

Comprehensive Annual Financial Report
City of Copperas Cove, Texas
Fiscal Year Ended September 30, 2007



Roger P. O'Dwyer, Mayor

Robert Reeves, Mayor Pro Tem

Mark Peterson, Council Member

Charlotte Heinze, Council Member

Fred Harris, Council Member

Ray Don Clayton, Council Member

Larry D. Sheppard, Council Member

Frank Somera, Jr., Council Member

"The City Built For Family Living"

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2007

PREPARED BY:

FINANCE AND ACCOUNTING DEPARTMENT

**WANDA BUNTING
DIRECTOR OF FINANCIAL SERVICES**

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, 2007

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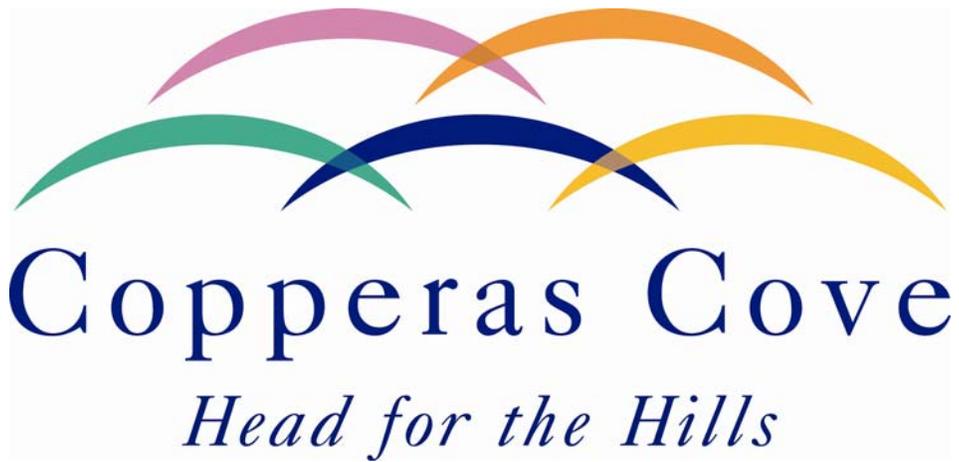
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Copperas Cove

Head for the Hills



“The City Built for Family Living”

March 14, 2008

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, 2007, 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, 2007, 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, 2007, 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.

Generally Accepted Accounting Principles require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This transmittal letter is designed to complement the Management’s Discussion and Analysis (MD&A) and should be read in conjunction with it.

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 sixteen (16) 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 Chisholm 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 29,998 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, the number of authorized troops is 52,000. 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.

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 2007 academic school year, the District had seven recognized and five acceptable campuses. The District's peak enrollment

rate increased by approximately 358 students during fiscal year 2006-07, primarily due to the return of military personnel to Fort Hood. The peak enrollment for fiscal year 2006-07 was 7,788 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 2006-07 totaled \$46,936,833. New residential construction made up \$35,051,573 of this amount while \$5,149,385 was related to new non-residential buildings, and new construction additions totaled approximately \$6,735,875.

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 52.322 acres. The plat of Tonkawa Village Phase III will contain 130 homes on 33.585 acres. Skyline Flats Phase II will contain 100 homes on 25.406 acres. Also, House Creek North subdivision has 300 homes on 120.281 acres in Phase 2 and Phase 3 will contain 320 homes on 109.392 acres. The Valley at Great Hills, Phase I will contain 98 homes, 2 large commercial lots and a 20 acre multi-family development on 55.517 acres. Thousand Oaks III will contain 52 new homes on 22.058 acres. Summer Place is a 26.755 acre tract located on Summers Road adjoining the south side of House Creek North with 64 duplex lots.

Ad Valorem Taxes. Total assessed value within the City has increased by approximately 43 percent since fiscal year 2002. The fiscal year 2007 projections, based on data provided by the Coryell County Appraisal District, indicate an 18 percent growth in assessed value over fiscal year 2006 levels.

Sales Tax. Sales tax collections have increased by approximately 32 percent since fiscal year 2002. Collections for fiscal year 2007 have increased by approximately 10 percent over fiscal year 2006 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 2006-07 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 2006-07 that amount was updated to \$90 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 with a \$19 million shortfall that will need to be funded through alternate funding sources. 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 FM 2657 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 Texas Department of Transportation plans to let Phase I Reliever Route construction contracts in April 2009 and is requiring the City to relocate utilities located in TxDOT right of way prior to the fall of 2008. The relocations consist of numerous water and sewer lines, along or near FM 2657 and FM 3046.

Through a \$1.3 million grant received from the Texas Department of Transportation, the City was preparing to construct approximately two miles of sidewalk along FM 1113 between 5th Street and Summers Road.

However, the Texas Department of Transportation assumed responsibility for the completion of this project in conjunction with another Texas Department of Transportation project, the FM 1113 Road Widening Project. The FM 1113 Road Widening Project is to be constructed from Summers Road to Topsey Road. The two projects will provide safer access along this roadway for pedestrians accessing City Park, J. L. Williams Elementary, Lovett Ledger Intermediate and SC Lee Junior High School, as well as provide some traffic congestion relief along this route. The anticipated total cost of the two projects is \$4.6 million. As of this writing, the FM 1113 Sidewalk Project is nearing completion and the FM 1113 Road Widening Project is underway.

