, 2006.



Net Assets

The following table reflects the Condensed Statement of Net Assets as of September 30, 2006.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 9,646,602	8,117,306	\$ 11,234,254	8,661,498	\$ 20,880,856	16,778,804
Capital assets	13,336,718	13,125,654	43,205,854	42,128,757	56,542,572	55,254,411
Total assets	<u>22,983,320</u>	<u>21,242,960</u>	<u>54,440,108</u>	<u>50,790,255</u>	<u>77,423,428</u>	<u>72,033,215</u>
Other liabilities	2,130,218	2,495,567	2,732,274	3,592,847	4,862,492	6,088,414
Long-term liabilities	11,235,116	9,446,048	27,712,498	24,565,354	38,947,614	34,011,402
Total liabilities	<u>13,365,334</u>	<u>11,941,615</u>	<u>30,444,772</u>	<u>28,158,201</u>	<u>43,810,106</u>	<u>40,099,816</u>
Net assets:						
Invested in capital assets						
net of related debt	2,464,242	2,647,484	21,359,736	19,448,721	23,823,978	22,096,205
Restricted	1,222,312	1,830,504	634,055	649,155	1,856,367	2,479,659
Unrestricted	5,931,432	4,823,357	2,001,545	2,416,792	7,932,977	7,357,535
Total net assets	<u>\$ 9,617,986</u>	<u>9,301,345</u>	<u>\$ 23,995,336</u>	<u>22,632,054</u>	<u>\$ 33,613,322</u>	<u>31,933,399</u>

The City's combined net assets were \$33.6 million as of September 30, 2006. Of the \$33.6 million, \$9.6 million was in the governmental activities and \$24 million was in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of \$1.7 million or 5.3 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 (\$23.8 million or 70.88 percent) reflects the City's investment in capital assets, less any related debt used to acquire or construct those assets that is still outstanding. Compared to last year, the city's investment in capital assets net of related debt increased \$1.7 million or 7.8 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 \$1,856,367 at September 30, 2006 or 5.52 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 \$0.6 million or 25.14 percent compared to September 30, 2005. This is due to an increase in restricted net assets for capital projects.

The third portion consists of unrestricted net assets totaling \$7.9 million or 23.60 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 \$0.6 million or 7.82 percent compared to September 30, 2005.

Changes in Net Assets. The City's total revenues for the fiscal year ended September 30, 2006 were \$26.7 million. Total revenues increased when compared to the prior year by \$2.7 million or 11 percent. The City's total cost of all programs and services also increased from the prior years' \$21.2 million to \$25.0 million, an increase of 17.8 percent. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2006.

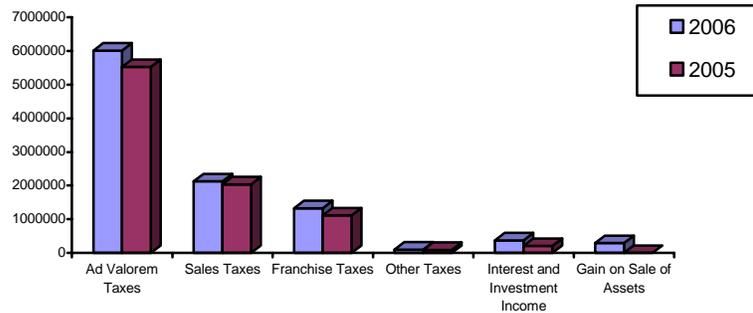
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 2,985,213	\$ 2,931,531	\$ 11,581,810	\$ 10,607,233	\$ 14,567,023	\$ 13,538,764
Operating Grants and contributions	160,504	705,520	-	-	160,504	705,520
Capital Grants and contributions	909,162	-	810,756	615,911	1,719,918	615,911
General revenues:						
Ad valorem taxes	6,014,274	5,527,376	-	-	6,014,274	5,527,376
Franchise taxes	1,325,208	1,111,332	-	-	1,325,208	1,111,332
Sales taxes	2,122,243	2,034,195	-	-	2,122,243	2,034,195
Other taxes	99,160	86,688	-	-	99,160	86,688
Interest and investment income	372,250	206,744	442,453	200,849	814,703	407,593
Gain (loss) on sale of capital assets	288,906	-	(425,165)	-	(136,259)	-
Total revenues	\$ 14,276,920	\$ 12,603,386	\$ 12,409,854	\$ 11,423,993	\$ 26,686,774	\$ 24,027,379
Expenses:						
General Government	\$ 2,091,253	\$ 1,977,274	\$ -	\$ -	\$ 2,091,253	\$ 1,977,274
Community services	2,292,606	1,802,034	-	-	2,292,606	1,802,034
Fleet and Facility Maintenance	437,608	354,464	-	-	437,608	354,464
Highways and Streets	1,212,838	877,655	-	-	1,212,838	877,655
Public Safety	8,457,720	6,770,603	-	-	8,457,720	6,770,603
Interest on Long-term debt	444,344	364,607	-	-	444,344	364,607
Water and Sewer	-	-	7,113,198	6,416,373	7,113,198	6,416,373
Solid Waste	-	-	2,115,989	1,906,728	2,115,989	1,906,728
Golf Course	-	-	841,295	760,694	841,295	760,694
Total Expenses	14,936,369	12,146,637	10,070,482	9,083,795	25,006,851	21,230,432
Increase (decrease) in net assets before transfers	(659,449)	456,749	2,339,372	2,340,198	1,679,923	2,796,947
Transfers	976,090	897,402	(976,090)	(897,402)	-	-
Increase in net assets after transfers	316,641	1,348,438	1,363,282	1,442,796	1,679,923	2,791,234
Prior Period Adjustment	-	-	-	-	-	-
Net assets - October 1	9,301,345	7,952,907	22,632,054	21,189,258	31,933,399	29,142,165
Net assets - September 30	\$ 9,617,986	\$ 9,301,345	\$ 23,995,336	\$ 22,632,054	\$ 33,613,322	\$ 31,933,399

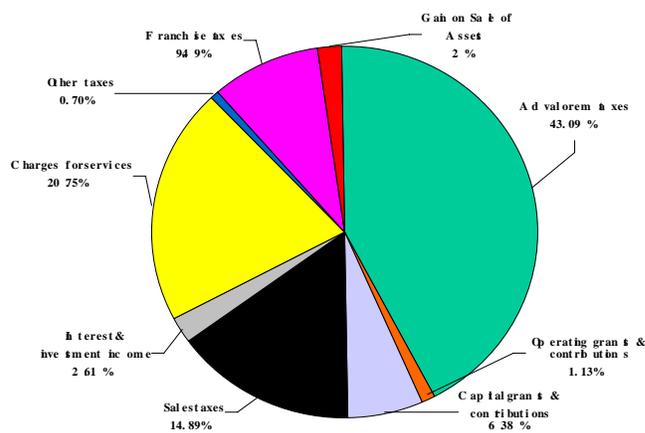
Program Revenues – Governmental Activities

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 \$486,898 or 8.81 percent. Charges for services increased \$53,682 which is an increase of 2 percent compared to last year. Sales tax increased slightly by \$88,048 or 4.33 percent compared to last year. Franchise and other taxes showed small increases compared to last year. However, interest and investment income increased significantly from \$206,744 to \$372,250, which is an increase of \$165,506 or 80 percent.

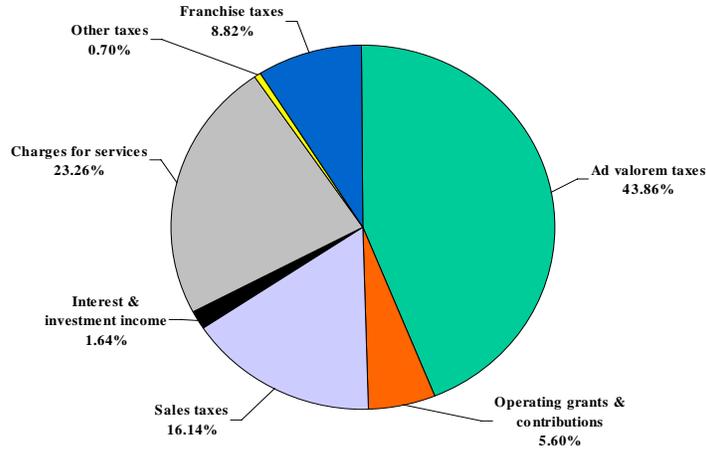
Program Revenues - Governmental Activities



Revenues by Source – Governmental Activities - 2006



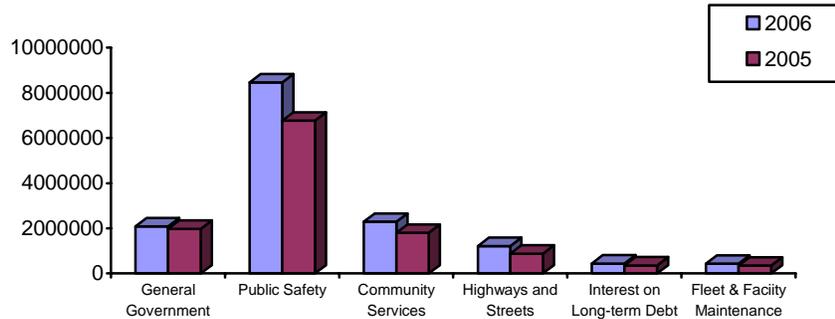
Revenues by Source – Governmental Activities - 2005



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 \$8.5 million or 56.63 percent compared to the prior years \$6.77 million or 55.74 percent, followed by Community Services’ \$2.29 million or 15.35 percent compared to prior years \$1.8 million or 14.84 percent. General Government recorded \$2.1 million or 14.00 percent compared to prior years \$1.97 million or 16.28 percent.

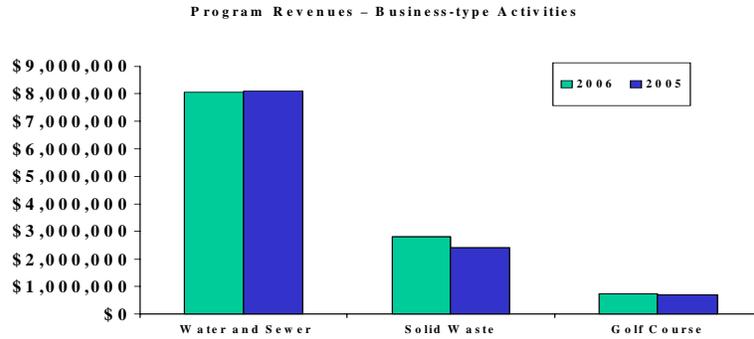
Expenses - Governmental Activities



Business-type Activities - Revenues

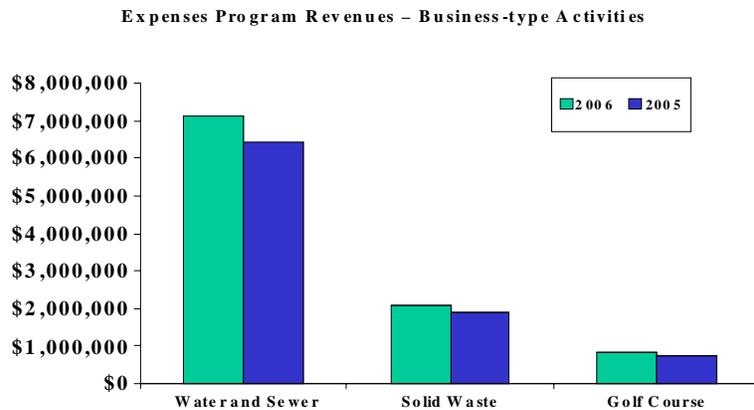
Business-type activities increased the City’s net assets by \$1,363,282 accounting for 81.15 percent of the total growth in the City’s net assets. Charges for services provided the largest share of revenues 90.24 percent, followed by grants and contributions income at 6.32 percent for all business-type activities.

Water and sewer fees are the major revenue source for the business-type activities of the City, which recorded \$8.04 million in revenue. Compared to the prior year, Water and sewer revenues increased \$48,679 or less than 1 percent. The decline is due to a change in the reporting of developer's contributions as general revenues rather than a charge for service. Solid Waste revenues increased 364,141 or 14.98 percent. The Golf Course fund also increased from \$707,654 in 2005 to \$750,858 in 2006 an increase of \$43,204 or 6.11 percent.



Business-type Activities - Expenses

Total expenses for business-type activities was \$10.1 million, an increase of \$986,687 or 10.86 percent compared to the prior year. Water and Sewer, the largest proprietary fund recorded \$7.1 million in expenses, an increase of \$696,825 or 10.86 percent compared to the prior year. Solid Waste expenses increased from \$1.9 million to \$2.1 million or \$209,261 or 10.97 percent. Golf Course expenses also increased from \$760,694 in 2005 to \$841,295 in 2006, an increase of \$80,601 or 10.60 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 \$8.02 million, a increase of \$1,366,417 in comparison with the prior year. The primary reason for the increase is the inclusion of the proceeds from the issuance of the 2006 Tax Notes that are included the Capital Projects Fund cash and cash equivalents.

The General Fund is the chief operating fund of the City. At September 30, 2006, unreserved fund balance of the General Fund was \$3.1 million, while total fund balance reached \$3.3 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 24.21 percent of total General Fund expenditures, while total fund balance represents 26.07 percent of that same amount.

Proprietary Funds

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

Unrestricted net assets of the Water & Sewer Fund as of the end of the year amounted to \$1,539,530 a decrease of \$825,422 or 34.9 percent, the Solid Waste Fund was \$375,459. Unrestricted net assets for the Golf Course Fund decreased from prior year's \$96,162 to \$86,556 in 2006 a decrease of 10 percent. The total increase (decrease) in net assets for the three funds was \$1,060,883, \$324,042, and \$(21,643), respectively. Total operating revenues in fiscal year 2005-06 were \$11.6 million an increase of 3.2 percent over September 2005. Total operating expenses totaled \$8.68 million an increase of \$916,326 or 11.8 percent. Total operating income was \$2.9 million, a decrease of 16.14 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 34-35 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, 2006, the City has \$56.6 million invested in various capital assets, net of accumulated depreciation. Of the \$56.6 million, \$13.3 million is invested in governmental activities and \$43.2 million is invested in business-type activities. Compared to last year, total capital assets increased \$1.3 million or 2.35 percent. Capital assets in Governmental Activities increased \$211,064 or 1.6 percent from the prior year. The largest increase can be identified within the construction in progress line item with an increase of \$288,767 or 14.35 percent from prior year. Significant increases also took place in facilities. Capital assets in Business-type Activities saw an overall increase of \$1.1 million or 2.6 percent.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2006. Additional information on the City's capital assets may be found in Note IV-D on pages 40-43.

Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Land	\$ 1,343,921	\$ 1,355,201	\$ 850,686	\$ 850,686	\$ 2,194,607	\$ 2,205,887
Buildings	3,752,173	3,962,362	170,039	255,841	3,922,212	4,218,203
Furniture	126,006	145,656	22,261	18,165	148,267	163,821
Vehicles	406,574	391,490	725,380	766,555	1,131,954	1,158,045
Equipment	2,332,955	2,371,688	1,512,813	1,592,653	3,845,768	3,964,341
Facilities	3,074,362	2,887,297	31,366,776	31,864,542	34,441,138	34,751,839
Construction in progress	2,300,727	2,011,960	8,557,899	6,780,315	10,858,626	8,792,275
Total	\$ 13,336,718	\$ 13,125,654	\$ 43,205,854	\$ 42,128,757	\$ 56,542,572	\$ 55,254,411

Long Term Debt

The City's total debt decreased by \$3.0 million during the current fiscal year. The key factor in this increase was the issuance of 2005 combination tax and revenue certificates of obligation and 2006 tax notes.

The following schedule shows the outstanding debt of the City (both current and long-term) for September 30, 2006. Further details can be found in Note IV-G on pages 46-50.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
General obligation	\$ 4,708,200	\$ 3,090,000	\$ 12,896,800	\$ 5,450,000	\$ 17,605,000	\$ 8,540,000
Tax/Revenue certificates of obligation	4,815,000	6,990,000	14,805,000	20,000,000	19,620,000	26,990,000
Tax Notes	1,260,000	-	-	-	1,260,000	-
Total	\$ 10,783,200	\$ 10,080,000	\$ 27,701,800	\$ 25,450,000	\$ 38,485,000	\$ 35,530,000

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, 2006

Bond type	Standard & Poor's	Moody's
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 2006-07 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.

The unemployment rate for the City of Copperas Cove is currently at 5.3 percent, no change in rate from 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 2005-06,

recorded an increase of 42 permits or 3.5 percent. The value of the permits issued in FY 2005-06 was \$58,148,330, an increase of \$4,192,207 or 7.8 percent.