During the 2004-05 fiscal year, City staff worked with the Texas Department of Transportation and Fort Hood on an improvement to Tank Destroyer Boulevard 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 fiscal year 2006-07, the City of Copperas Cove designated \$400,000 for the project. As of this writing the City and the Texas Department of Transportation continue to work with consulting engineers on the project design in an effort to reduce the total cost of the project. Several design changes are being considered by the City of Copperas Cove, Fort Hood and TxDOT.

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 2002-03, the City Council authorized the issuance of 2003 Combination Tax & Revenue Certificates of Obligation for various street projects, a communication system, facility repairs and water & sewer projects. Of the \$14,010,000 issued, \$460,000 was designated for the Mountain Top Water Improvements project. This project is intended to increase water pressure and flow within the Mountain Top Pressure Plane and includes replacement of numerous two-inch water lines in the High Chaparral area with six and eight-inch water lines, installation of an eight-inch water line on South 27th Street and installation of three pressure-reducing valves to provide acceptable water pressure to the area between the Mountain Top Pressure Plane and the Central Pressure Plane. As of this writing, the project is near completion.

Combination Tax & Revenue Certificates of Obligation were authorized by the City Council in fiscal year 2005 for water infrastructure projects totaling \$3,080,000. One proposed project included in the issuance is the East Side Tank and Pump Station. This project was identified by the Water Model as the number one, Phase I water improvement project needed for the City. The project will replace the service pump capacity lost from the removal of the Highway 190 Booster Pump Station and the eight and twelve-inch transmission lines. In addition, it will provide additional water storage on the east side of the City and adds needed redundancy to the water distribution system by splitting inflow from the Killeen Pump Station, into two separate distribution facilities (Turkey Run and East Side). Currently, 100% of the City's water supply from Killeen is pumped into Turkey Run Pump Station.

A second proposed project included in the 2005 issuance is the Turkey Run Pump Station and Water Line Improvements. This is the Phase I, number two project needed by the City as identified in the Water Model. This pump station is the second most critical within the City's water distribution system and the station was constructed in the 1970s. The scope of the project is to provide additional pump and water line capacity from the Turkey Run Pump Station. The project includes the upgrade of existing electrical, controls and instrumentation and provides new electrical, controls and instrumentation for one new pump. Also includes the installation of one new 250 HP High Service Pump and the service of three existing site pumps. Lastly, it

includes the installation of a new 30-inch water line from the site to a point near the intersection of Golf Course and Wolfe Roads.

In fiscal year 2006-07, the City Council authorized the issuance of 2007 Certificates of Obligation in the amount of \$5.3 million to provide funding for the construction and design of a new police facility. Plans are to seek funding in the amount of \$3.5 million, which will ensure completion of the construction of the police facility. The additional funding is necessary as a result of increased construction costs experienced over the past few years.

ACCOMPLISHMENTS

During fiscal year 2007, 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 196 Copperas Cove Police Department Kiddo Cards.
- ◆ Conducted one session of the Copperas Cove Police Department Citizens Academy.
- ◆ Paid out \$5,420 in Crime Stoppers for tips on criminal activity.
- ◆ Awarded FY 2007 Edward Byrne Memorial Justice Assistance Grant (JAG) to make the purchase of a total station for diagramming accident and crime scenes.
- ◆ Acquired first stage of funding for the new police facility.
- ◆ Purchased land for the construction of the new police facility.
- ◆ Awarded FY 2007 Bulletproof Vest Partnership Grant from the U.S. Department of Justice for the continuation of funding to assist in the purchase of bulletproof vests.
- ◆ Awarded FY 2007 Texas Statewide Tobacco Education & Prevention (Texas STEP) Grant allowing for the continuation of the educational and enforcement operations targeting the sale of tobacco and tobacco products to minors.
- ◆ Awarded funding in the amount of \$50,000 from the Central Texas Council of Governments (CTCOG) for the purchase of equipment for the Emergency Operations Center (EOC) that will be part of the new police facility.
- ◆ Realized an overall decrease in total crimes of 8 percent.

Fire

- ◆ Received two multi-year Homeland Security grants totaling \$666,312 for hiring and equipping six new firefighters.
- ◆ Received national recognition as a finalist for the International Association of Fire Chief's (IAFC) Fire Service Excellence Award.
- ◆ Provided 1,252 free immunizations to children through our "Shots through the Firehouse" program.
- ◆ Received a \$1,200 Safe Neighborhood grant from Wal-Mart.
- ◆ Conducted 1,103 commercial building inspections which identified and corrected 508 fire hazards.
- ◆ Processed 1,407 code enforcement complaints, correcting 95% through voluntary compliance.

Community Services

- ◆ Provided a community Thanksgiving dinner for approximately 350 people.
- ◆ Circulated 95,826 library materials.
- ◆ Conducted various programs for 10,044 children.
- ◆ Conducted a Summer Reading Program for over 723 children.
- ◆ Conducted Water Aerobics classes at aquatic facilities.
- ◆ Conducted two youth soccer leagues with over 972 youth participants.
- ◆ Conducted youth baseball and softball program with over 800 participants.
- ◆ Implemented Senior/Adult Outreach Program, with total attendance of 525.