All of these factors were considered in preparing the City's budget for Fiscal Year 2006-07. The budget for the 2006-07 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 4 percent during fiscal year 2006-07.
- Ad valorem tax revenue has also been projected conservatively. The City has been experiencing an average growth in its assessed valuation of 5 percent annually. However, the assessed valuation for the 2006-07 fiscal year was estimated by the appraisal district to grow by 16.49 percent.
- Employee benefits remain intact with moderate adjustments.
- Included essential capital outlay expenditures.

The ad valorem tax rate was reduced in fiscal year 2006-07 from \$.7750 cents per \$100 of taxable assessed valuation to \$.7400 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, 2006

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 8,630,633	\$ 2,474,450	\$ 11,105,083	\$ 2,100,267
Receivables (net of allowances for uncollectibles):				
Accounts	95,696	-	95,696	-
Taxes	125,028	-	125,028	-
Ambulance fees	311,469	-	311,469	-
Assessments	23,829	-	23,829	-
Utility accounts	-	1,519,544	1,519,544	-
Grants	939	-	939	-
Miscellaneous	65,639	649	66,288	6,052
Internal Balances	(127,028)	127,028	-	-
Inventory	70,936	43,350	114,286	-
Prepays	38,590	12,516	51,106	-
Notes receivable	166,074	-	166,074	-
Restricted cash and cash equivalents	-	5,983,358	5,983,358	850,000
Restricted deferred bond issuance costs	114,199	619,343	733,542	-
Deferred amount on refunding	113,993	454,016	568,009	-
Unamortized bond discount	16,605	-	16,605	-
Capital assets:				
Non-depreciable	3,644,648	9,408,585	13,053,233	934,818
Depreciable (net)	9,692,070	33,797,269	43,489,339	722,203
Total Assets	<u>\$ 22,983,320</u>	<u>\$ 54,440,108</u>	<u>\$ 77,423,428</u>	<u>\$ 4,613,340</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 219,711	\$ 237,529	\$ 457,240	\$ 4,806
Retainage payable	-	56,863	56,863	-
Customer meter deposits	-	267,954	267,954	-
Due to other governmental agencies	140,821	-	140,821	-
Deferred revenue	183,727	-	183,727	-
Other accrued items	351,457	98,877	450,334	-
Other liabilities	51,677	138,813	190,490	-
Landfill costs payable - due within one year	-	19,500	19,500	-
Capital leases - due within one year	214,280	283,782	498,062	-
Compensated absences payable - due within one year	-	-	-	-
Restricted - bonds payable current	906,589	1,410,000	2,316,589	50,000
Restricted - accounts payable	-	31,614	31,614	-
Restricted - accrued interest	61,956	187,342	249,298	6,354
Compensated absences payable	844,731	261,787	1,106,518	-
Capital leases	487,525	723,307	1,210,832	-
Long-term debt	9,902,860	26,298,404	36,201,264	800,000
Future landfill costs	-	429,000	429,000	-
Total Liabilities	<u>13,365,334</u>	<u>30,444,772</u>	<u>43,810,106</u>	<u>861,160</u>
Net Assets:				
Investment in capital assets (net of related debt)	2,464,242	21,359,736	23,823,978	1,657,021
Restricted for:				
Debt Service	97,478	555,900	653,378	-
Capital Projects	1,124,834	78,155	1,202,989	-
Unrestricted	5,931,432	2,001,545	7,932,977	2,095,159
Total Net Assets	<u>\$ 9,617,986</u>	<u>\$ 23,995,336</u>	<u>\$ 33,613,322</u>	<u>\$ 3,752,180</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, 2006**

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			
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General Government	2,091,253	\$ 355,323	\$ -	\$ -	\$ (1,735,930)	\$ -	\$ (1,735,930)	\$ -
Community Services	2,292,606	900,461	144,506	-	(1,247,639)	-	(1,247,639)	-
Fleet and Facility Maintenance	437,608	-	-	-	(437,608)	-	(437,608)	-
Highways and Streets	1,212,838	790,940	-	909,162	487,264	-	487,264	-
Public Safety	8,457,720	938,489	15,998	-	(7,503,233)	-	(7,503,233)	-
Interest on Long-term Debt	444,344	-	-	-	(444,344)	-	(444,344)	-
Total governmental activities:	<u>14,936,369</u>	<u>2,985,213</u>	<u>160,504</u>	<u>909,162</u>	<u>(10,881,490)</u>	<u>-</u>	<u>(10,881,490)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	7,113,198	8,035,814	-	810,756	-	1,733,372	1,733,372	-
Solid Waste	2,115,989	2,795,138	-	-	-	679,149	679,149	-
Golf Course	841,295	750,858	-	-	-	(90,437)	(90,437)	-
Total business-type activities:	<u>10,070,482</u>	<u>11,581,810</u>	<u>-</u>	<u>810,756</u>	<u>-</u>	<u>2,322,084</u>	<u>2,322,084</u>	<u>-</u>
Total Primary Government	<u>\$ 25,006,851</u>	<u>\$ 14,567,023</u>	<u>\$ 160,504</u>	<u>\$ 1,719,918</u>	<u>(10,881,490)</u>	<u>2,322,084</u>	<u>(8,559,406)</u>	<u>-</u>
COMPONENT UNIT								
Economic Development	\$ 645,422	\$ 100	\$ -	\$ -	-	-	-	(645,322)
Total Component Unit	<u>\$ 645,422</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(645,322)</u>
General revenues:								
Ad valorem taxes					5,965,899	-	5,965,899	-
Penalties and interest					48,375	-	48,375	-
Beverage taxes					13,778	-	13,778	-
Franchise taxes					1,325,208	-	1,325,208	-
City sales taxes					2,122,243	-	2,122,243	1,027,207
Bingo taxes					85,382	-	85,382	-
Unrestricted investment earnings					372,250	442,453	814,703	125,642
Gain (loss) on sale of capital assets					288,906	(425,165)	(136,259)	-
Transfers					976,090	(976,090)	-	-
Total general revenues					<u>11,198,131</u>	<u>(958,802)</u>	<u>10,239,329</u>	<u>1,152,849</u>
Change in net assets					316,641	1,363,282	1,679,923	507,527
Net assets - beginning					9,301,345	22,632,054	31,933,399	3,244,653
Net assets - ending					<u>\$ 9,617,986</u>	<u>\$ 23,995,336</u>	<u>\$ 33,613,322</u>	<u>\$ 3,752,180</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2006**

EXHIBIT A-3

	General Fund	2003 Capital Imp CO Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,863,559	1,323,952	\$ 3,443,122	\$ 8,630,633
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	95,696	95,696
Taxes	104,778	-	20,250	125,028
Ambulance fees	311,469	-	-	311,469
Assessments	23,829	-	-	23,829
Grants	939	-	-	939
Miscellaneous	65,639	-	-	65,639
Due from other funds	227,132	30,549	47,255	304,936
Inventory	70,650	-	286	70,936
Prepaid expenditures	37,940	-	650	38,590
Notes receivable	-	-	166,074	166,074
	<u>\$ 4,705,935</u>	<u>\$ 1,354,501</u>	<u>\$ 3,773,333</u>	<u>\$ 9,833,769</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 163,559	\$ 3,608	\$ 52,544	\$ 219,711
Retainage payable	-	-	-	-
Due to other funds	77,804	76,867	277,293	431,964
Due to other governmental agencies	131,090	-	9,731	140,821
Deferred revenue	597,611	-	20,250	617,861
Unearned revenue	-	-	0	-
Other accrued items	319,984	134	31,339	351,457
Other liabilities	51,677	-	-	51,677
	<u>1,341,725</u>	<u>80,609</u>	<u>391,157</u>	<u>1,813,491</u>
Fund Balances:				
Reserved for debt services	-	-	97,478	97,478
Reserved for capital projects	-	1,124,834	-	1,124,834
Reserved for encumbrances	131,428	149,058	413,829	694,315
Reserved for inventory and prepaid expenditures	108,590	-	936	109,526
Unreserved, designated for contingencies	1,000,000	-	-	1,000,000
Unreserved, undesignated	2,124,192	-	-	2,124,192
Unreserved, undesignated special revenue funds	-	-	1,030,414	1,030,414
Unreserved, undesignated capital projects funds	-	-	1,839,519	1,839,519
	<u>3,364,210</u>	<u>1,273,892</u>	<u>3,382,176</u>	<u>8,020,278</u>
Total Liabilities and Fund Balances	<u>\$ 4,705,935</u>	<u>\$ 1,354,501</u>	<u>\$ 3,773,333</u>	<u>\$ 9,833,769</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, 2006

EXHIBIT A-4

Total fund balances - governmental funds balance sheet	\$ 8,020,278
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.	13,336,718
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.	(12,173,144)
Other long-term assets/liabilities are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>434,134</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 9,617,986</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 BALANCE
SEPTEMBER 30, 2006**

EXHIBIT A-5

	General Fund	2003 Capital Imp CO Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,500,837	\$ -	\$ 1,025,543	\$ 9,526,380
Licenses	49,830	-	-	49,830
Permits	216,373	-	-	216,373
City services provided	736,547	-	971,031	1,707,578
Fines	657,147	-	48,878	706,025
Interest	199,280	73,666	99,304	372,250
Sale of plots	-	-	11,700	11,700
Miscellaneous	175,863	-	26,747	202,610
Intergovernmental	165,967	-	55,013	220,980
Contributions	4,240	-	39,180	43,420
Total Revenues	<u>10,706,084</u>	<u>73,666</u>	<u>2,277,396</u>	<u>13,057,146</u>
EXPENDITURES				
Current:				
General government	1,811,443	3,577	8,649	1,823,669
Community services	1,295,281	-	308,756	1,604,037
Fleet and facility services	361,661	-	-	361,661
Highways and streets	556,902	-	298,064	854,966
Public safety	6,760,706	-	46,677	6,807,383
Capital outlay	2,116,289	496,920	475,080	3,088,289
Debt service:				
Principal retirement	-	-	710,600	710,600
Interest and fiscal charges	-	-	411,537	411,537
Total Expenditures	<u>12,902,282</u>	<u>500,497</u>	<u>2,259,363</u>	<u>15,662,142</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,196,198)</u>	<u>(426,831)</u>	<u>18,033</u>	<u>(2,604,996)</u>
OTHER FINANCING SOURCES (USES)				
Capital Leases	559,828	-	-	559,828
Proceeds from Fixed Asset dispositions	-	-	300,186	300,186
Issuance of Debt	-	-	4,148,800	4,148,800
Refunding of Debt	-	-	(2,725,000)	(2,725,000)
Bond issuance costs	-	-	(76,093)	(76,093)
Deferred amount on refunding	-	-	(121,560)	(121,560)
Transfers in	1,253,000	-	27,920	1,280,920
Transfers (out)	(87,920)	-	(216,910)	(304,830)
Contributions - Developers	702,153	-	207,009	909,162
Total Other Financing Sources (Uses)	<u>2,427,061</u>	<u>-</u>	<u>1,544,352</u>	<u>3,971,413</u>
NET CHANGES IN FUND BALANCES	230,863	(426,831)	1,562,385	1,366,417
FUND BALANCES, BEGINNING OF YEAR	<u>3,133,347</u>	<u>1,700,723</u>	<u>1,819,791</u>	<u>6,653,861</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,364,210</u>	<u>\$ 1,273,892</u>	<u>\$ 3,382,176</u>	<u>\$ 8,020,278</u>

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, 2006

EXHIBIT A-6

Net change in fund balances - total governmental funds	\$ 1,366,417
<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>	222,344
<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>	(913,146)
<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>	(369,400)
<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>10,426</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ 316,641</u></u>

The accompanying notes are an integral part of this statement.

CITY OF COPPERAS COVE, TEXAS ENTERPRISE FUNDS

Water and Sewer Fund - To account for revenue and expenses related to the operation and maintenance of the water and sewer system of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collections.

Solid Waste Fund - To account for all solid waste collection and disposal activities provided by the City to both residential and commercial residents, including the operation of the City's solid waste landfill.

Golf Course Fund - To account for revenue and expenses related to the operations of the municipal golf course.

**CITY OF COPPERAS COVE, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2006**

EXHIBIT A-7

	Business-type Activities Enterprise Funds			Total Funds
	Water and Sewer Fund	Solid Waste Fund	Nonmajor Fund Golf Course Fund	
ASSETS				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,883,317	\$ 501,470	\$ 89,663	\$ 2,474,450
Accounts receivable				
Billed utility	900,633	473,352	-	1,373,985
Unbilled utility	598,378	161,196	-	759,574
Other	-	-	649	649
Allowance for uncollectible	(469,351)	(144,664)	-	(614,015)
Due from other funds	125,966	-	2,600	128,566
Inventory	-	-	43,350	43,350
Prepaid expenses	8,244	2,273	1,999	12,516
Restricted cash and cash equivalents	5,983,358	-	-	5,983,358
Total Current Assets	9,030,545	993,627	138,261	10,162,433
<u>Noncurrent Assets</u>				
Restricted deferred bond issuance costs	606,989	-	12,354	619,343
Deferred amount of refunding bonds	402,991	-	51,025	454,016
Property and Equipment:				
Land	345,933	204,753	300,000	850,686
Buildings	289,446	29,823	53,549	372,818
Furniture and fixtures	42,299	-	-	42,299
Vehicles	1,114,858	1,606,181	-	2,721,039
Equipment	1,822,575	1,214,367	681,440	3,718,382
Facilities	51,714,794	2,995,446	1,253,342	55,963,582
Construction in progress	8,557,899	-	-	8,557,899
Less: Accumulated depreciation	(26,077,587)	(2,448,290)	(494,974)	(29,020,851)
Net Property and Equipment	37,810,217	3,602,280	1,793,357	43,205,854
Total Noncurrent Assets	38,820,197	3,602,280	1,856,736	44,279,213
Total Assets	\$ 47,850,742	\$ 4,595,907	\$ 1,994,997	\$ 54,441,646
LIABILITIES AND NET ASSETS				
<u>Current Liabilities</u>				
Accounts payable	\$ 219,906	\$ 2,559	\$ 15,064	\$ 237,529
Customer meter deposits	267,954	-	-	267,954
Retainage payable	56,863	-	-	56,863
Due to other funds	1,538	-	-	1,538
Other accrued items	61,105	24,238	13,534	98,877
Capital leases	41,584	166,300	75,898	283,782
Landfill costs payable	-	19,500	-	19,500
Other liabilities	52,517	86,296	-	138,813
Restricted - accounts payable	31,614	-	-	31,614
Restricted - accrued interest	182,510	-	4,832	187,342
Restricted - long-term debt - current portion	1,340,000	-	70,000	1,410,000
Total Current Liabilities	2,255,591	298,893	179,328	2,733,812
<u>Noncurrent Liabilities</u>				
Compensated absences	182,105	56,575	23,107	261,787
Capital leases	61,576	467,925	193,806	723,307
Certificates of obligation (net of unamortized bond premium)	14,876,295	-	922,109	15,798,404
General obligation bonds (net of unamortized bond premium)	10,500,000	-	-	10,500,000
Future landfill costs	-	429,000	-	429,000
Total Noncurrent Liabilities	25,619,976	953,500	1,139,022	27,712,498
Total Liabilities	27,875,567	1,252,393	1,318,350	30,446,310
Net Assets:				
Investment in capital assets (net of related debt)	17,801,590	2,968,055	590,091	21,359,736
Restricted:				
Debt Service	555,900	-	-	555,900
Capital Projects	78,155	-	-	78,155
Unrestricted	1,539,530	375,459	86,556	2,001,545
Total Net Assets	19,975,175	3,343,514	676,647	23,995,336
Total Liabilities and Net Assets	\$ 47,850,742	\$ 4,595,907	\$ 1,994,997	\$ 54,441,646

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, 2006

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	\$ 7,853,281	\$ 2,590,022	\$ 618,109	\$ 11,061,412
Miscellaneous	182,533	205,116	132,749	520,398
Total Operating Revenues	<u>8,035,814</u>	<u>2,795,138</u>	<u>750,858</u>	<u>11,581,810</u>
OPERATING EXPENSES				
Personnel services	1,572,816	687,061	461,252	2,721,129
Supplies and materials	1,657,577	163,047	49,570	1,870,194
Maintenance and repair	251,457	75,031	32,328	358,816
Services and charges	1,140,648	893,569	164,723	2,198,940
Depreciation	1,157,044	291,170	86,705	1,534,919
Total Operating Expenses	<u>5,779,542</u>	<u>2,109,878</u>	<u>794,578</u>	<u>8,683,998</u>
OPERATING INCOME (LOSS)	<u>2,256,272</u>	<u>685,260</u>	<u>(43,720)</u>	<u>2,897,812</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	419,309	22,893	251	442,453
Interest expense	(1,292,564)	(25,611)	(46,717)	(1,364,892)
Miscellaneous expense	(32,004)	-	-	(32,004)
Landfill closure and postclosure care costs estimate reduction	-	19,500	-	19,500
Bond agent fees	(9,088)	-	-	(9,088)
Loss on sale of asset	(316,798)	-	(108,367)	(425,165)
Total Nonoperating Revenues (Expenses)	<u>(1,231,145)</u>	<u>16,782</u>	<u>(154,833)</u>	<u>(1,369,196)</u>
Capital contributions	810,756	-	-	810,756
NET INCOME (LOSS) BEFORE TRANSFERS	<u>1,835,883</u>	<u>702,042</u>	<u>(198,553)</u>	<u>2,339,372</u>
TRANSFERS IN (OUT)				
Transfers in	20,000	-	176,910	196,910
Transfers (out)	(795,000)	(378,000)	-	(1,173,000)
CHANGE IN NET ASSETS	1,060,883	324,042	(21,643)	1,363,282
NET ASSETS, BEGINNING OF YEAR	<u>18,914,292</u>	<u>3,019,472</u>	<u>698,290</u>	<u>22,632,054</u>
NET ASSETS, END OF YEAR	<u>\$ 19,975,175</u>	<u>\$ 3,343,514</u>	<u>\$ 676,647</u>	<u>\$ 23,995,336</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, 2006**