Public Works

- ◆ Continued to maintain a "Superior Water System" rating recognized by the Texas Commission on Environmental Quality (TCEQ).
- ◆ Annual inspections of all three Wastewater Treatment facilities completed by TCEQ indicated no existing deficiencies.
- ◆ Annual inspection of the Sewer Collection System by TCEQ indicated no deficiencies.
- ◆ Completed the West End Sewer Line Project, providing sewer service to western area of the City.
- ◆ Completed renovation of the one million gallon water storage tank on Mickan Mountain.
- ◆ Continued to monitor the progress of numerous water, sewer and wastewater infrastructure improvements.
- ◆ 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 judgments 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: Non-obligated cash 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 \$1,069,388 on all investments for the fiscal year 2006-07.

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, 2007, 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 ACKNOWLEDGMENTS

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 seventeenth 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.

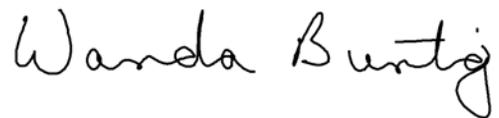
Acknowledgments: The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department, and all directors and department heads. We would like to express our appreciation to all members of the departments who assisted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



Andrea M. Gardner
City Manager

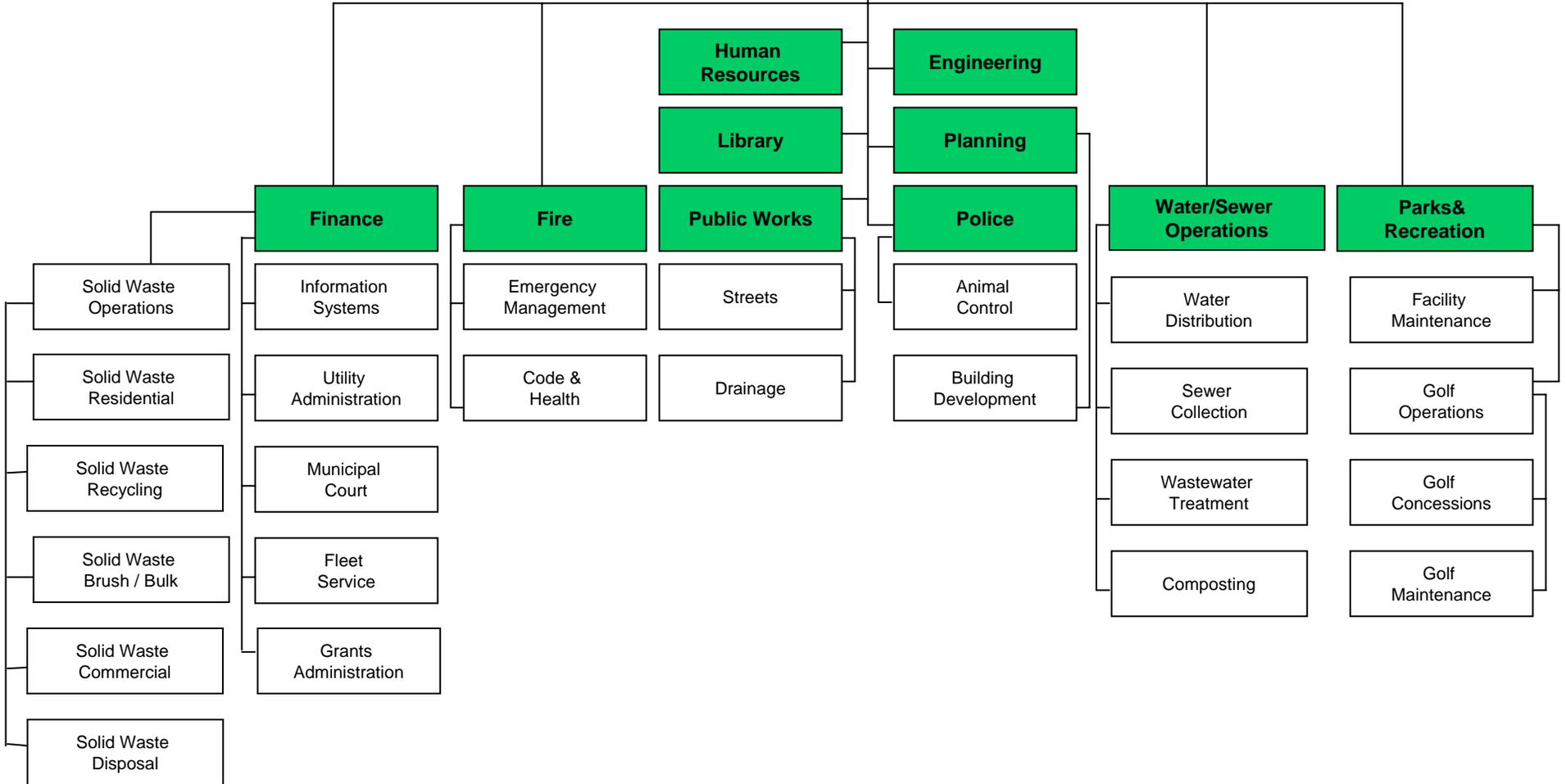


Wanda Bunting, CPA
Director of Financial Services



Citizens of Copperas Cove
29,988* Citizens

Mayor & City Council



**Mayor
City Manager**

**Roger P. O'Dwyer
Andrea M. Gardner**

City of Copperas Cove, Texas

List of Principal Officials

City Council

Roger P. O'Dwyer - Mayor
Robert Reeves - Mayor Pro Tem

Mark Peterson - Council Member
Charlotte Heinze - Council Member
Fred Harris - Council Member