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	\$ 7,998,050	\$ 2,504,050	\$ 750,904	\$ 11,253,004
Payments to suppliers	(2,960,236)	(1,016,068)	(233,642)	(4,209,946)
Payments to employees	(1,536,276)	(697,239)	(471,017)	(2,704,532)
Payments for interfund services used	(14,179)	-	(2,600)	(16,779)
Net Cash Provided by Operating Activities	3,487,359	790,743	43,645	4,321,747
Cash Flows from Investing Activities:				
Interest received	419,309	22,893	251	442,453
Net Cash Provided by Investing Activities	419,309	22,893	251	442,453
Cash Flows from Non-Capital Financing Activities:				
Transfers in	20,000	-	176,910	196,910
Transfers (out)	(795,000)	(378,000)	-	(1,173,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	(775,000)	(378,000)	176,910	(976,090)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from issuance of long-term debt	10,168,950	-	887,250	11,056,200
Principal paid on capital leases	(91,642)	(180,845)	(54,670)	(327,157)
Principal paid on long-term debt	(7,774,000)	(125,000)	(900,400)	(8,799,400)
Interest paid on capital leases	(3,250)	(22,084)	(13,278)	(38,612)
Interest paid on long-term debt	(1,285,259)	(3,527)	(33,439)	(1,322,225)
Acquisition of property and equipment	(1,648,445)	(17,531)	(50,431)	(1,716,407)
Bond issuance costs and deferred amount on refunding	(597,950)	3,101	(60,019)	(654,868)
Payment of bond agent fees	(9,088)	-	-	(9,088)
Net Cash Provided (Used) Capital & Related Financing Activities	(1,240,684)	(345,886)	(224,987)	(1,811,557)
Net Increase (Decrease) in Cash and Cash Equivalents	1,890,984	89,750	(4,181)	1,976,553
Cash and Cash Equivalents, Beginning of Year	5,975,691	411,720	93,844	6,481,255
Cash and Cash Equivalents, End of Year	\$ 7,866,675	\$ 501,470	\$ 89,663	\$ 8,457,808
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 2,256,272	\$ 685,260	\$ (43,720)	\$ 2,897,812
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,157,044	291,170	86,705	1,534,919
Decrease (increase) in assets:				
Accounts receivable	(37,764)	(157,631)	(46)	(195,441)
Due from other funds	(10,066)	3,817	(2,600)	(8,849)
Inventory	-	-	295	295
Prepaid expenditures	7,517	18,328	(1)	25,844
Increase (decrease) in liabilities:				
Accounts payable	6,155	(64,477)	(2,978)	(61,300)
Retainage payable	51,863	-	-	51,863
Accrued interest	-	(3,348)	(471)	(3,819)
Due to other funds	(4,113)	-	-	(4,113)
Other accrued liabilities	4,731	2,941	(3,304)	4,368
Other liabilities	5,839	4,504	-	10,343
Vacation and sick leave payable	36,540	10,179	9,765	56,484
Customer deposits	13,341	-	-	13,341
Total adjustments	1,231,087	105,483	87,365	1,423,935
Net Cash Provided by Operating Activities	\$ 3,487,359	\$ 790,743	\$ 43,645	\$ 4,321,747
Supplemental Disclosure				
Non-Cash Transactions				
Water/Sewer system	810,756	-	-	810,756
Developer contributions	(810,756)	-	-	(810,756)
Interest expense	(28,123)	(1,193)	(934)	(30,250)
Bond premium	28,123	1,193	934	30,250
Bond issuance costs	(42,009)	(4,294)	58,774	12,471
Amortization of bond issuance costs	42,009	4,294	(58,774)	(12,471)
Equipment	87,453	86,075	164,649	338,177
Capital lease additions	(87,453)	(86,075)	(164,649)	(338,177)
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 FINANCIAL STATEMENTS**

“The City Built for Family Living”

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Also included in program revenues are grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements: Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a separate column in the fund financial statements. The non-major funds are detailed in the combining financial statements section of this report.

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

The government-wide financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's depreciable assets, including infrastructure. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Unbilled utility receivables are estimated, based on the number of days included in the period. Tap fees approximate cost, therefore, they are recorded as revenue.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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

accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Accordingly, the accounting and financial reporting of the City's General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Fund is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and sales tax revenues. The primary expenditures are for public safety, streets, parks and recreation, and general governmental services.

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

Additionally, the City reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund – The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for water and sewer operations. Activities of the Fund include administration, operation and maintenance of the water and sewer system and billing and collection activities.

Solid Waste Fund – The Solid Waste Fund is used to account for the provision of solid waste collection and disposal services to customers who are billed monthly at a rate sufficient to cover the cost of providing the service.

Additionally, the City reports the following proprietary fund:

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue, and charges for services. Sales and other taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue. Fines, permits, miscellaneous and contributions are not susceptible to accrual because, generally, they are not measurable until received in cash. Deferred revenue arises when potential revenue (property taxes and assessments) does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. Revenue is recognized in subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has chosen not to apply subsequent private-sector guidance.

Business type activities and all proprietary funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, solid waste, and golf course funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense.

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

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

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City is authorized to invest its funds in the following:

- (1) Obligations of the United States or its agencies and instrumentalities which have a stated maturity on the date of purchase of two years or less.
- (2) Direct obligations of the State of Texas or its agencies and instrumentalities.
- (3) Certificates of deposits if issued by a state or national bank domiciled in the State of Texas or a savings and loan association domiciled in the State of Texas.
- (4) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed with the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities.
- (5) Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and have received a rating of not less than A or its equivalent.
- (6) Eligible fully collateralized repurchase agreements, as defined by the Public Funds Investment Act.
- (7) Eligible investment pools in accordance with the Public Funds Investment Act. Sec. 2256.016-2256.019.
- (8) Any other securities which may be added by the State of Texas as permissible investments for municipal governments which are in compliance with the Public Funds Investment Act.

2. Interfund Transactions and Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Interfund transactions, other than reimbursements, are reported as transfers.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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

3. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the general fund and the special revenues funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute generally accepted accounting principles (GAAP) basis expenditures or liabilities, since the commitments will be honored during the subsequent year.

4. Cash and Investments

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

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

5. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

6. Restricted Assets

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

7. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized cost of the assets constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest expense, incurred from the date of the borrowing until completion of the project, is offset by interest earned on invested proceeds over the same period.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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

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

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

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

The City is capitalizing infrastructure assets paid for in the current year on the entity-wide financial statements. However, the City has not early implemented the Infrastructure related provisions of Governmental Accounting Standards Board statement number 34.

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 which typically is the General Fund. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave is awarded at eighty hours per year with a maximum accumulation of 960 hours. Fifty percent (50%) sick pay benefits are accrued as expenditures only when the individual employee is eligible to collect retirement from the Texas Municipal Retirement System (TMRS). The fifty percent (50%) of unused sick leave will be paid to employees who retire with 20 years or more of physical continual service with the City of Copperas Cove; and, at the time of separation, collect a TMRS monthly retirement check.

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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

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.

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.

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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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 \$12,173,144 difference are as follows:

Note Payable	\$ (26,249)
General Obligation bonds payable	(4,708,200)
Limited Tax Notes	(1,260,000)
Certificates of Obligation bonds payable	(4,815,000)
Less: Unamortized bond issuance costs	114,199
Less: Unamortized bond discount	16,605
Less: Deferred amount on refunding	113,993
Accrued interest payable	(61,956)
Capitalized leases payable	(701,805)
Compensated absences	<u>(844,731)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 <u><u>\$ (12,173,144)</u></u>

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 \$782,172 difference are as follows:

Capital outlay	\$ 1,407,843
Depreciation expense	<u>(1,185,499)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u><u>\$ 222,344</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of

CITY OF COPPERAS COVE, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (continued)
 SEPTEMBER 30, 2006

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

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 \$913,146 difference are as follows:

Capital lease commitments	\$ (559,828)
Principal commitments	(4,148,800)
Unamortized bond issuance costs	51,169
Unamortized deferred amount on refunding	121,560
Principal repayments:	
General obligation debt	1,270,600
Certificate of obligation debt	2,175,000
Notes Payable	1,354
Capital leases	<u>175,799</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ (913,146)</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 \$28,851 difference are as follows:

Compensated absences	\$ (346,532)
Accrued interest	(6,417)
Amortization of bond discount	(1,466)
Deferred amount on refunding	(7,567)
Amortization of bond issuance costs	<u>(7,418)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ (369,400)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for budgeting current expenditures and capital outlay together by department and the use of encumbrances as discussed below. Annual appropriated budgets are adopted for the General, Special Revenue (except for the Texas Community Development Loan Fund, Texas Parks Wildlife Fund, Tobacco Grant 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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

A. Budgetary Information (continued)

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 revenues or expenditures.
7. The legal level of control (the level at which expenditures may not legally exceed budget appropriation) established by the Charter is the department. The City had one department that exceeded budgeted appropriations for this fiscal year.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

B. Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2006, the City's actual total expenditures by function exceed budgeted amounts in the following department:

<u>General Fund</u>	<u>Appropriation</u>	<u>Excess of Expenditures Over Appropriations</u>	<u>Explanation Number</u>
Community Services	1,407,063	5,270	1
Fleet and Facility Services	365,963	546	1
Highways and Streets	890,662	4,534	1
Public Safety	6,931,143	3,018	1
Transfers out	60,000	27,920	1

1. Unanticipated adjustments proposed by independent auditors when posted resulted in an immaterial negative 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 \$1,157,904 and the bank balance was \$1,726,023. Of the \$1,726,023 bank balance as of September 30, 2006, 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 \$2,950,267 and the bank balance was \$2,973,082. 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 to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

A. Deposits and Investments (continued)

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 it’s 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, 2006, are shown below:

Name	Fair Value
State Operated Pools:	
TexPool	\$ 8,437,866
TexStar	7,444,603
Total	\$ 15,882,469

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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

A. Deposits and Investments (continued)

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 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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

B. Property Taxes (continued)

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, 2006 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	\$ 104,778	\$ -	\$ -	\$ -	\$ 20,250	\$ 125,028
Ambulance fees	311,469	-	-	-	-	311,469
Assessments	23,829	-	-	-	-	23,829
Utility accounts	-	1,499,011	634,548	-	-	2,133,559
Miscellaneous	65,639	-	-	649	95,696	161,984
Grants	939	-	-	-	-	939
Notes	-	-	-	-	166,074	166,074
Gross Receivables	506,654	1,499,011	634,548	649	282,020	2,922,882
Less: Allowance for Uncollectibles	-	(469,351)	(144,664)	-	-	(614,015)
Net Total Receivables	<u>\$ 506,654</u>	<u>\$ 1,029,660</u>	<u>\$ 489,884</u>	<u>\$ 649</u>	<u>\$ 282,020</u>	<u>\$ 2,308,867</u>

The Enterprise Fund accounts receivable include unbilled charges for services rendered at September 30, 2006.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

D. Capital Assets

Capital asset activity for the year ended September 30, 2006 was as follows:

Primary Government

	Balance 09/30/05	Additions	Deletions	Balance 9/30/2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,355,201	\$ -	\$ 11,280	\$ 1,343,921
Construction in progress	2,011,960	288,767	-	2,300,727
Total capital assets, not being depreciated	<u>3,367,161</u>	<u>288,767</u>	<u>11,280</u>	<u>3,644,648</u>
Capital assets, being depreciated:				
Buildings / Improvements	6,942,216	41,277	-	6,983,493
Facilities	3,741,998	352,987	15,000	4,079,985
Furniture and fixtures	595,010	10,162	3,686	601,486
Vehicles	2,509,038	209,990	221,775	2,497,253
Equipment	4,927,682	504,660	82,137	5,350,205
Total capital assets being depreciated	<u>18,715,944</u>	<u>1,119,076</u>	<u>322,598</u>	<u>19,512,422</u>
Less accumulated depreciation for:				
Buildings / Improvements	2,979,854	251,466	-	3,231,320
Facilities	854,701	165,922	15,000	1,005,623
Furniture and fixtures	449,354	29,812	3,686	475,480
Vehicles	2,117,548	194,906	221,775	2,090,679
Equipment	2,555,994	543,393	82,137	3,017,250
Total accumulated depreciation	<u>8,957,451</u>	<u>1,185,499</u>	<u>322,598</u>	<u>9,820,352</u>
Total capital assets, being depreciated, net	<u>9,758,493</u>	<u>(66,423)</u>	<u>-</u>	<u>9,692,070</u>
Governmental activities capital assets, net	<u>\$ 13,125,654</u>	<u>\$ 222,344</u>	<u>\$ 11,280</u>	<u>\$ 13,336,718</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

D. Capital Assets (continued)

	Balance 9/30/2005	Additions	Deletions	Balance 9/30/2006
Water and Sewer activities:				
Capital assets, not being depreciated:				
Land	\$ 345,933	\$ -	\$ -	\$ 345,933
Construction in progress	6,780,315	1,777,584	-	8,557,899
Total capital assets, not being depreciated	7,126,248	1,777,584	-	8,903,832
Capital assets, being depreciated:				
Buildings	281,071	8,375	-	289,446
Furniture and fixtures	34,915	7,609	225	42,299
Vehicles	1,036,143	123,922	45,207	1,114,858
Equipment	1,805,117	30,123	12,665	1,822,575
Facilities	51,252,168	810,756	348,130	51,714,794
Total capital assets, being depreciated	54,409,414	980,785	406,227	54,983,972
Less accumulated depreciation for:				
Buildings	148,991	10,124	-	159,115
Furniture and fixtures	16,750	3,513	225	20,038
Vehicles	968,794	47,814	45,207	971,401
Equipment	1,047,977	145,858	12,665	1,181,170
Facilities	22,827,460	949,735	31,332	23,745,863
Total accumulated depreciation	25,009,972	1,157,044	89,429	26,077,587
Total capital assets, being depreciated, net	29,399,442	(176,259)	316,798	28,906,385
Water and Sewer activities capital assets, net	\$ 36,525,690	\$ 1,601,325	\$ 316,798	\$ 37,810,217
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	230	-	29,823
Vehicles	1,759,183	13,399	166,401	1,606,181
Equipment	1,134,842	85,106	5,581	1,214,367
Facilities	2,990,575	4,871	-	2,995,446
Total capital assets, being depreciated	5,914,193	103,606	171,982	5,845,817
Less accumulated depreciation for:				
Buildings	27,744	109	-	27,853
Vehicles	1,059,977	130,682	166,401	1,024,258
Equipment	639,496	100,470	5,581	734,385
Facilities	601,885	59,909	-	661,794
Total accumulated depreciation	2,329,102	291,170	171,982	2,448,290
Total capital assets, being depreciated, net	3,585,091	(187,564)	-	3,397,527
Solid Waste activities capital assets, net	\$ 3,789,844	\$ (187,564)	\$ -	\$ 3,602,280