Ray Don Clayton - Council Member
Frank Somera, Jr. - Council Member
Larry D. Sheppard - Council Member

City Staff

Reporting to City Council

Andrea M. Gardner, 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

Wanda Bunting, CPA, Director of Financial Services
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
J. David Whitehead, City Engineer
Ken E. Wilson, Director of Community Services
James Trevino, Public Works Superintendent

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, 2006

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Oliver S. Cox

President

Jeffrey R. Emer

Executive Director



Lott, Vernon & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

KILLEEN • COPPERAS COVE • TEMPLE

109 EAST AVENUE B
POST OFFICE BOX 935
KILLEEN, TEXAS 76540

254/526/0571
800/460/0571
FAX 254/526/7667

*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, 2007, 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, 2007, 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 Management's Discussion and Analysis. We did not audit the Management's Discussion and Analysis and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008, 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, individual nonmajor fund financial statements, budgetary comparison schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules, individual nonmajor financial statements and budgetary comparison schedules 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.

March 14, 2008

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, 2007. 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 of pages i-vii of this report as well as the City's financial statements beginning on page 15 and the accompanying notes to the financial statements.

Financial Highlights

- The total net assets of the City of Copperas Cove increased to \$44.3 million from the prior years \$33.6 million, an increase of 31.8 percent.
- As of September 30, 2007, the City of Copperas Cove's governmental funds reported combined ending fund balances of \$13.3 million, an increase of \$5.2 million in comparison with prior year.
- At September 30, 2007, unreserved fund balance for the General Fund was \$3.3 million, or 27 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 6.5 percent. The unreserved and undesignated fund balance was \$3.1 million, or 24.2 percent of total General Fund expenditures.

Overview of the Financial Statements

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

- Government-wide reporting – while governments have traditionally focused reporting on groupings of funds (i.e. General Fund, Special Revenue Funds, Capital Project Funds, etc.), the new model also contains financial statements on a government-wide basis.
- Fund financial statements – the new model maintains governmental and proprietary fund financial statements, but the focus is on major funds within each fund type.
- New focus for governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resource measurement focus and accrual basis of accounting. The traditional current financial resources focus and modified accrual basis of accounting are maintained for the governmental fund financial statements in the new model.
- Infrastructure reporting – the new model requires governments to report the value of infrastructure assets of governmental activities (roads, bridges, storm drainage systems, parks, etc.). The City completed implementation of this requirement in the

current year as evidenced by a prior period adjustment. The City has recorded infrastructure for the water and sewer funds in the appropriate funds as it was built or donated over the years.

- Changes in budgetary reporting – the new model requires the display of both the original adopted budget and the amended budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds, although they may be presented for other funds as additional information. The City does not have any major special revenue funds.
- Required narrative analysis – the new model requires that the financial statements be accompanied by narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A).

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The City maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the 2007 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, 67-76, and 81-83)

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

Proprietary funds – Proprietary funds are used to account for business-type activities of the City. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The City maintains one type of proprietary fund. Proprietary funds are used for activities that primarily serve customers outside the governmental unit for which fees are charged. The City has three enterprise funds: the Water and Sewer Fund, Solid Waste Fund and the Golf Course Fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Notes to the financial statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-54 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, 59-66, and 77-80 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, 2007.

Net Assets

The following table reflects the Condensed Statement of Net Assets as of September 30, 2007.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 16,020,940	\$ 9,646,602	\$ 11,033,411	\$ 11,234,254	\$ 27,054,351	\$ 20,880,856
Capital assets	20,959,753	13,336,718	43,190,784	43,205,854	64,150,537	56,542,572
Total Assets	<u>36,980,693</u>	<u>22,983,320</u>	<u>54,224,195</u>	<u>54,440,108</u>	<u>91,204,888</u>	<u>77,423,428</u>
Other liabilities	3,028,784	2,130,218	2,813,927	2,732,274	5,842,711	4,862,492
Long-term liabilities	15,207,600	11,235,116	25,860,364	27,712,498	41,067,964	38,947,614
Total Liabilities	<u>18,236,384</u>	<u>13,365,334</u>	<u>28,674,291</u>	<u>30,444,772</u>	<u>46,910,675</u>	<u>43,810,106</u>
Net assets:						
Invested in capital assets net of related debt	12,609,887	2,464,242	20,770,346	21,359,736	33,380,233	23,823,978
Restricted	200,751	1,222,312	1,608,776	634,055	1,809,527	1,856,367
Unrestricted	5,933,671	5,931,432	3,170,782	2,001,545	9,104,453	7,932,977
Total Net Assets	<u>\$ 18,744,309</u>	<u>\$ 9,617,986</u>	<u>\$ 25,549,904</u>	<u>\$ 23,995,336</u>	<u>\$ 44,294,213</u>	<u>\$ 33,613,322</u>

The City's combined net assets were \$44.3 million as of September 30, 2007. Of the \$44.3 million, \$18.7 million was in the governmental activities and \$25.6 million was in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of \$10.7 million or 31.8 percent. This large increase includes the effects of a prior period adjustment reflected in the current financial statements due to the full implementation of GASB 34 as of September 30, 2007.

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 (\$33.4 million or 75.4 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 \$9.6 million or 40.1 percent. A significant portion of this increase (\$6.4 million) is related to a prior period adjustment for the City's infrastructure assets. 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 \$1.8 million at September 30, 2007 or 4.0 percent of overall total net assets. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets decreased \$46,840 or 2.5 percent compared to September 30, 2006. This is due to a decrease in restricted net assets for capital projects.

The third portion consists of unrestricted net assets totaled \$9.1 million or 20.6 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 \$1.2 million or 15.2 percent compared to September 30, 2006.

Changes in Net Assets. The City's total revenues for the fiscal year ended September 30, 2007 were \$28.2 million. Total revenues increased when compared to the prior year by \$1.5 million or 5.5 percent. The City's total cost of all programs and services decreased from the prior years' \$25.0 million to \$23.9 million, a decrease of 4.5 percent. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2007.

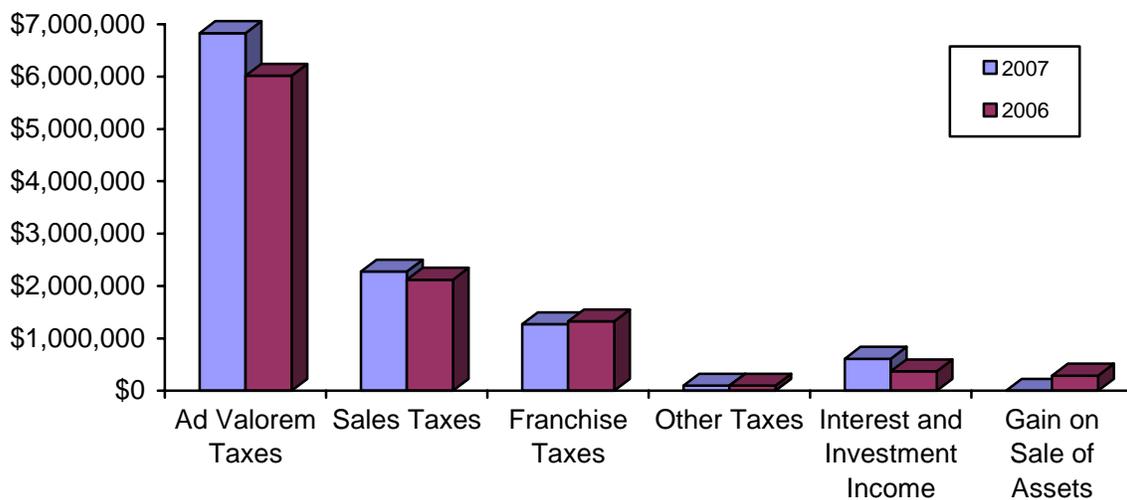
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for services	\$ 3,503,217	\$ 2,985,213	\$ 11,849,952	\$ 11,581,810	\$ 15,353,169	\$ 14,567,023
Operating Grants and contributions	450,303	160,504	-	-	450,303	160,504
Capital Grants and contributions	450,824	909,162	370,434	810,756	821,258	1,719,918
General Revenues:						
Ad valorem taxes	6,831,452	6,014,274	-	-	6,831,452	6,014,274
Franchise taxes	1,270,632	1,325,208	-	-	1,270,632	1,325,208
Sales taxes	2,275,752	2,122,243	-	-	2,275,752	2,122,243
Other taxes	97,844	99,160	-	-	97,844	99,160
Interest and investment income	610,569	372,250	456,616	442,453	1,067,185	814,703
Gain (Loss) on sale of capital asset	-	288,906	-	(425,165)	-	(136,259)
Total Revenues	\$ 15,490,593	\$ 14,276,920	\$ 12,677,002	\$ 12,409,854	\$ 28,167,595	\$ 26,686,774
Expenses:						
General Government	\$ 1,839,306	\$ 2,091,253	\$ -	\$ -	\$ 1,839,306	\$ 2,091,253
Community services	2,258,488	2,292,606	-	-	2,258,488	2,292,606
Fleet and Facility Maintenance	386,747	437,608	-	-	386,747	437,608
Highways and Streets	897,493	1,212,838	-	-	897,493	1,212,838
Public Safety	7,888,352	8,457,720	-	-	7,888,352	8,457,720
Interest on Long-term debt	492,193	444,344	-	-	492,193	444,344
Water and Sewer	-	-	7,071,789	7,113,198	7,071,789	7,113,198
Solid Waste	-	-	2,267,473	2,115,989	2,267,473	2,115,989
Golf Course	-	-	786,556	841,295	786,556	841,295
Total Expenses	13,762,579	14,936,369	10,125,818	10,070,482	23,888,397	25,006,851
Increase (decrease) in net assets before transfers	1,728,014	(659,449)	2,551,184	2,339,372	4,279,198	1,679,923
Transfers	996,616	976,090	(996,616)	(976,090)	-	-
Increase in net assets after transfers	2,724,630	316,641	1,554,568	1,363,282	4,279,198	1,679,923
Prior Period Adjustment	6,401,693	-	-	-	-	-
Net Assets - October 1	9,617,986	9,301,345	23,995,336	22,632,054	33,613,322	31,933,399
Net Assets - September 30	\$ 18,744,309	\$ 9,617,986	\$ 25,549,904	\$ 23,995,336	\$ 44,294,213	\$ 33,613,322