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

D. Capital Assets (continued)

	Balance 9/30/2005	Additions	Deletions	Balance 9/30/2006
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	165,135	-	111,586	53,549
Equipment	602,402	176,964	97,926	681,440
Facilities	1,215,225	38,117	-	1,253,342
Total capital assets, being depreciated	1,982,762	215,081	209,512	1,988,331
Less accumulated depreciation for:				
Buildings	43,223	4,481	31,893	15,811
Equipment	262,235	57,156	29,377	290,014
Facilities	164,081	25,068	-	189,149
Total accumulated depreciation	469,539	86,705	61,270	494,974
Total capital assets, being depreciated, net	1,513,223	128,376	148,242	1,493,357
Golf Course activities capital assets, net	\$ 1,813,223	\$ 128,376	\$ 148,242	\$ 1,793,357
	Balance 9/30/2005	Additions	Deletions	Balance 9/30/2006
Total Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 850,686	\$ -	\$ -	\$ 850,686
Construction in progress	6,780,315	1,777,584	-	8,557,899
Total capital assets, not being depreciated	7,631,001	1,777,584	-	9,408,585
Capital assets, being depreciated:				
Buildings	475,799	8,605	111,586	372,818
Furniture and fixtures	34,915	7,609	225	42,299
Vehicles	2,795,326	137,321	211,608	2,721,039
Equipment	3,542,361	292,193	116,172	3,718,382
Facilities	55,457,968	853,744	348,130	55,963,582
Total capital assets, being depreciated	62,306,369	1,299,472	787,721	62,818,120
Less accumulated depreciation for:				
Buildings	219,958	14,714	31,893	202,779
Furniture and fixtures	16,750	3,513	225	20,038
Vehicles	2,028,771	178,496	211,608	1,995,659
Equipment	1,949,708	303,484	47,623	2,205,569
Facilities	23,593,426	1,034,712	31,332	24,596,806
Total accumulated depreciation	27,808,613	1,534,919	322,681	29,020,851
Total capital assets, being depreciated, net	34,497,756	(235,447)	465,040	33,797,269
Business-type activities capital assets, net	\$ 42,128,757	\$ 1,542,137	\$ 465,040	\$ 43,205,854

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

D. Capital Assets (continued)

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

Governmental activities:	
General Government	\$ 121,362
Public Safety	434,201
Community Service	404,157
Highways and Streets	214,521
Fleet Maintenance	11,258
	\$ 1,185,499
Total depreciation expense-governmental activities	
Business-type activities:	
Water and Sewer	\$ 1,157,044
Solid Waste	291,170
Golf Course	86,705
	\$ 1,534,919

Discretely presented component unit

Activity for the Economic Development Corporation (EDC) for the year ended September 30, 2006, was as follows:

	Balance 9/30/2005	Additions	Deletions	Balance 9/30/2006
Capital assets, not being depreciated:				
Land	\$ 906,818	\$ 28,000	\$ -	\$ 934,818
Total capital assets, not being depreciated	906,818	28,000	-	934,818
Capital assets, being depreciated:				
Buildings	879,349	6,260	-	885,609
Equipment	90,657	7,655	-	98,312
Total capital assets, being depreciated	970,006	13,915	-	983,921
Less accumulated depreciation for:				
Buildings	155,324	35,675	-	190,999
Equipment	61,245	9,474	-	70,719
Total accumulated depreciation	216,569	45,149	-	261,718
Total capital assets, being depreciated, net	753,437	(31,234)	-	722,203
EDC capital assets, net	\$ 1,660,255	\$ (3,234)	\$ -	\$ 1,657,021

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

E. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2006 is as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund:		
2003 Capital Imp CO Fund	\$ 66,801	\$ 30,549
Non-Major Governmental Funds	160,331	47,255
Total General Fund	<u>227,132</u>	<u>77,804</u>
2003 Capital Imp CO Fund:		
General Fund	<u>30,549</u>	76,867
Total 2003 Capital Imp CO Fund	30,549	<u>76,867</u>
Non-Major Governmental Funds		
General Fund	47,255	158,793
Water and Sewer Fund	-	115,900
Golf Fund	<u>-</u>	<u>2,600</u>
Total Non-Major Governmental Funds	47,255	277,293
Water and Sewer Fund		
General Fund	-	1,538
Non-Major Governmental Funds	<u>125,966</u>	-
Total Water and Sewer Fund	125,966	<u>1,538</u>
Golf Fund		
Non-Major Governmental Funds	<u>2,600</u>	-
Total Solid Waste Fund	2,600	-
Total	<u><u>\$ 433,502</u></u>	<u><u>\$ 433,502</u></u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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

Transfers during the year ended September 30, 2006 were:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities:		
General Fund	\$ 1,253,000	\$ 87,920
Non-Major governmental activities	27,920	216,910
Business-type Activities:		
Water and Sewer	20,000	795,000
Solid Waste	-	378,000
Golf Course	176,910	-
Total	<u>\$ 1,477,830</u>	<u>\$ 1,477,830</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, 2006.

	Governmental Funds	Proprietary Funds
Asset:		
Machinery and Equipment	\$ 1,166,230	\$ 1,692,354
Less: Accumulated Depreciation	276,239	432,081
Total	<u>\$ 889,991</u>	<u>\$ 1,260,273</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, 2006.

Year Ending September 30,	Governmental Funds	Proprietary Funds
2007	\$ 214,280	\$ 334,440
2008	179,051	274,504
2009	179,051	298,050
2010	141,888	149,246
2011	45,656	25,051
2012 and thereafter	-	-
Total minimum lease payments	<u>759,926</u>	<u>1,081,291</u>
Less amount representing interest	58,121	74,202
Present value of future minimum lease payments	<u>\$ 701,805</u>	<u>\$ 1,007,089</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

G. Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2006 is as follows:

	Balance 09/30/05	Additions	Deletions	Balance 09/30/06	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 3,090,000	\$ 2,888,800	\$ (1,270,600)	\$ 4,708,200	\$ 295,000
Notes Payable	27,603	-	(1,354)	26,249	1,589
Tax/Revenue certificates of obligation	6,990,000	-	(2,175,000)	4,815,000	315,000
Limited Tax Notes	-	1,260,000	-	1,260,000	295,000
Unamortized bond issue costs	(70,448)	(51,169)	7,418	(114,199)	-
Unamortized bond (discount)	(18,071)	-	1,466	(16,605)	-
Deferred amount on refunding	-	(121,560)	7,567	(113,993)	-
Total bonds payable	10,019,084	3,976,071	(3,430,503)	10,564,652	906,589
Compensated absences	498,199	371,399	(24,867)	844,731	-
Capitalized leases	317,776	559,828	(175,799)	701,805	188,119
Governmental activity long-term debt	<u>\$ 10,835,059</u>	<u>\$ 4,907,298</u>	<u>\$ (3,631,169)</u>	<u>\$ 12,111,188</u>	<u>\$ 1,094,708</u>
Business Type Activities					
General obligation bonds	5,450,000	8,006,200	(559,400)	12,896,800	535,000
Tax/Revenue certificates of obligation	20,000,000	3,050,000	(8,245,000)	14,805,000	875,000
Unamortized bond issue costs	(657,586)	(178,760)	217,003	(619,343)	-
Unamortized bond premium	78,689	-	(33,021)	45,668	-
Unamortized bond (discount)	(41,835)	-	2,771	(39,064)	-
Deferred amount on refunding	-	(486,440)	32,424	(454,016)	-
Total bonds payable	24,829,268	10,391,000	(8,585,223)	26,635,045	1,410,000
Future landfill costs	468,000	-	(19,500)	448,500	19,500
Compensated absences	205,303	67,338	(10,854)	261,787	-
Capitalized leases	996,069	338,177	(327,157)	1,007,089	283,782
Business - type activity long-term debt	<u>\$ 26,498,640</u>	<u>\$ 10,796,515</u>	<u>\$ (8,942,734)</u>	<u>\$ 28,352,421</u>	<u>\$ 1,713,282</u>

The ordinances, authorizing the issuance of general obligation bonds, created an interest and sinking fund (Debt Service Fund). The ordinances require the City to ascertain a rate of ad valorem tax, which will be sufficient to pay the principal and interest as they become due. The ordinances, authorizing the issuance of Waterworks and Sewer System Revenue Bonds, created a sinking fund and a reserve fund. The gross revenue of the water and sewer system, after deduction of reasonable expenses for operations and maintenance, is pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the reserve fund. All bonded debt requires semi-annual payments of interest. The various bond ordinances provide the City with rights of redemption at par, plus accrued interest, at specific future dates.

Long-term debt at September 30, 2006, includes the following individual issues (not including the unamortized premium of \$ 45,668 and unamortized discount of \$ 39,064 of the Water & Sewer Tax and Revenue Certificates of Obligation):

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

G. Long-Term Debt (continued)

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Governmental Funds						
General Obligation Bonds:						
1998 Various purpose	3.70 - 4.50	09-01-98	08-15-13	\$ 1,000,000	466,333	\$ 533,667
1998 Refunding	3.70 - 4.50	09-01-98	08-15-12	2,750,000	1,343,667	1,406,333
2005 Refunding	3.68	11-29-05	08-15-17	1,892,800	114,600	1,778,200
2006 Refunding	3.78	03-09-06	08-15-21	996,000	6,000	990,000
2006 Limited Tax Notes	3.50 - 4.00	09-26-06	08-15-13	1,260,000	-	1,260,000
Note payable	2.50	11-14-00	09-01-20	35,000	8,751	26,249
Tax/Revenue Certificates						
of Obligation:						
1997 Various purpose	4.10 - 5.35	03-01-97	08-15-07	2,010,000	1,885,000	125,000
1999 Various purpose	3.75 - 5.40	09-07-99	08-15-09	585,000	490,000	95,000
2001 Various purpose	3.00 - 5.25	06-15-01	08-15-21	1,915,000	1,325,000	590,000
2003 Various purpose	2.00 - 5.00	08-05-03	09-30-23	4,190,000	185,000	4,005,000
Total				\$ 16,633,800	\$ 5,824,351	\$ 10,809,449
 Proprietary Funds						
General Obligation Bond:						
2001A Refunding	4.00 - 4.50	06-15-01	08-15-09	\$ 1,845,000	\$ 1,070,000	\$ 775,000
2003A Refunding	2.00 - 5.00	08-05-03	09-30-23	4,720,000	565,000	4,155,000
2005 Refunding	3.68	11-29-05	08-15-19	4,022,200	15,400	4,006,800
2006 Refunding	3.78	03-09-06	08-15-21	3,984,000	24,000	3,960,000
Tax/Revenue Certificates						
of Obligation:						
1997 Various purpose	4.10 - 5.35	09-07-99	08-15-17	1,000,000	955,000	45,000
1999 Various purpose	3.75 - 5.40	09-07-99	08-15-19	6,035,000	5,335,000	700,000
2001 Various purpose	4.00 - 5.25	06-15-01	08-15-21	6,485,000	4,755,000	1,730,000
2003 Improvements	2.00 - 5.00	08-05-03	09-30-23	9,820,000	540,000	9,280,000
2005 Various purpose	3.63	11-10-05	08-15-25	3,050,000	-	3,050,000
Total				\$ 40,961,200	\$ 13,259,400	\$ 27,701,800

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, 2006, the outstanding maturities on the refunded debt were \$1,715,000.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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, 2006, the outstanding maturities on the refunded debt were \$875,000.

The City refunded the bonds to reduce its total debt service payment over the next eight years by \$345,905 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, 2006 the outstanding maturities on the refunded debt were \$355,000 for the Series 1993 and \$3,980,000 for the Series 1994.

The City refunded the bonds to reduce its total debt service payment over the next eleven years by \$932,089 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.

On November 11, 2005, the City issued \$5,915,000 in General Obligation Refunding Bonds with an average interest rate of 3.68 percent to refund \$885,000 of outstanding General Obligation Bonds, Series 1994, \$1,395,000 of outstanding Combination Tax & Revenue Certificates of Obligations, Series 1997, and \$3,260,000 of outstanding Combination Tax & Revenue Certificates of Obligations, Series 1999. The net proceeds of \$5,829,343 (after payment of \$85,657 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, 2006 the outstanding maturities on the refunded debt were \$810,000 for the Series 1994, \$1,395,000 for the Series 1997 and \$3,260,000 for the Series 1999.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

G. Long-Term Debt (continued)

The City refunded the bonds to reduce its total debt service payment over the next sixteen years by \$311,551 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$291,031

On March 9, 2006, the City issued \$4,980,000 in General Obligation Refunding Bonds with an average interest rate of 3.78 percent to refund \$4,595,000 of outstanding Combination Tax & Revenue Certificates of Obligations, Series 2001. The net proceeds of \$4,896,932 (after payment of \$83,068 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, 2006 the outstanding maturities on the refunded debt were \$4,595,000.

The City refunded the bonds to reduce its total debt service payment over the next sixteen years by \$189,889 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$192,957.

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>
2007	\$ 295,000	\$ 218,002	\$ 535,000	\$ 467,107
2008	544,231	174,845	580,769	479,133
2009	510,645	153,020	704,354	457,533
2010	622,650	132,461	977,351	430,353
2011	667,269	107,562	1,047,731	392,366
2012-2016	1,490,405	227,663	5,584,595	1,258,531
2017-2021	578,000	67,171	3,467,000	351,482
Total	<u>\$ 4,708,200</u>	<u>\$ 1,080,724</u>	<u>\$ 12,896,800</u>	<u>\$ 3,836,505</u>

Note Payable

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

Year Ending <u>September 30,</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,589	\$ 656
2008	1,628	617
2009	1,669	576
2010	1,711	534
2011	1,754	491
2012-2016	9,449	1,776
2017-2021	8,449	531
Total	<u>\$ 26,249</u>	<u>\$ 5,181</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

G. Long-Term Debt (continued)

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.

On November 10, 2005, the City issued \$3,050,000 in Combination Tax and Revenue Certificates of Obligation Series 2003 with an interest rate of 3.63% to pay for construction and improvements to the City's waterworks and sewer system.

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

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 315,000	\$ 227,835	\$ 875,000	\$ 656,615
2008	180,000	252,786	860,000	537,607
2009	200,000	246,104	875,000	509,139
2010	175,000	238,668	630,000	328,358
2011	175,000	231,467	660,000	310,841
2012-2016	1,270,000	864,013	3,265,000	593,462
2017-2021	1,820,000	423,111	4,925,000	247,384
2022-2025	680,000	49,250	2,715,000	76,230
Total	<u>\$ 4,815,000</u>	<u>\$ 2,533,234</u>	<u>\$ 14,805,000</u>	<u>\$ 3,259,636</u>

Limited Tax Notes

On September 1, 2006, the City issued \$1,260,000 in Limited Tax Notes with an interest rate of 3.50 - 4.00% to pay for acquisition of land and for construction of a new police station and purchase of equipment for the Street and Fire Departments.

Annual debt service requirements to maturity for the Limited Tax Notes are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 295,000	\$ 44,325
2008	145,000	38,311
2009	150,000	32,554
2010	160,000	26,599
2011	165,000	20,247
2012-2016	345,000	20,644
Total	<u>\$ 1,260,000</u>	<u>\$ 182,680</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

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, 2006. 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	\$ 4,044,000	\$ 1,324,482	\$ 2,722,518

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 806 administered by TMRS, an agent multi-employer public employee retirement system.

Benefits depend upon the sum of the employee’s contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

C. Employee Benefits (continued)

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

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

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

2. Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's 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, 2005, 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, 2006

C. Employee Benefits (continued)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/05	12/31/04	12/31/03
Actuarial Value of Assets	\$ 14,772,787	\$ 13,594,432	\$ 12,999,329
Actuarial Accrued Liability	\$ 17,618,764	\$ 15,864,075	\$ 15,199,038
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 2,845,977	\$ 2,269,643	\$ 2,199,709
Funded Ratio	83.8%	85.7%	85.5%
Annual covered Payroll	\$ 8,461,828	\$ 8,354,212	\$ 7,778,268
UAAL as a Percentage of Covered Payroll	33.6%	27.2%	28.3%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Required Contribution (ARC)	\$ 707,410	\$ 682,966	\$ 614,484
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
	707,410	682,966	614,484
Contributions Made	707,410	682,966	614,484
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	4%
Cost of Living Increases	None

D. Metered Water and Sewer

The City had approximately 11,195 metered customers on their water and sewer systems at September 30, 2006. 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 continuing leachate management for 30 years. They must also show that they have financial

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2006

E. Municipal Solid Waste Landfill (continued)

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 originally estimated the current costs of remaining closure costs and post closure costs at \$585,000 as of September 30, 1999. These landfill closure and postclosure care costs were recognized over the active life of the landfill, based on the landfill capacity used to date at the end of each fiscal year through the fiscal year ended September 30, 1999.

The City revised its estimate of current costs of remaining closure and post closure care costs as of September 30, 2006. The revised cost estimate was \$448,500. This revision resulted in recognition of a change in accounting estimate and a decrease in the landfill closure and post closure care costs liability of \$19,500. All estimated costs related to the landfill have been recognized. The City currently has 100 acres permitted for landfill use. Of this, 20 acres were previously filled under regulations prior to Subtitle "D". Currently, there are 32.45 acres in approved Subtitle "D" landfill space of which six acres have been prepared and two acres have been used. The remaining 47.55 acres can be designated for future landfill if the City chooses to do so once permitted for Subtitle "D" in accordance with TCEQ regulations. This would extend the useful life of the landfill. The City has approximately 26.5% of landfill capacity to date and it is estimated that the remaining landfill life approved for Subtitle "D" is 15 years.

F. Change in Accounting Estimate

The City revised its estimate of landfill closure and post closure care costs required to comply with TCEQ regulations. The revised estimate of landfill closure and post closure care costs is \$448,500. Prior to this estimate adjustment, the City had a total remaining landfill closure and post closure care costs liability in the Solid Waste Fund of \$468,000. As a result of adjusting the liability for the revised estimate, a \$19,500 reduction in landfill closure and post closure care costs has been recognized in the Solid Waste Fund during the fiscal year ended September 30, 2006.