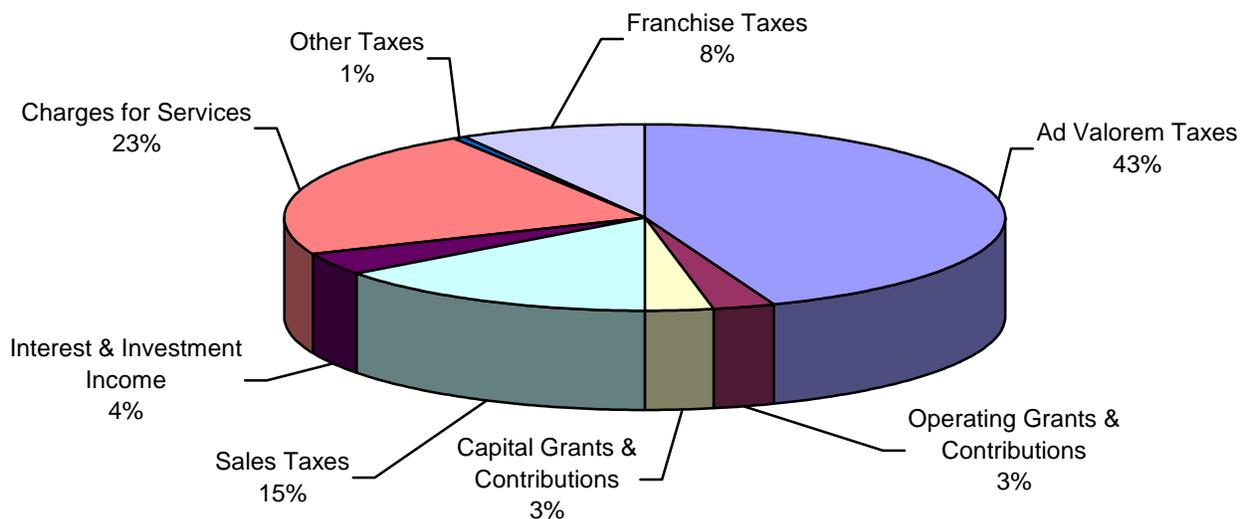
Program Revenues – Governmental Activities

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 \$817,178 or 13.6 percent. Charges for services increased \$518,004, which is an increase of 17.3 percent compared to last year. Sales tax increased slightly by \$153,509 or 7.2 percent compared to last year. Franchise and other taxes showed small decreases compared to last year. However, interest and investment income increased significantly from \$372,250 to \$610,569, which is an increase of \$238,319 or 64.0 percent.

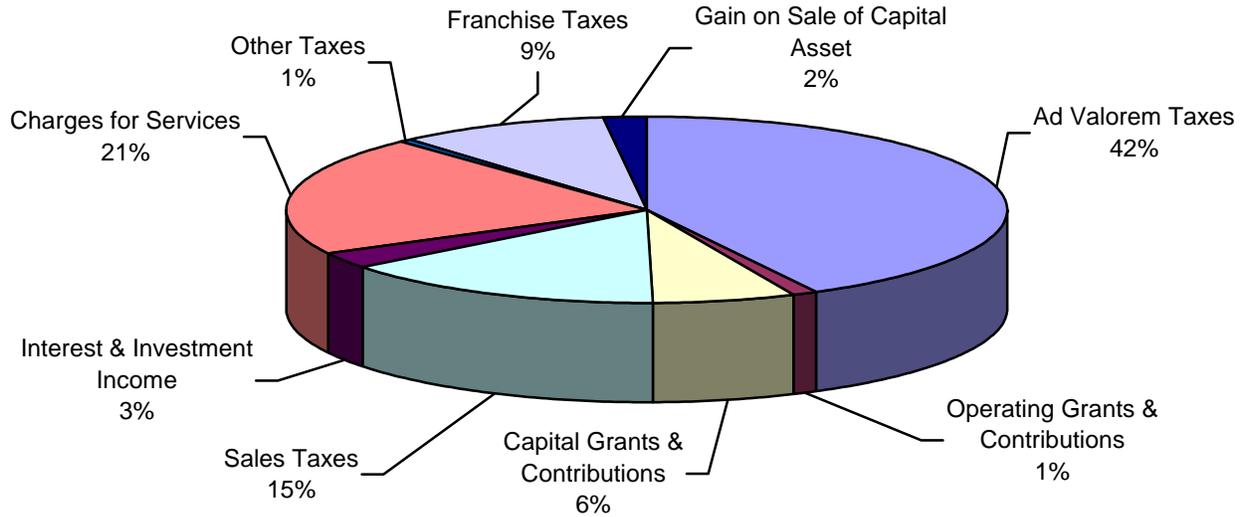
General Revenues - Governmental Activities