**CITY OF COPPERAS COVE, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION**

“The City Built for Family Living”

**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, 2006**

EXHIBIT B-1

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 8,271,683	\$ 8,500,833	\$ 8,500,837	\$ 4
Licenses	47,385	49,830	49,830	-
Permits	147,300	216,372	216,373	1
City services provided	637,000	736,542	736,547	5
Fines	838,473	657,144	657,147	3
Interest	160,000	199,228	199,110	(118)
Miscellaneous	185,644	172,661	172,818	157
Intergovernmental	104,030	103,895	103,895	-
Contributions	1,000	1,000	2,976	1,976
Total Revenues	<u>10,392,515</u>	<u>10,637,505</u>	<u>10,639,533</u>	<u>2,028</u>
EXPENDITURES				
Current:				
General government	1,934,282	1,890,721	1,877,298	13,423
Community services	1,375,170	1,413,466	1,418,736	(5,270)
Fleet and facility services	370,284	365,963	366,509	(546)
Highways and streets	861,635	890,662	879,252	11,410
Public safety	7,067,054	6,932,597	6,940,131	(7,534)
Total Expenditures	<u>11,608,425</u>	<u>11,493,409</u>	<u>11,481,926</u>	<u>11,483</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,215,910)</u>	<u>(855,904)</u>	<u>(842,394)</u>	<u>13,510</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,253,000	1,253,000	1,253,000	-
Transfers (out)	(60,000)	(60,000)	(87,920)	(27,920)
Total Other Financing Sources (Uses)	<u>1,193,000</u>	<u>1,193,000</u>	<u>1,165,080</u>	<u>(27,920)</u>
NET CHANGES IN FUND BALANCES	<u>\$ (22,910)</u>	<u>\$ 337,096</u>	<u>322,686</u>	<u>\$ (14,410)</u>
FUND BALANCE, BEGINNING OF YEAR			3,133,347	
NET UNBUDGETED GENERAL FUND ACTIVITY			5,374	
CURRENT YEAR ENCUMBERANCES			131,428	
PRIOR YEAR ENCUMBERANCES			<u>(228,625)</u>	
ADJUSTED FUND BALANCE			<u>3,041,524</u>	
FUND BALANCE, END OF YEAR			<u>\$ 3,364,210</u>	

**CITY OF COPPERAS COVE, TEXAS
COMBINING STATEMENTS AND BUDGET
COMPARISONS AS SUPPLEMENTARY INFORMATION**

This supplementary information includes financial statements and schedules not required by the Governmental Standards Board, nor a part of the basic financial statements, but are presented for purposed of additional analysis.

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2006**

EXHIBIT C-1

ASSETS	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
Cash and cash equivalents	\$ 1,260,725	\$ 97,478	\$ 2,084,919	\$ 3,443,122
Receivables (net of allowances for uncollectibles):		-		
Accounts	95,696	-	-	95,696
Taxes	-	20,250	-	20,250
Due from other funds	-	-	47,255	47,255
Inventory	286	-	-	286
Prepaid Expenditures	650	-	-	650
Notes receivable	166,074	-	-	166,074
	<u>1,523,431</u>	<u>117,728</u>	<u>2,132,174</u>	<u>3,773,333</u>
Total Assets	<u>\$ 1,523,431</u>	<u>\$ 117,728</u>	<u>\$ 2,132,174</u>	<u>\$ 3,773,333</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 44,313	\$ -	\$ 8,231	\$ 52,544
Due to other funds	2,600	-	274,693	277,293
Due to other governmental agencies	-	-	9,731	9,731
Deferred revenue	-	20,250	-	20,250
Unearned revenue	-	-	-	-
Other accrued items	31,339	-	-	31,339
	<u>78,252</u>	<u>20,250</u>	<u>292,655</u>	<u>391,157</u>
Total Liabilities	<u>78,252</u>	<u>20,250</u>	<u>292,655</u>	<u>391,157</u>
 Fund Balances:				
Reserved:				
Debt service	-	97,478	-	97,478
Encumbrances	413,829	-	-	413,829
Inventory	286	-	-	286
Prepaid expenditures	650	-	-	650
Unreserved, undesignated	1,030,414	-	1,839,519	2,869,933
	<u>1,445,179</u>	<u>97,478</u>	<u>1,839,519</u>	<u>3,382,176</u>
Total Fund Balances	<u>1,445,179</u>	<u>97,478</u>	<u>1,839,519</u>	<u>3,382,176</u>
	<u>\$ 1,523,431</u>	<u>\$ 117,728</u>	<u>\$ 2,132,174</u>	<u>\$ 3,773,333</u>
Total Liabilities and Fund Balances	<u>\$ 1,523,431</u>	<u>\$ 117,728</u>	<u>\$ 2,132,174</u>	<u>\$ 3,773,333</u>

**CITY OF COPPERAS COVE, TEXAS
GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2006**

EXHIBIT C-2

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES				
Taxes	\$ 138,163	\$ 887,380	\$ -	\$ 1,025,543
Charges for services	971,031	-	-	971,031
Fines	48,878	-	-	48,878
Interest	57,379	26,434	15,491	99,304
Sale of plots	11,700	-	-	11,700
Miscellaneous	26,747	-	-	26,747
Intergovernmental	-	-	55,013	55,013
Contributions	39,180	-	-	39,180
Total Revenues	<u>1,293,078</u>	<u>913,814</u>	<u>70,504</u>	<u>2,277,396</u>
EXPENDITURES				
Current:				
General government	8,649	-	-	8,649
Community services	308,756	-	-	308,756
Highway and streets	298,064	-	-	298,064
Public safety	46,677	-	-	46,677
Capital outlay	312,032	-	163,048	475,080
Debt service:				
Principal retirement	220,000	490,600	-	710,600
Interest and fiscal charges	70,330	341,207	-	411,537
Total Expenditures	<u>1,264,508</u>	<u>831,807</u>	<u>163,048</u>	<u>2,259,363</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>28,570</u>	<u>82,007</u>	<u>(92,544)</u>	<u>18,033</u>
OTHER FINANCING SOURCES (USES)				
Other sources	-	2,888,800	1,560,186	4,448,986
Other uses	-	(2,725,000)	-	(2,725,000)
Bond issuance costs	-	(42,240)	(33,853)	(76,093)
Deferred amount on refunding	-	(121,560)	-	(121,560)
Transfers in	-	-	27,920	27,920
Transfers out	(102,600)	(114,310)	-	(216,910)
Contributions - Developers	207,009	-	-	207,009
Total Other Financing Sources (Uses)	<u>104,409</u>	<u>(114,310)</u>	<u>1,554,253</u>	<u>1,544,352</u>
NET CHANGE IN FUND BALANCES	132,979	(32,303)	1,461,709	1,562,385
FUND BALANCES, BEGINNING OF YEAR	<u>1,312,200</u>	<u>129,781</u>	<u>377,810</u>	<u>1,819,791</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,445,179</u>	<u>\$ 97,478</u>	<u>\$ 1,839,519</u>	<u>\$ 3,382,176</u>

CITY OF COPPERAS COVE, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2006

EXHIBIT C-3

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 901,082	\$ 901,082	\$ 887,380	\$ (13,702)
Interest	20,000	20,000	26,434	6,434
Miscellaneous	-	-	-	-
Total Revenues	<u>921,082</u>	<u>921,082</u>	<u>913,814</u>	<u>(7,268)</u>
EXPENDITURES				
Debt Service:				
Principal	571,000	571,000	490,600	80,400
Interest and Fiscal Charges	401,794	401,794	341,207	60,587
Total Debt Service	<u>972,794</u>	<u>972,794</u>	<u>831,807</u>	<u>140,987</u>
Total Expenditures	<u>972,794</u>	<u>972,794</u>	<u>831,807</u>	<u>140,987</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(51,712)</u>	<u>(51,712)</u>	<u>82,007</u>	<u>133,719</u>
OTHER FINANCING (USES)				
Other sources	-	-	2,888,800	(2,888,800)
Other uses	-	-	(2,725,000)	2,725,000
Bond issuance costs	-	-	(42,240)	42,240
Deferred amount on refunding	-	-	(121,560)	121,560
Transfers (out)	-	-	(114,310)	(114,310)
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>(114,310)</u>	<u>(114,310)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(51,712)</u>	<u>(51,712)</u>	<u>(32,303)</u>	<u>19,409</u>
FUND BALANCE, BEGINNING OF YEAR			129,781	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			<u>129,781</u>	
FUND BALANCE, END OF YEAR			<u>\$ 97,478</u>	

CITY OF COPPERAS COVE, TEXAS SPECIAL REVENUE FUNDS

Youth Activities Fund - To account for the youth activity program sponsored by the Parks and Recreation Department.

Hotel/Motel Tax Fund - To account for taxes which are used for the promotion of tourism as well as the enhancement of culture and recreation within the City of Copperas Cove.

Abandoned Vehicle Fund - To account for funds received from the sale of abandoned vehicles, which are to be used for Police Department expenditures.

Animal Shelter Fund - To account for the donated funds which are to be used for animal control expenditures.

Drainage Utility Fund - To account for the receipts of the drainage assessment fees and grants collected and the related expenditures.

City Cemetery Fund - To account for plot sales revenue which is used for cemetery improvements and maintenance.

Municipal Court Fund - To account for funds to be utilized to improve security at the Municipal Court Building.

Texas Community Development Fund - To account for State development loans for business growth.

Coryell County Mutual Aid Fund - To account for funding received for fire and rescue services provided outside of the City's limits.

Joint Image Campaign - To account for fiscal agent activities related to a joint project to improve community image.

Texas Parks & Wildlife - To account for funds provided by the Texas Parks & Wildlife for a hike-and-bike trail in South Park.

Tobacco Grant - To account for funds which are used for tobacco education and compliance with state laws prohibiting the sale of tobacco to minors.

"The City Built for Family Living"

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2006**

ASSETS	<u>Youth Activities</u>	<u>Hotel/Motel Tax</u>	<u>Abandoned Vehicle</u>	<u>Animal Shelter</u>
Cash and cash equivalents	\$ 140,288	\$ 141,745	\$ 1,078	\$ 2,118
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	-	-
Inventory	286	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 140,574</u>	<u>\$ 141,745</u>	<u>\$ 1,078</u>	<u>\$ 2,118</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 16,027	\$ 19,051	\$ -	\$ -
Due to other funds	2,600	-	-	-
Other accrued items	2,160	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>20,787</u>	<u>19,051</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved:				
Encumbrances	23,816	-	-	-
Inventory	286	-	-	-
Prepaid Expenditures	-	-	-	-
Unreserved, undesignated	95,685	122,694	1,078	2,118
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>119,787</u>	<u>122,694</u>	<u>1,078</u>	<u>2,118</u>
	<u>\$ 140,574</u>	<u>\$ 141,745</u>	<u>\$ 1,078</u>	<u>\$ 2,118</u>

EXHIBIT C-4 (Cont'd)

<u>Drainage Utility</u>	<u>City Cemetery</u>	<u>Municipal Court</u>	<u>Texas Community Development Loan</u>	<u>Coryell County Mutual Aid</u>
\$ 676,980	\$ 29,168	\$ 190,284	\$ 28,493	\$ 22,648
95,696	-	-	-	-
-	-	-	-	-
400	250	-	-	-
-	-	-	166,074	-
<u>\$ 773,076</u>	<u>\$ 29,418</u>	<u>\$ 190,284</u>	<u>\$ 194,567</u>	<u>\$ 22,648</u>
\$ 1,181	\$ 17	\$ 1,076	\$ -	\$ 1,461
-	-	-	-	-
26,501	2,603	-	-	-
<u>27,682</u>	<u>2,620</u>	<u>1,076</u>	<u>-</u>	<u>1,461</u>
390,013	-	-	-	-
-	-	-	-	-
400	250	-	-	-
354,981	26,548	189,208	194,567	21,187
<u>745,394</u>	<u>26,798</u>	<u>189,208</u>	<u>194,567</u>	<u>21,187</u>
<u>\$ 773,076</u>	<u>\$ 29,418</u>	<u>\$ 190,284</u>	<u>\$ 194,567</u>	<u>\$ 22,648</u>

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2006**

ASSETS	Joint Image Campaign	Texas Parks & Wildlife	Tobacco Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
Cash and cash equivalents	\$ 24,733	\$ -	\$ 3,190	\$ 1,260,725
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	-	95,696
Inventory	-	-	-	286
Prepaid Expenditures	-	-	-	650
Notes receivable	-	-	-	166,074
Total Assets	\$ 24,733	\$ -	\$ 3,190	\$ 1,523,431
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,500	\$ -	\$ -	\$ 44,313
Due to other funds	-	-	-	2,600
Other accrued items	-	-	75	31,339
Total Liabilities	5,500	-	75	78,252
Fund Balances:				
Reserved:				
Encumbrances	-	-	-	413,829
Inventory	-	-	-	286
Prepaid Expenditures	-	-	-	650
Unreserved, undesignated	19,233	-	3,115	1,030,414
Total Fund Balances	19,233	-	3,115	1,445,179
Total Liabilities and Fund Balances	\$ 24,733	\$ -	\$ 3,190	\$ 1,523,431

**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, 2006**

	Youth Activities	Hotel/Motel Tax	Abandoned Vehicle	Animal Shelter
REVENUES				
Taxes	\$ -	\$ 138,163	\$ -	\$ -
Charges for services	180,091	-	-	-
Fines	-	-	-	-
Interest	4,507	4,558	4	8
Sale of plots	-	-	-	-
Miscellaneous	-	-	-	-
Contributions	-	-	-	868
Total Revenues	<u>184,598</u>	<u>142,721</u>	<u>4</u>	<u>876</u>
EXPENDITURES				
Current:				
General government	-	-	1,026	-
Community services	136,552	117,836	-	499
Highway and streets	-	-	-	-
Public safety	-	-	-	-
Capital outlay	24,659	8,460	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>161,211</u>	<u>126,296</u>	<u>1,026</u>	<u>499</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>23,387</u>	<u>16,425</u>	<u>(1,022)</u>	<u>377</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(2,600)	-	-	-
Contributions - Developers	-	-	-	-
Total Other Financing Sources (Uses)	<u>(2,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	20,787	16,425	(1,022)	377
FUND BALANCES, BEGINNING OF YEAR	<u>99,000</u>	<u>106,269</u>	<u>2,100</u>	<u>1,741</u>
FUND BALANCES, END OF YEAR	<u>\$ 119,787</u>	<u>\$ 122,694</u>	<u>\$ 1,078</u>	<u>\$ 2,118</u>

EXHIBIT C-5 (Cont'd)

<u>Drainage Utility</u>	<u>City Cemetery</u>	<u>Municipal Court</u>	<u>Texas Community Development Loan</u>	<u>Coryell County Mutual Aid</u>
\$ -	\$ -	\$ -	\$ -	\$ -
790,940	-	-	-	-
-	-	48,878	-	-
33,493	1,660	7,441	5,363	112
-	11,700	-	-	-
-	55	-	-	26,692
-	-	-	-	-
<u>824,433</u>	<u>13,415</u>	<u>56,319</u>	<u>5,363</u>	<u>26,804</u>
-	-	-	-	-
-	31,182	-	-	-
298,064	-	-	-	-
-	-	24,745	-	21,932
239,908	-	16,945	-	3,591
220,000	-	-	-	-
70,330	-	-	-	-
<u>828,302</u>	<u>31,182</u>	<u>41,690</u>	<u>-</u>	<u>25,523</u>
<u>(3,869)</u>	<u>(17,767)</u>	<u>14,629</u>	<u>5,363</u>	<u>1,281</u>
(100,000)	-	-	-	-
207,009	-	-	-	-
<u>107,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
103,140	(17,767)	14,629	5,363	1,281
<u>642,254</u>	<u>44,565</u>	<u>174,579</u>	<u>189,204</u>	<u>19,906</u>
<u>\$ 745,394</u>	<u>\$ 26,798</u>	<u>\$ 189,208</u>	<u>\$ 194,567</u>	<u>\$ 21,187</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, 2006**

	Joint Image Campaign	Texas Parks & Wildlife	Tobacco Grant	Total Nonmajor Revenue Funds (See Exhibit C-2)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 138,163
Charges for services	-	-	-	971,031
Fines	-	-	-	48,878
Interest	66	167	-	57,379
Sale of plots	-	-	-	11,700
Miscellaneous	-	-	-	26,747
Contributions	34,000	-	4,312	39,180
Total Revenues	<u>34,066</u>	<u>167</u>	<u>4,312</u>	<u>1,293,078</u>
EXPENDITURES				
Current:				
General government	-	4,805	2,818	8,649
Community services	22,687	-	-	308,756
Highway and streets	-	-	-	298,064
Public safety	-	-	-	46,677
Capital outlay	-	18,469	-	312,032
Debt service:				
Principal retirement	-	-	-	220,000
Interest and fiscal charges	-	-	-	70,330
Total Expenditures	<u>22,687</u>	<u>23,274</u>	<u>2,818</u>	<u>1,264,508</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>11,379</u>	<u>(23,107)</u>	<u>1,494</u>	<u>28,570</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	-	(102,600)
Contributions - Developers	-	-	-	207,009
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,409</u>
NET CHANGE IN FUND BALANCES	11,379	(23,107)	1,494	132,979
FUND BALANCES, BEGINNING OF YEAR	<u>7,854</u>	<u>23,107</u>	<u>1,621</u>	<u>1,312,200</u>
FUND BALANCES, END OF YEAR	<u>\$ 19,233</u>	<u>\$ -</u>	<u>\$ 3,115</u>	<u>\$ 1,445,179</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, 2006

EXHIBIT C-6

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Charges for services	\$ 143,725	\$ 180,089	\$ 180,091	\$ 2
Interest	70	4,507	4,507	-
Total Revenues	143,795	184,596	184,598	2
EXPENDITURES				
Current:				
Community services:				
Personnel services	32,599	32,640	29,403	3,237
Supplies and materials	96,619	102,983	103,292	(309)
Maintenance and repairs	250	126	124	2
Services and charges	5,500	4,665	4,662	3
Total Community services	134,968	140,414	137,481	2,933
Capital Outlay:				
General government	34,200	46,284	46,284	-
Total Expenditures	169,168	186,698	183,765	2,933
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (25,373)	\$ (2,102)	833	\$ 2,935
OTHER FINANCING (USES)				
Operating transfers (out)	-	(2,600)	(2,600)	-
Total Other Financing (Uses)	-	(2,600)	(2,600)	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(25,373)	(4,702)	(1,767)	2,935
FUND BALANCE, BEGINNING OF YEAR			99,000	
CURRENT YEAR ENCUMBRANCES			23,816	
PRIOR YEAR ENCUMBRANCES			(1,262)	
ADJUSTED FUND BALANCE			121,554	
FUND BALANCE, END OF YEAR			\$ 119,787	

**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, 2006**

EXHIBIT C-7

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 120,000	\$ 138,161	\$ 138,163	\$ 2
Interest	155	4,557	4,558	1
Total Revenues	<u>120,155</u>	<u>142,718</u>	<u>142,721</u>	<u>3</u>
EXPENDITURES				
Current:				
Community services	<u>97,375</u>	<u>118,375</u>	<u>117,836</u>	<u>539</u>
Capital Outlay:				
General government	<u>30,000</u>	<u>9,000</u>	<u>8,460</u>	<u>540</u>
Total Expenditures	<u>127,375</u>	<u>127,375</u>	<u>126,296</u>	<u>1,079</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (7,220)</u>	<u>\$ 15,343</u>	<u>16,425</u>	<u>\$ 1,082</u>
FUND BALANCE, BEGINNING OF YEAR			106,269	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			<u>106,269</u>	
FUND BALANCE, END OF YEAR			<u>\$ 122,694</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, 2006

EXHIBIT C-8

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Interest	\$ 10	\$ 10	\$ 4	\$ (6)
Charges for services	1,000	1,000	-	(1,000)
Total Revenues	<u>1,010</u>	<u>1,010</u>	<u>4</u>	<u>(1,006)</u>
EXPENDITURES				
Current:				
General government	<u>4,678</u>	<u>4,678</u>	<u>1,026</u>	<u>3,652</u>
Total Expenditures	<u>4,678</u>	<u>4,678</u>	<u>1,026</u>	<u>3,652</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (3,668)</u>	<u>\$ (3,668)</u>	<u>(1,022)</u>	<u>\$ 2,646</u>
FUND BALANCE, BEGINNING OF YEAR			2,100	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			<u>2,100</u>	
FUND BALANCE, END OF YEAR			<u>\$ 1,078</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, 2006**

EXHIBIT C-9

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 8	\$ 8
Contributions	150	150	868	718
Total Revenues	<u>150</u>	<u>150</u>	<u>876</u>	<u>726</u>
EXPENDITURES				
Current:				
Public Safety:				
Supplies and materials	1,694	1,694	499	1,195
Total Expenditures	<u>1,694</u>	<u>1,694</u>	<u>499</u>	<u>1,195</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,544)</u>	<u>\$ (1,544)</u>	<u>377</u>	<u>\$ 1,921</u>
FUND BALANCE, BEGINNING OF YEAR			1,741	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			<u>1,741</u>	
FUND BALANCE, END OF YEAR			<u>\$ 2,118</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, 2006

EXHIBIT C-10

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Charges for services:				
Maintenance	\$ 760,000	\$ 789,635	\$ 790,940	\$ 1,305
Miscellaneous	2,010	1,035	-	(1,035)
Total Charges for services	762,010	790,670	790,940	270
Interest	20,000	33,761	33,493	(268)
Total Revenues	782,010	824,431	824,433	2
EXPENDITURES				
Current:				
Highways and streets:				
Maintenance				
Personnel services	186,832	169,442	177,733	(8,291)
Supplies and materials	17,825	14,931	14,928	3
Maintenance and repairs	18,250	14,253	14,253	-
Services and charges	33,152	66,155	67,722	(1,567)
Total Maintenance	256,059	264,781	274,636	(9,855)
Capital Outlay:				
General government	231,370	218,441	218,418	23
Debt Service:				
Principal	220,000	220,000	220,000	-
Interest and fiscal charges	70,330	70,330	70,330	-
Total Debt service	290,330	290,330	290,330	-
Total Expenditures	777,759	773,552	783,384	(9,832)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,251	50,879	41,049	(9,830)
OTHER FINANCING (USES)				
Operating transfers (out)	(100,000)	(100,000)	(100,000)	-
Total Other Financing (Uses)	(100,000)	(100,000)	(100,000)	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (95,749)	\$ (49,121)	(58,951)	\$ (9,830)
FUND BALANCE, BEGINNING OF YEAR			642,254	
CURRENT YEAR ENCUMBRANCES			390,013	
PRIOR YEAR ENCUMBRANCES			(227,922)	
ADJUSTED FUND BALANCE			804,345	
FUND BALANCE, END OF YEAR			\$ 745,394	

the 207009 in cell g32 is for dev. Contribution.

**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, 2006**

EXHIBIT C-11

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Interest	\$ -	\$ 1,660	\$ 1,660	\$ -
Sale of plots	25,000	11,700	11,700	-
Miscellaneous	1,500	55	55	-
Total Revenues	<u>26,500</u>	<u>13,415</u>	<u>13,415</u>	<u>-</u>
EXPENDITURES				
Current:				
Community services:				
Personnel service	29,010	29,006	27,239	1,767
Supplies and materials	4,700	4,700	604	4,096
Maintenance and repairs	5,500	6,125	1,242	4,883
Services and charges	10,422	9,801	2,097	7,704
Total Community services	<u>49,632</u>	<u>49,632</u>	<u>31,182</u>	<u>18,450</u>
Capital outlay:				
General government	1,000	1,000	-	1,000
Total Expenditures	<u>50,632</u>	<u>50,632</u>	<u>31,182</u>	<u>19,450</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(24,132)</u>	<u>(37,217)</u>	<u>(17,767)</u>	<u>19,450</u>
FUND BALANCE, BEGINNING OF YEAR			44,565	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			<u>44,565</u>	
FUND BALANCE, END OF YEAR			<u>\$ 26,798</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, 2006

EXHIBIT C-12

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Fines	\$ 64,608	\$ 64,608	\$ 48,878	\$ (15,730)
Interest	250	250	7,441	7,191
Total Revenues	<u>64,858</u>	<u>64,858</u>	<u>56,319</u>	<u>(8,539)</u>
EXPENDITURES				
Current:				
Public safety:				
Municipal court:				
Supplies and materials	5,565	4,697	3,056	1,641
Maintenance and repair	17,000	15,101	12,752	2,349
Services and charges	15,931	15,619	8,937	6,682
Total Municipal court	<u>38,496</u>	<u>35,417</u>	<u>24,745</u>	<u>10,672</u>
Capital Outlay:				
Public safety	14,883	20,243	16,945	3,298
Total Expenditures	<u>53,379</u>	<u>55,660</u>	<u>41,690</u>	<u>13,970</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>11,479</u>	<u>9,198</u>	<u>14,629</u>	<u>5,431</u>
FUND BALANCE, BEGINNING OF YEAR			174,579	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			<u>174,579</u>	
FUND BALANCE, END OF YEAR			<u>\$ 189,208</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, 2006**

EXHIBIT C-13

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 66	\$ 66
Contributions	-	-	34,000	34,000
Total Revenues	-	-	34,066	34,066
EXPENDITURES				
Current:				
Community services	30,000	30,000	22,687	7,313
Total Community services	30,000	30,000	22,687	7,313
Total Expenditures	30,000	30,000	22,687	7,313
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,000)	(30,000)	11,379	41,379
FUND BALANCE, BEGINNING OF YEAR			7,854	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			7,854	
FUND BALANCE, END OF YEAR			\$ 19,233	

NON-MAJOR CAPITAL PROJECTS FUNDS

1994 G.O. Bonds Fund - To account for the bond proceeds and expenditures of funds for the construction of a new fire station. Financing was provided by the sale of \$1,500,000 of general obligation bonds.

1997 Combination Tax and Revenue Certificates of Obligation Fund - To account for the proceeds and expenditure of funds for the construction of a new library and the purchase of capital equipment. Financing was provided by the sale of \$3,010,000 of Combination Tax and Revenue Certificates of Obligation of which \$1,000,000 was to be used toward the expansion of the City's golf course.

1998 General Obligation Bonds Fund – To account for proceeds and expenditure of funds for the renovation of City parks, including City pools. This capital project fund is being funded from the issuance of General Obligation Bonds approved by the voters in the amount of \$1,000,000 in May of 1998.

1999 Combination Tax and Revenue Certificates of Obligation Fund – To account for proceeds and expenditure of funds for the purchase of capital equipment, expansion the animal control facility and the renovation of the old library into a municipal court facility. This capital project fund is being financed through the issuance of Combination Tax and Revenue Certificates of Obligation in the amount of \$575,000.

2001 Combination Tax and Revenue Certificates of Obligation Fund – To account for proceeds and expenditure of funds for the construction of a new fire station, renovation of the municipal court facility and street improvement projects. This capital project fund is being financed through the issuance of Combination Tax and Revenue Certificates of Obligation in the amount of \$1,915,000.

2002 Economic Development Administration Grant Fund – To account for the proceeds and expenditure of funds related to street improvement projects. This project fund is being financed by an Economic Development Administration grant and matching local funds.

2006 Limited Tax Notes – The purchase of land and acquisition of engineering services for a new Police Station; the acquisition of a vacuum sweeper and ambulance. Payment of the debt service related for this issuance will be derived from the Tax Interest and Sinking Fund. The proposed issue would be for \$1,260,000.

CITY OF COPPERAS COVE, TEXAS
 NONMAJOR CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET
 SEPTEMBER 30, 2006

	1994 G.O. Bonds	1997 Combination Tax and Revenue Certificates of Obligation	1998 G.O. Bonds	1999 Combination Tax and Revenue Certificates of Obligation
ASSETS				
Cash and cash equivalents	\$ 37,853	\$ 1,226	\$ 427	\$ 224
Due from other funds	-	-	-	-
Total Assets	<u>\$ 37,853</u>	<u>\$ 1,226</u>	<u>\$ 427</u>	<u>\$ 224</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental agencies	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Unreserved fund balances	37,853	1,226	427	224
Total Fund Balances	<u>37,853</u>	<u>1,226</u>	<u>427</u>	<u>224</u>
Total Liabilities and Fund Balances	<u>\$ 37,853</u>	<u>\$ 1,226</u>	<u>\$ 427</u>	<u>\$ 224</u>

2001 Combination Tax and Revenue Certificates of Obligation	2002 Economic Development Administration Grant	Tax Notes Series 2006	Reliever Route	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 273,973	\$ 242,823	\$ 1,227,081	\$ 301,312	\$ 2,084,919
-	47,255	-	-	47,255
<u>\$ 273,973</u>	<u>\$ 290,078</u>	<u>\$ 1,227,081</u>	<u>\$ 301,312</u>	<u>\$ 2,132,174</u>
\$ 2,538	\$ 5,654	\$ 39	\$ -	\$ 8,231
-	274,693	-	-	274,693
-	9,731	-	-	9,731
<u>2,538</u>	<u>290,078</u>	<u>39</u>	<u>-</u>	<u>292,655</u>
271,435	-	1,227,042	301,312	1,839,519
<u>271,435</u>	<u>-</u>	<u>1,227,042</u>	<u>301,312</u>	<u>1,839,519</u>
<u>\$ 273,973</u>	<u>\$ 290,078</u>	<u>\$ 1,227,081</u>	<u>\$ 301,312</u>	<u>\$ 2,132,174</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, 2006**

	1994 G.O. Bonds	1997 Combination Tax and Revenue Certificates of Obligation	1998 G.O. Bonds	1999 Combination Tax and Revenue Certificates of Obligation
REVENUES				
Interest	\$ -	\$ 55	\$ 19	\$ 10
Grant revenues	-	-	-	-
Total Revenues	<u>-</u>	<u>55</u>	<u>19</u>	<u>10</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>55</u>	<u>19</u>	<u>10</u>
OTHER FINANCING SOURCES (USES)				
Other sources	-	-	-	-
Bond issuance costs	-	-	-	-
Operating transfers in	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>55</u>	<u>19</u>	<u>10</u>
FUND BALANCES, BEGINNING OF YEAR	<u>37,853</u>	<u>1,171</u>	<u>408</u>	<u>214</u>
FUND BALANCES, END OF YEAR	<u>\$ 37,853</u>	<u>\$ 1,226</u>	<u>\$ 427</u>	<u>\$ 224</u>

2001 Combination Tax and Revenue Certificates of Obligation	2002 Economic Development Administration Grant	Tax Notes Series 2006	Reliever Route	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 13,383	\$ 3	\$ 895	\$ 1,126	\$ 15,491
-	55,013	-	-	55,013
<u>13,383</u>	<u>\$ 55,016</u>	<u>\$ 895</u>	<u>1,126</u>	<u>70,504</u>
<u>80,112</u>	<u>82,936</u>	<u>-</u>	<u>-</u>	<u>163,048</u>
<u>80,112</u>	<u>82,936</u>	<u>-</u>	<u>-</u>	<u>163,048</u>
<u>(66,729)</u>	<u>(27,920)</u>	<u>895</u>	<u>1,126</u>	<u>(92,544)</u>
-	-	1,260,000	300,186	1,560,186
-	-	(33,853)	-	(33,853)
-	27,920	-	-	27,920
-	27,920	1,226,147	300,186	1,554,253
(66,729)	-	1,227,042	301,312	1,461,709
<u>338,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>377,810</u>
<u>\$ 271,435</u>	<u>\$ -</u>	<u>\$ 1,227,042</u>	<u>\$ 301,312</u>	<u>\$ 1,839,519</u>

**CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT C-16
Page 1 of 2**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
TAXES:				
Current ad valoren	\$ 5,027,475	\$ 5,045,093	\$ 5,045,094	\$ 1
Delinquent ad valorem	55,000	47,294	47,295	1
Franchise	1,138,133	1,325,207	1,325,208	1
Wrecker	4,500	4,360	4,360	-
Sales	1,964,275	1,979,719	1,979,720	1
Mixed drink	16,300	13,778	13,778	-
Bingo	66,000	85,382	85,382	-
	<u>8,271,683</u>	<u>8,500,833</u>	<u>8,500,837</u>	<u>4</u>
LICENSES:				
Electricians	-	-	-	-
Bicycle	100	19	19	-
Ambulance	2,200	-	-	-
Contractors	30,000	36,095	36,095	-
Animal	3,200	3,861	3,861	-
Food establishments	10,500	9,080	9,080	-
Managers' certification	-	-	-	-
Wrecker	425	415	415	-
Bail bondsmen	600	-	-	-
Taxi cab	360	360	360	-
	<u>47,385</u>	<u>49,830</u>	<u>49,830</u>	<u>-</u>
PERMITS:				
Building	60,000	99,214	99,214	-
House Moving	-	50	50	-
Alarms	2,000	1,560	1,560	-
Street cut	6,000	6,462	6,462	-
Electrical	20,000	22,415	22,415	-
Solicitors	2,000	2,085	2,085	-
Gas	2,000	1,632	1,632	-
Mechanical	13,000	17,050	17,050	-
Garage sale	6,500	8,584	8,584	-
Plumbing	20,000	32,066	32,066	-
Car wash	500	405	405	-
Mobile Home Parks	250	-	-	-
Beverage	-	450	450	-
Signs	700	630	630	-
Food workers	12,000	11,919	11,920	1
Swimming pools	650	995	995	-
False Alarm	200	680	680	-
Senior Center	-	5,000	5,000	-
Well and Gas Drilling	-	3,400	3,400	-
Certificates	1,500	1,775	1,775	-
	<u>147,300</u>	<u>216,372</u>	<u>216,373</u>	<u>1</u>

**CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT C-16
Page 2 of 2**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
CITY SERVICES PROVIDED:				
Swimming Pool	\$ 29,000	\$ 39,306	\$ 39,306	\$ -
Community building rental	18,000	17,745	17,745	-
Library miscellaneous	11,000	13,668	13,668	-
Animal shelter fees	32,000	31,615	31,615	-
Ambulance fees	450,000	528,234	528,235	1
Police overtime reimbursement	25,000	21,002	21,002	-
Police restitution	3,000	1,942	1,942	-
Open records	500	3,929	3,929	-
Rezoning request fees	800	3,000	3,000	-
Variance request fees	500	220	220	-
Festival	12,500	12,813	12,814	1
Copy Machine	4,500	5,147	5,148	1
Mowing	25,000	23,176	23,177	1
Service charge - nsf checks	10,200	9,500	9,500	-
Plat filing fees	6,000	12,050	12,050	-
Contract EMS	-	2,100	2,100	-
Animal identification	-	655	656	1
RV park fees	9,000	10,440	10,440	-
	<u>637,000</u>	<u>736,542</u>	<u>736,547</u>	<u>5</u>
FINES:				
Traffic violations	450,000	320,392	320,393	1
Library fines	17,000	16,395	16,395	-
BC fire runs	4,500	14,787	14,787	-
Municipal court fines	160,000	136,477	136,477	-
Arrest warrant income	128,623	93,130	93,131	1
Arresting officer fees	25,000	25,128	25,129	1
State court fees	53,350	50,835	50,835	-
	<u>838,473</u>	<u>657,144</u>	<u>657,147</u>	<u>3</u>
INTEREST:				
Interest earnings	160,000	199,228	199,110	(118)
	<u>160,000</u>	<u>199,228</u>	<u>199,110</u>	<u>(118)</u>
MISCELLANEOUS:				
Sale of city maps	100	176	176	-
Auction proceeds	2,500	18,836	18,836	-
Special events - seniors	1,000	920	920	-
Library meeting room rental	500	1,070	1,071	1
City safety fund	10,165	12,048	12,049	1
Rental Income	19,440	19,440	19,440	-
HB 70 fees	16,311	10,870	10,870	-
Miscellaneous	100,628	68,057	68,212	155
Penalty and interest	35,000	41,244	41,244	-
	<u>185,644</u>	<u>172,661</u>	<u>172,818</u>	<u>157</u>
INTERGOVERNMENTAL:				
School district funding	93,850	93,850	93,850	-
Admin fee - teen court	1,700	1,430	1,430	-
Admin fee - defensive driving	8,480	8,615	8,615	-
	<u>104,030</u>	<u>103,895</u>	<u>103,895</u>	<u>-</u>
CONTRIBUTIONS:				
Miscellaneous	-	-	-	-
Library gifts and memorials	1,000	1,000	2,976	1,976
	<u>1,000</u>	<u>1,000</u>	<u>2,976</u>	<u>1,976</u>
Totals	<u>\$ 10,392,515</u>	<u>\$ 10,637,505</u>	<u>\$ 10,639,533</u>	<u>\$ 2,028</u>

**CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

EXHIBIT C-17

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT:				
Current:				
City Council	\$ 43,050	\$ 42,857	\$ 42,018	\$ 839
City Manager	204,388	207,993	208,325	(332)
Financial services and accounting	498,885	462,248	459,708	2,540
Grants administration	57,737	56,680	56,768	(88)
City secretary	121,514	129,229	129,309	(80)
City attorney	98,081	96,221	96,217	4
Data Processing	158,522	141,626	141,842	(216)
Personnel	156,170	157,999	158,205	(206)
Nondepartmental	279,532	292,500	282,712	9,788
Public Works	34,109	33,286	33,384	(98)
Planning	57,686	49,021	47,757	1,264
Engineering	224,608	221,061	221,053	8
	<u>1,934,282</u>	<u>1,890,721</u>	<u>1,877,298</u>	<u>13,423</u>
COMMUNITY SERVICES:				
Current:				
Parks and recreation	816,127	831,687	839,231	(7,544)
Library	460,368	474,202	471,795	2,407
Code and health	98,675	107,577	107,710	(133)
	<u>1,375,170</u>	<u>1,413,466</u>	<u>1,418,736</u>	<u>(5,270)</u>
FLEET & FACILITY SERVICES:				
Current:				
Fleet maintenance	211,976	213,667	213,972	(305)
Facility maintenance	158,308	152,296	152,537	(241)
	<u>370,284</u>	<u>365,963</u>	<u>366,509</u>	<u>(546)</u>
HIGHWAYS AND STREETS:				
Current:				
Streets	861,635	890,662	879,252	11,410
	<u>861,635</u>	<u>890,662</u>	<u>879,252</u>	<u>11,410</u>
PUBLIC SAFETY:				
Current:				
Building inspections	246,174	252,536	252,978	(442)
Municipal Court	300,875	297,575	296,343	1,232
Animal control	171,525	163,980	164,233	(253)
Police department	3,732,512	3,544,918	3,549,164	(4,246)
Fire/EMS department	2,615,968	2,673,588	2,677,413	(3,825)
	<u>7,067,054</u>	<u>6,932,597</u>	<u>6,940,131</u>	<u>(7,534)</u>
Totals	<u>\$ 11,608,425</u>	<u>\$ 11,493,409</u>	<u>\$ 11,481,926</u>	<u>\$ 11,483</u>

**CITY OF COPPERAS COVE, TEXAS
STATISTICAL SECTION**

(All Tables in the Statistical Section are Unaudited)

“The City Built for Family Living”

City of Copperas Cove, Texas
Net Assets by Component
Last Ten Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 2,464,242	\$ 2,647,484	\$ 4,619,317	\$ 3,816,831
Restricted				
Debt Service	97,478	129,781	121,112	221,994
Capital Projects	1,124,834	1,700,723	2,056,112	-
Unrestricted	5,642,526	4,823,357	1,156,366	3,124,279
Total governmental activities net assets	<u>\$ 9,329,080</u>	<u>\$ 9,301,345</u>	<u>\$ 7,952,907</u>	<u>\$ 7,163,104</u>
Business-type activities				
Invested in capital assets, net of related debt	\$21,359,736	\$ 19,448,721	\$ 19,766,421	\$ 17,378,940
Restricted				
Debt Service	555,900	571,000	571,000	675,400
Capital Projects	78,155	78,155	78,155	-
Unrestricted	2,001,545	2,534,178	773,682	2,182,114
Total business-type activities net assets	<u>23,995,336</u>	<u>\$ 22,632,054</u>	<u>\$ 21,189,258</u>	<u>\$ 20,236,454</u>
Primary government				
Invested in capital assets, net of related debt	\$23,823,978	\$ 22,096,205	\$ 24,385,738	\$ 21,195,771
Restricted				
Debt Service	653,378	700,781	692,112	897,394
Capital Projects	1,202,989	1,778,878	2,134,267	-
Unrestricted	7,932,977	7,357,535	1,930,048	5,306,393
Total primary government net assets	<u>\$33,613,322</u>	<u>\$ 31,933,399</u>	<u>\$ 29,142,165</u>	<u>\$ 27,399,558</u>

Note: City of Copperas Cove first applied GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 are not available.

City of Copperas Cove, Texas
Changes in Net Assets
Last Ten Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses				
Governmental activities:				
General government	\$ 2,091,253	\$ 1,977,274	\$ 1,896,278	\$ 1,708,931
Community Services	2,292,606	1,802,034	1,855,310	1,663,213
Fleet and Facility Maintenance	437,608	354,464	344,483	321,073
Highways and Streets	1,212,838	877,655	834,013	778,099
Public Safety	8,457,720	6,770,603	6,530,561	6,228,186
Interest on long-term debt	444,344	364,607	464,477	398,906
Total governmental activities expenses	<u>14,936,369</u>	<u>12,146,637</u>	<u>11,925,122</u>	<u>11,098,408</u>
Business-type activities				
Water and Sewer	7,429,996	6,416,373	6,093,256	5,353,609
Solid Waste	2,115,989	1,906,728	1,863,151	1,694,338
Golf Course	949,662	760,694	744,913	661,982
Total business-type activities expenses	<u>10,495,647</u>	<u>9,083,795</u>	<u>8,701,320</u>	<u>7,709,929</u>
Total primary government expenses	<u>\$ 25,432,016</u>	<u>\$ 21,230,432</u>	<u>\$ 20,626,442</u>	<u>\$ 18,808,337</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 355,323	\$ 324,440	\$ 265,068	\$ 256,191
Community Services	900,461	825,813	672,719	314,729
Highways and Streets	790,940	754,729	730,424	740,218
Public Safety	938,489	1,026,549	1,156,323	1,447,861
Operating grants and contributions	160,504	699,807	654,160	25,513
Capital grants and contributions	909,162	-	-	-
Total governmental activities program revenues	<u>4,054,879</u>	<u>3,631,338</u>	<u>3,478,694</u>	<u>2,784,512</u>
Business-type activities:				
Charges for services:				
Water and Sewer	8,035,814	8,084,493	7,294,845	6,453,411
Solid Waste	2,795,138	2,430,997	2,305,309	2,314,581
Golf Course	750,858	707,654	605,202	619,452
Operating grants and contributions	-	-	-	-
Capital grants and contributions	810,756	-	-	-
Total business-type activities program revenues	<u>12,392,566</u>	<u>11,223,144</u>	<u>10,205,356</u>	<u>9,387,444</u>
Total primary government program revenues	<u>\$ 16,447,445</u>	<u>\$ 14,854,482</u>	<u>\$ 13,684,050</u>	<u>\$ 12,171,956</u>
Net (expense)/revenue				
Governmental activities	\$(10,881,490)	9,301,345	7,952,907	7,163,104
Business-type activities	2,322,084	22,632,054	21,189,258	20,236,454
Total primary government net expense	<u>\$ (8,559,406)</u>	<u>\$ 31,933,399</u>	<u>\$ 29,142,165</u>	<u>\$ 27,399,558</u>

Note: City of Copperas Cove first applied GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 are not available.

City of Copperas Cove, Texas
Changes in Net Assets (Continued)
Last Ten Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Ad valorem taxes	\$ 5,965,899	\$ 5,484,539	\$ 5,234,334	\$ 4,981,035
Penalties and interest	48,375	42,837	37,360	34,659
Beverage taxes	13,778	14,724	16,023	16,131
Franchise taxes	1,325,208	1,111,332	1,075,859	1,064,181
City sales taxes	2,122,243	2,034,195	1,985,647	1,924,665
Bingo taxes	85,382	71,964	62,794	61,489
Contributions	-	-	-	-
Unrestricted investment earnings	372,250	206,744	87,779	138,493
Transfers	976,090	897,402	708,408	970,324
Total governmental activities	<u>\$ 10,909,225</u>	<u>\$ 9,863,737</u>	<u>\$ 9,208,204</u>	<u>\$ 9,190,977</u>
Business-type activities:				
Unrestricted investment earnings	442,453	200,849	157,176	140,550
Loss on sale of capital assets	-	-	-	(5,055)
Transfers	(976,090)	(897,402)	(708,408)	(970,324)
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ (533,637)</u>	<u>\$ (696,553)</u>	<u>\$ (551,232)</u>	<u>\$ (834,829)</u>
Changes in Net Assets				
Governmental activities	316,641	1,348,438	761,776	877,081
Business-type activities	1,363,282	1,442,796	952,804	842,686
Total primary government	<u>\$ 1,679,923</u>	<u>\$ 2,791,234</u>	<u>\$ 1,714,580</u>	<u>\$ 1,719,767</u>

City of Copperas Cove, Texas
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Bingo Tax	Beverage Tax	Total
2006	\$ 5,965,899	\$ 2,122,243	\$ 1,325,208	\$ 85,382	\$ 13,778	\$ 9,512,510
2005	5,527,376	2,034,195	1,111,332	71,964	14,724	8,759,591
2004	5,271,694	1,985,647	1,075,859	62,794	16,023	8,412,017
2003	5,015,694	1,924,665	1,064,181	61,489	16,131	8,082,160
2002	3,865,981	1,655,794	1,122,864	62,079	16,911	6,723,629
2001	3,862,252	1,523,949	1,057,543	58,577	14,290	6,516,611
2000	3,476,471	1,480,179	886,465	56,133	12,345	5,911,593
1999	3,464,857	1,419,563	906,943	54,824	11,128	5,857,315
1998	3,381,378	1,411,062	922,969	52,834	10,699	5,778,942
1997	3,106,590	1,341,176	895,242	53,251	10,979	5,407,238

City of Copperas Cove, Texas
Fund Balances of Governmental Funds
Last Four Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund				
Reserved				
Debt Service	\$ -	\$ -	\$ -	\$ -
Capital Projects	-	-	-	-
Encumbrances	131,428	60,697	77,437	83,476
Inventory and Prepaid Expenditures	108,590	131,954	125,190	60,334
Unreserved				
Designated	3,124,192	2,940,696	2,590,806	2,933,941
Total general fund	<u>\$ 3,364,210</u>	<u>\$ 3,133,347</u>	<u>\$ 2,793,433</u>	<u>\$ 3,077,751</u>
All other governmental funds				
Reserved				
Debt Service	\$ 97,478	\$ 129,781	\$ 121,112	\$ 221,994
Capital Projects	1,124,834	1,700,723	2,056,112	4,087,400
Encumbrances	562,887	226,636	265,466	44,432
Inventory and Prepaid Expenditures	936	452	-	-
Non-current Portion of Note Receivable	-	-	52,000	59,200
Unreserved, reported in:				
Special revenue funds	1,030,414	1,085,112	965,858	947,594
Capital projects funds	1,839,519	377,810	458,695	382,210
Total all other governmental funds	<u>\$ 4,656,068</u>	<u>\$ 3,520,514</u>	<u>\$ 3,919,243</u>	<u>\$ 5,742,830</u>

Note: City of Copperas Cove first applied GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years fiscal year 2003 are not available.

City of Copperas Cove, Texas
Changes in Fund Balances of Governmental Funds
Last Four Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues				
Taxes	\$ 9,526,380	\$ 8,747,317	\$ 8,398,186	\$ 8,028,158
Licenses	49,830	47,858	52,878	55,847
Permits	216,373	181,123	117,262	112,590
City Services Provided	1,707,578	1,486,260	1,312,024	1,346,013
Fines	706,025	733,830	938,078	862,917
Interest	372,250	206,744	87,779	138,493
Sale of Plots	11,700	13,900	41,800	36,750
Miscellaneous	202,610	212,373	205,857	205,426
Intergovernmental	220,980	781,026	760,500	191,917
Contributions	43,420	126,549	46,792	1,612
Total revenues	<u>13,057,146</u>	<u>12,536,980</u>	<u>11,961,156</u>	<u>10,979,723</u>
Expenditures				
General government	1,823,669	1,849,677	1,752,068	1,556,318
Community Services	1,604,037	1,429,971	1,421,453	1,352,840
Fleet and Facility maintenance	361,661	341,005	331,170	306,347
Highways and Streets	854,966	711,295	632,486	602,395
Public Safety	6,807,383	6,333,450	6,010,275	5,783,487
Capital outlay	3,088,289	1,870,826	3,472,547	1,538,534
Debt service:				
Principal Retirement	710,600	640,000	635,000	751,111
Interest and fiscal charges	411,537	508,259	550,497	381,784
Total expenditures	<u>15,662,142</u>	<u>13,684,483</u>	<u>14,805,496</u>	<u>12,272,816</u>
Excess of revenues over (under) expenditures	(2,604,996)	(1,147,503)	(2,844,340)	(1,293,093)
Other financing sources (uses)				
Capital leases	559,828	191,286	-	-
Proceeds from sale of bonds	1,226,147	-	-	4,087,400
Proceeds from fixed asset dispositions	300,186	-	-	-
Contributions - Developers	909,162	-	-	-
Transfers in	1,280,920	1,194,335	1,143,412	1,084,188
Transfers out	(304,830)	(296,933)	(435,004)	(113,864)
Total other financing sources (uses)	<u>3,971,413</u>	<u>1,088,688</u>	<u>708,408</u>	<u>5,057,724</u>
Net change in fund balances	<u>1,366,417</u>	<u>(58,815)</u>	<u>(2,135,932)</u>	<u>3,764,631</u>
Debt service as a percentage of noncapital expenditures	8.9%	9.7%	10.5%	10.6%

Note: City of Copperas Cove first applied GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 are not available.