Revenues by Source – Governmental Activities - FY 2007



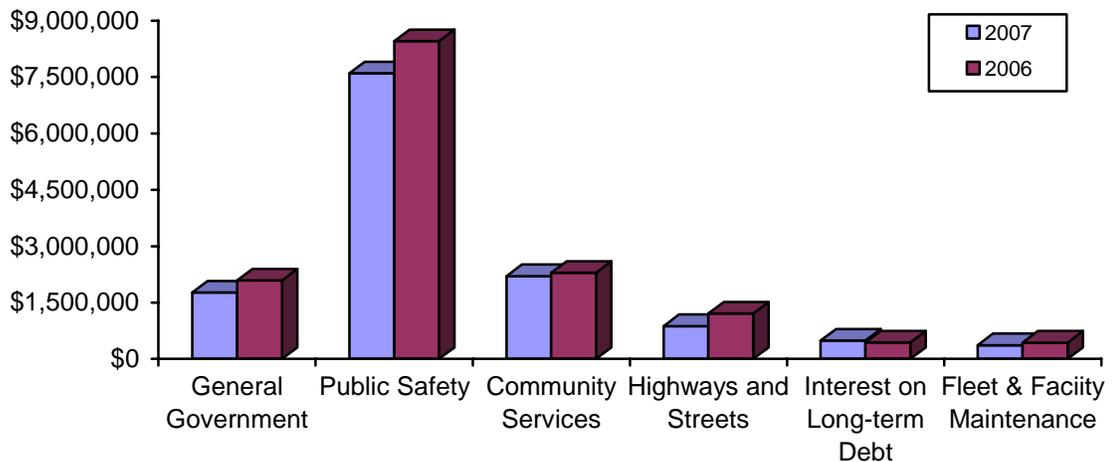
Revenues by Source – Governmental Activities - FY 2006



Program Expenditures – Governmental Activities

The Expenditures – Governmental Activities chart below illustrates the City’s governmental expenditures by function. As shown, public safety is the largest function in expenditures at \$7.9 million or 57.3 percent compared to the prior years \$8.5 million or 56.6 percent, followed by Community Services \$2.2 million or 16.5 percent compared to prior years \$2.3 million or 15.3 percent. General Government recorded \$1.8 million or 13.3 percent compared to prior years \$2.1 million or 14.0 percent.

Expenditures - Governmental Activities

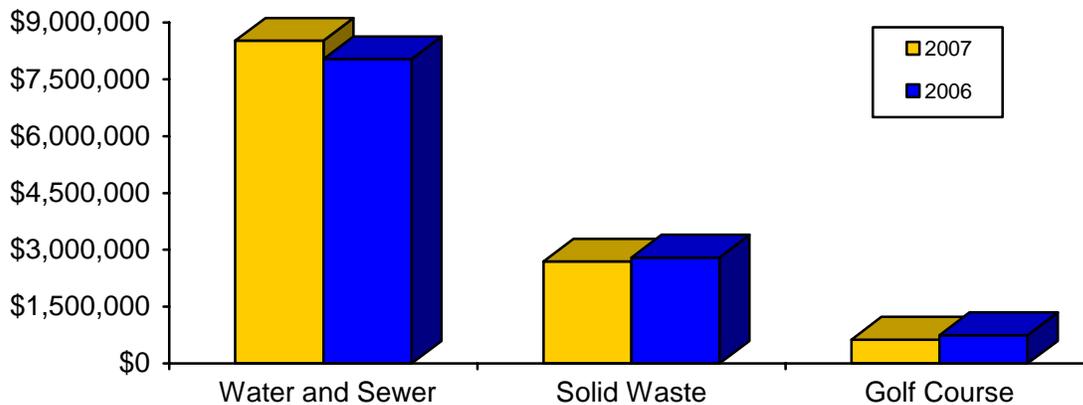


Business-type Activities - Revenues

Business-type activities increased the City's net assets by \$1.6 million accounting for 33.9 percent of the total growth in the City's net assets. Charges for services provided the largest share of revenues at 93.5 percent, followed by interest earnings at 3.6 percent and grants and contributions income at 2.9 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 \$8.5 million in revenue. Compared to the prior year, Water and sewer revenues increased \$490,285 or 6.1 percent. Solid Waste revenues decreased \$105,015 or 3.8 percent. The Golf Course fund also decreased from \$750,858 in 2006 to \$633,730 in 2007 a decrease of \$117,128 or 15.6 percent.

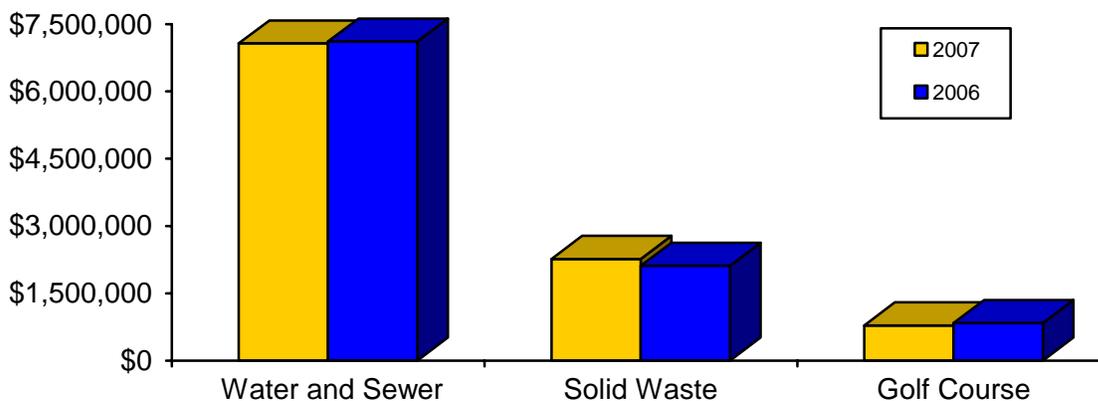
Program Revenues – Business-type Activities