City of Copperas Cove, Texas
Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years

Fiscal Year Ended September 30	Tax Year	Real Property		Other Property	
		Residential Property	Commercial Property	Personal Property	Other
2006	2005	\$737,593,910	\$ 52,350,230	\$59,473,482	\$ 50,180
2005	2004	716,849,289	846,460	66,419,767	-
2004	2003	685,748,077	828,660	60,726,750	-
2003	2002	676,074,030	39,800	56,052,960	54,300
2002	2001	639,287,230	21,780	59,638,440	52,070
2001	2000	609,399,240	661,550	54,506,658	-
2000	1999	596,890,530	589,710	48,054,450	-
1999	1998	588,487,010	885,140	41,368,627	-
1998	1997	575,162,778	275,870	39,713,867	-
1997	1996	548,561,370	283,040	44,455,377	-

Source: Coryell County Appraisal District

Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value¹ as a Percentage of Actual Value
\$70,659,836	\$778,807,966	0.775	\$784,115,516	99.32%
67,161,105	716,954,411	0.775	714,682,521	100.32%
63,795,771	683,507,716	0.745	683,946,827	99.94%
61,948,770	670,272,320	0.745	670,249,064	100.00%
57,881,160	641,118,360	0.745	664,567,448	96.47%
55,251,548	609,315,900	0.705	645,567,448	94.38%
53,195,726	592,338,964	0.705	630,740,777	93.91%
52,253,925	578,486,852	0.705	614,876,645	94.08%
49,625,933	565,526,582	0.705	593,016,747	95.36%
46,521,580	546,778,207	0.755	546,778,207	100.00%

City of Copperas Cove, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City of Copperas Cove			Coryell County Rate	CCISD School Rate	Central Texas College	Total Direct & Overlapping Rates
	Basic Rate	Debt Service Rate	Total City Rate				
2006	0.653	0.122	0.775	0.399	1.604	0.1460	2.924
2005	0.640	0.135	0.775	0.424	1.604	0.1470	2.950
2004	0.629	0.146	0.775	0.424	1.592	0.1475	2.938
2003	0.606	0.139	0.745	0.412	1.592	0.1475	2.896
2002	0.606	0.139	0.745	0.388	1.542	0.1485	2.823
2001	0.640	0.105	0.745	0.381	1.542	0.1485	2.817
2000	0.591	0.114	0.705	0.381	1.473	0.1490	2.708
1999	0.604	0.101	0.705	0.348	1.428	0.1500	2.631
1998	0.598	0.107	0.705	0.329	1.387	0.1500	2.571
1997	0.571	0.134	0.705	0.314	1.421	0.1515	2.592

Source: Each entity provided data.

**City of Copperas Cove, Texas
Principal Property Taxpayers
September 30, 2006**

2006			
Principal Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Wal-mart Real Estate	Developer	\$ 10,545,420	1.35%
TXU Electric Delivery	Electric Utility	9,278,730	1.19%
Central Telephone Co	Telephone Utility	8,177,070	1.05%
Wal-Mart Properties	Developer	7,729,440	0.99%
Cove Terrace Assoc.	Developer	6,935,140	0.89%
Crosstowne LTD	Retailer	4,939,034	0.63%
Colonial Plaza Partnership	Retailer	4,549,680	0.58%
Judy Lane Properties	Developer	3,861,420	0.50%
Texas Cable Partners	Cable Utility	3,785,270	0.49%
Lightfoot Oil Company	Oil Company	2,997,270	0.39%
Subtotals		<u>\$ 62,798,474</u>	<u>8.07%</u>
All Other taxpayers		<u>715,601,873</u>	<u>91.93%</u>
Total		\$ 778,400,347	100.00%

Source: Coryell County Tax Appraisal District, Gatesville, TX

Note: 1997 Data not available.

City of Copperas Cove, Texas
PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 6,032,566	\$ 5,919,039	98.1%	\$ 5,484,539	\$ -	99.7%
2005	5,553,655	5,507,707	99.2%	5,507,707	-	0.0%
2004	5,265,965	5,236,331	99.4%	5,236,331	-	0.0%
2003	4,994,028	4,936,024	98.8%	4,936,024	-	0.0%
2002	4,776,331	4,763,292	99.7%	4,763,292	-	0.0%
2001	4,532,455	4,494,472	99.2%	4,494,472	-	0.0%
2000	4,175,990	4,149,031	99.4%	4,149,031	-	0.0%
1999	4,080,366	4,050,984	99.3%	4,050,984	-	0.0%
1998	3,987,067	3,944,767	98.9%	3,944,767	-	0.0%
1997	3,823,939	3,820,448	99.9%	3,820,448	-	0.0%

Total Collections to date amount is unavailable.

City of Copperas Cove, Texas
Adopted Tax Rates
Last Ten Fiscal Years

Fiscal Year	Tax Year	Total Assessed Valuation	Assessment Rate	Gross Tax Rate
2006	2005	778,395,652	100.00%	0.7750
2005	2004	716,601,938	100.00%	0.7750
2004	2003	679,479,318	100.00%	0.7750
2003	2002	670,339,356	100.00%	0.7450
2002	2001	641,118,281	100.00%	0.7450
2001	2000	609,313,400	100.00%	0.7450
2000	1999	592,338,964	100.00%	0.7050
1999	1998	578,775,314	100.00%	0.7050
1998	1997	565,526,582	100.00%	0.7050
1997	1996	546,778,207	100.00%	0.7050

CITY OF COPPERAS COVE, TEXAS
Direct and Overlapping Governmental Activities Debt
September 30, 2006

<u>Taxing Entity</u>	<u>Net General Obligation Debt</u>	<u>As of</u>	<u>Percentage Applicable To the City of Copperas Cove</u>	<u>Amount Applicable to the City of Copperas Cove</u>
Coryell County	\$ -	12/31/2006	53.57%	\$ -
Copperas Cove I.S.D.	43,303,653	** 12/31/2006	95.06%	41,164,453
Lampasas County	4,315,000	** 12/31/2006	0.22%	9,493
Lampasas I.S.D.	5,375,729	** 12/31/2005	0.26%	13,977
Total Overlapping Debt				<u>41,187,923</u>
City of Copperas Cove		9/30/2005		<u>8,831,925</u>
				50,019,848

Source: Municipal Advisory Council.

** Gross debt.

**City of Copperas Cove, TX
Computation of Legal Debt Margin
Last Ten Fiscal Years**

	2006	2005	2004	2003
Assessed Value, Tax Roll	\$ 907,217,167	\$ 778,807,966	\$ 716,936,911	\$ 683,946,827
	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>
Legal Debt Limit	<u>\$ 13,608,258</u>	<u>\$ 11,682,119</u>	<u>\$ 10,754,054</u>	<u>\$ 10,259,202</u>
Obligation Debt Service During the Year	\$ 1,193,776	\$ 972,794	\$ 974,742	\$ 947,447

Source: City of Copperas Cove Finance Department

	2002	2001	2000	1999	1998	1997
\$	670,249,206	\$ 642,285,232	\$ 609,332,900	\$ 592,338,964	\$ 578,486,852	\$ 565,699,472
	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$	<u>10,053,738</u>	<u>\$ 9,634,278</u>	<u>\$ 9,139,994</u>	<u>\$ 8,885,084</u>	<u>\$ 8,677,303</u>	<u>\$ 8,485,492</u>
\$	899,956	\$ 881,529	\$ 684,296	\$ 787,141	\$ 6,570,753	\$ 689,914

City of Copperas Cove, Texas
FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
General Fund										
City Manager	2	2	2	2	2	2	2	2	2	2
City Secretary	2	2	2	1.5	1.5	1.5	1.5	1.5	1	1
City Attorney	1	1	1	1.5	1.5	1.5	1.5	1.5	1	1
Finance	6	6	6	6	6	6	6	5.5	5.5	5
Grants Administration	1	1	1	1	1	1	1	0	0	0
Human Resources	2	2	2	2	2	2	2	2	2	2
Information Systems	2	2	2	2	2	1	1	1	0	0
Downtown Redevelopment	0	0	0	0	0	0	0	1	0	0
Municipal Court	7	7	7	7	7	7	7	7	6	6
City Judge	1	1	1	1	1	1	1	1	1	1
Associate Judge	1	0	0	0	0	0	0	0	0	0
Police	69	69	69	69	67	67	67	67	66	62
Animal Control	4	4	4	4	4	4	3	3	3	3
Fire/EMS	46	46	46	46	46	46	46	36	36	36
Engineering	4.5	4.5	4.5	5	5	4	4	3	2	2
Building & Development	5	4.5	4.5	4	4	4	4	6	5	5.5
Streets	7	7	7	7	7.5	7.5	7.5	7.5	7.5	7
Parks & Recreation	14	14	14	15	15	15	15	14	11	9
Support Services	0	0	0	0	0	0	0	0	8	8
Fleet Services	5	5	5	4	4	4	9	9	0	0
Facility Maintenance	5	5	5	5	5	5	1.5	0	0	0
Public Works	0.5	0.5	0.5	1	1.5	1.5	1	1.5	1.5	1.5
Planning	1	0.5	0.5	0.5	1	1	0	3	3	2
Library	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9	9
Code & Health	2.5	2	2	2	2	2	2	0	0	0
Total General Fund	<u>198</u>	<u>195.5</u>	<u>195.5</u>	<u>196</u>	<u>195.5</u>	<u>193.5</u>	<u>192.5</u>	<u>182</u>	<u>170.5</u>	<u>163</u>
Water & Sewer Fund										
Water & Sewer Admin	2	2	2	1.5	1.5	1.5	1.5	0	0	0
Utility Administration	11	8	8	8	8	7	7	7	7	9
Water Distribution	9	12	12	12	13	13	13	13	13	9
Sewer Collection	7	7	7	7	7	7	6	6	6	6
Wastewater Treatment	11	10	10	10	10	10	10	12.5	11.5	11.5
Composting	2	2	2	2	2	1	1	0	0	0
Total Water & Sewer Fund	<u>42</u>	<u>41</u>	<u>41</u>	<u>40.5</u>	<u>41.5</u>	<u>39.5</u>	<u>38.5</u>	<u>38.5</u>	<u>37.5</u>	<u>35.5</u>
Solid Waste Fund										
Administration	4	2.5	2.5	2.5	2	3	3	23	0	0
Residential	4	4	4	4	4	6	10	0	0	0
Recycling	2	3	3	3	3	3	3	0	0	0
Brush	2	2	2	2	2	2	2	0	0	0
Commercial	4	4	5	5	4	2	2	0	0	0
Collection	0	0	0	0	0	0	0	0	21	20
Disposal	4	4.5	4.5	4.5	5	5	5	5	5	5
Total Solid Waste Fund	<u>20</u>	<u>20</u>	<u>21</u>	<u>21</u>	<u>20</u>	<u>21</u>	<u>25</u>	<u>28</u>	<u>26</u>	<u>25</u>

City of Copperas Cove, Texas
FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Recreational Activities Fund										
Recreational Activities Fund	1	1	1	1	0.75	0.75	0.75	0.75	0	0
Total Recreational Activities Fund	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0.75</u>	<u>0.75</u>	<u>0.75</u>	<u>0.75</u>	<u>0</u>	<u>0</u>
Cemetery Fund										
Cemetery Fund	1	1	1	1	1	1	1	1	0	0
Total Cemetery Fund	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>
Drainage Fund										
Drainage Utility	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	3.5	0.5
Total Drainage Fund	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>	<u>3.5</u>	<u>0.5</u>
Golf Course Fund										
Golf Course	15	15	15	15	15	11.5	11.5	11.5	7	6
Total Golf Course Fund	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>11.5</u>	<u>11.5</u>	<u>11.5</u>	<u>7</u>	<u>6</u>
Total All Funds	<u>281.5</u>	<u>278</u>	<u>279</u>	<u>279</u>	<u>278.25</u>	<u>271.75</u>	<u>273.75</u>	<u>266.25</u>	<u>244.5</u>	<u>230</u>

City of Copperas Cove, Texas

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population	Per Capita Personal income	Median Age	School Enrollment	Unemployment Rate
2006	30,776	20,088	28.1	7,315	5.4%
2005	30,450	20,389	28.1	7,340	5.4%
2004	30,450	18,305	27.1	7,444	5.3%
2003	30,450	17,628	28.0	7,592	5.5%
2002	29,592	16,823	28.0	7,414	5.1%
2001	29,592	15,046	*	7,242	5.2%
2000	29,592	13,820	*	7,316	4.2%
1999	31,500	13,621	*	7,238	3.8%
1998	30,311	10,759	*	7,318	4.8%
1997	30,311	10,759	*	7,557	5.6%

* Data not available

City of Copperas Cove, Texas
OPERATING INDICATORS BY FUNCTIONS
Last Ten Fiscal Years

	2006	2005	2004	2003
<u>Government Facilities</u>				
<u>Fire Protection</u>				
Number of stations:	3	3	3	3
Number of hydrants:	1,600	1,600	885	750
Number of vounteer firemen:	-	-	-	-
Number of paid firemen:	46	46	45	45
Firement per 1,000 population:	1.51	1.51	1.48	1.74
<u>Police Protection</u>				
Stations	2	2	2	1
Number of reserve police officers:	-	-	-	-
Number of sworn officers:	53	53	53	51
Officers per 1,000 population:	1.74	1.74	1.74	1.70
<u>Libraries</u>				
Number of public libraires:	1	1	1	1
Number of volumes:	62,572	59,957	57,363	57,427
Circulation of volume:	102,986	109,299	106,348	130,785
Circulation per capita:	3.50	3.70	3.63	5.12
<u>Parks and Recreation</u>				
Park acreage developed:	214	214	214	214
Park acreage undeveloped:	163	163	163	163
Playgrounds:	5	5	5	5
<u>Streets (all figures approximate)</u>				
Paved streets:	121 miles	121 miles	110 miles	110 miles
Unpaved streets:	0 miles	0 miles	0 miles	0 miles
<u>Utilities</u>				
<u>Water System</u>				
Miles of water mains:	230	230	227	225
Daily average consumption:	4 MGD	4 MGD	5 MGD	3.7 MGD
Maximum daily capacity:	13.5 MGD	13.5 MGD	13.5 MGD	7.21 MGD
Number of service connections:	11,195	10,801	10,466	10,132
Source of water:	BCWCID No. 1*	BCWCID No. 1*	BCWCID No. 1*	BCWCID No. 1*
<u>Sewage System</u>				
Miles of sanitary sewers:	210	210	200	200
Number of lift stations:	14	14	14	13
Daily average treatment:	3.1 MGD	3.1 MGD	3.1 MGD	2.6 MGD
Maximum capacity of treatment plants:	9.0 MGD	9.0 MGD	6.35 MGD	6.35 MGD
Number of service connections:	9,813	9,813	9,508	9,439
<u>Community Statistics</u>				
Manufacturing Employees:	-	-	-	-
School District Employees:	1,162	1,159	1,142	1,253
City Employees:	281	279	279	279
Fort Hood Servicemen:	43,995	45,777	45,777	40,672
Fort Hood Non-Servicement Employees:	8,909	12,134	12,134	13,724

2002	2001	2000	1999	1998	1997
2	2	2	2	2	2
865	838	838	709	709	720
-	10	10	15	14	18
45	39	39	36	35	35
1.74	1.22	1.19	1.14	1.16	1.15
1	1	1	1	1	2
1	2	2	1	1	-
48	51	51	50	50	45
1.85	1.73	1.57	1.62	1.65	1.48
1	1	1	1	1	1
55,100	50,643	50,643	50,000	53,695	53,595
112,050	129,592	127,648	104,208	127,127	133,006
4.31	5.04	3.93	3.31	4.19	4.39
214	214	214	209	286	256
163	163	163	168	205	5
5	5	5	5	4	3
140 miles					
6.5 miles					
200	200	200	200	200	117
3.2 MGD	3.0 MGD	3.7 MGD	3.2 MGD	3.16 MGD	3.16 MGD
7.19 MGD	8.75 MGD				
10,365	10,441	10,261	10,261	10,586	10,320
BCWCID No. 1*					
143	138	138	119	119	119
11	13	13	12	12	12
2.6 MGD	2.6 MGD	2.6 MGD	2.6 MGD	2.4 MGD	2.4 MGD
6.35 MGD	6.35 MGD	6.35 MGD	5.85 MGD	5.85 MGD	5.85 MGD
9,439	9,413	9,413	9,413	9,628	9,628
-	96	96	96	96	96
1,263	1,265	1,265	1,265	1,265	1,203
272	266	266	271	252	230
40,672	42,000	42,000	42,000	40,955	41,869
13,724	6,538	6,538	6,538	4,790	4,581



LOTT, VERNON & COMPANY, P.C.
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Copperas Cove, Texas, as of and for the year ended September 30, 2006, which comprise the City of Copperas Cove's basic financial statements and have issued our report thereon dated February 13, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Copperas Cove's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the

normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Copperas Cove, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, administration, the cognizant audit agency, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lott, Vernon & Company P.C.

Killeen, Texas
February 13, 2007