Business-type Activities - Expenses

Total expenses for business-type activities were \$10.1 million, an increase of \$55,336 or less than 1.0 percent compared to the prior year. Water and Sewer, the largest proprietary fund recorded \$7.1 million in expenses, a decrease of \$41,409 or 0.6 percent compared to the prior year. Solid Waste expenses increased \$151,484 or 7.2 percent. Golf Course expenses decreased from \$841,295 in 2006 to \$786,556 in 2007, a decrease of \$54,739 or 6.5 percent.

Program Expenses – Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13.3 million, an increase of \$5,232,185 in comparison with the prior year. The primary reason for the increase is the inclusion of the new proceeds from the 2007 Certificate of Obligation bond issue.

The General Fund is the chief operating fund of the City. At September 30, 2007, unreserved fund balance of the General Fund was \$3.3 million, while total fund balance reached just under \$4.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27.1 percent of total General Fund expenditures, while total fund balance represents 32.5 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 \$3,330,587 an increase of \$1,791,057 or 116.3 percent. The Solid Waste Fund was \$558,543, an increase of \$183,084 or 48.8 percent. Unrestricted net assets for the Golf Course Fund decreased from prior year's \$86,556 to \$64,902 in 2007 a decrease of 25 percent. The total increase (decrease) in net assets for the three funds was \$1,512,339, \$67,944, and (\$21,654), respectively. Total operating revenues in fiscal year 2006-07 were \$11.8 million an increase of 2.3 percent over September 2006. Total operating expenses totaled \$9.07 million an increase of \$386,495 or 4.4 percent. Total operating income was \$2.8 million, a decrease of \$118,353 or 1.4 percent.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major Special Revenue Funds. Since the City did not have a major Special Revenue Fund in the current year, only a budgetary comparison for the General Fund is required in this report; however,

numerous budget comparisons presented in this statement compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see pages 33-35 for more information on budget policies). An amendment to the City's General Fund budget occurred at fiscal year end with council approval. The total General Fund budget impact was \$0, with various departmental budgets being amended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2007, the City has \$64.2 million invested in various capital assets, net of accumulated depreciation. Of the \$64.2 million, \$21.0 million is invested in governmental activities and \$43.2 million is invested in business-type activities. Compared to last year, total capital assets increased \$1.2 million or 1.9 percent. Capital assets in Governmental Activities increased \$1,176,342 or 6.0 percent from the prior year. The largest increase can be identified within the construction in progress line item with an increase of \$3.9 million or 41.4 percent from prior year. Capital assets in Business-type Activities reflected an overall decrease of \$15,070 or less than one tenth of a percent.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2007. Additional information on the City's capital assets may be found in Note IV-D on pages 39-42.

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,343,921	\$ 1,343,921	\$ 850,686	\$ 850,686	\$ 2,194,607	\$ 2,194,607
Buildings / Improvements	3,573,246	3,752,173	157,362	170,039	3,730,608	3,922,212
Furniture and Fixtures	205,531	126,006	43,095	22,261	248,626	148,267
Vehicles	560,864	406,574	592,926	725,380	1,153,790	1,131,954
Equipment	1,868,195	2,332,955	1,240,548	1,512,813	3,108,743	3,845,768
Facilities / Infrastructure	13,398,770	9,476,055	38,738,215	31,366,776	52,136,985	40,842,831
Construction in Progress	9,226	2,300,727	1,567,952	8,557,899	1,577,178	10,858,626
Total	\$ 20,959,753	\$ 19,738,411	\$ 43,190,784	\$ 43,205,854	\$ 64,150,537	\$ 62,944,265

Long Term Debt

The City's total debt increased by \$3.3 million during the current fiscal year. The key factor in this increase was the issuance of the 2007 combination tax and revenue certificates of obligation for the new police facility. The following schedule shows the outstanding debt of the City (both current and long-term) for September 30, 2007. Further details can be found in Note IV-G on pages 45-50.

Outstanding Debt

General Obligation Bonds and Tax/Revenue Certificates of Obligation

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation	\$ 5,800,700	\$ 4,708,200	\$ 15,599,300	\$ 12,896,800	\$ 21,400,000	\$ 17,605,000
Tax/Revenue Certificates of Obligation	8,667,000	4,815,000	10,713,000	14,805,000	19,380,000	19,620,000
Tax Notes	965,000	1,260,000	-	-	965,000	1,260,000
Total	\$ 15,432,700	\$ 10,783,200	\$ 26,312,300	\$ 27,701,800	\$ 41,745,000	\$ 38,485,000

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, 2007

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 2007-08 budget was the economy (local, state and federal). With the sustained troop levels and continued growth in population, 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 area as of September 30, 2007 was at 4.8 percent, which was down from 5.1 percent a year ago. The City's sales tax revenues have grown at a steady, yet moderate rate over the last few years. Residential home construction has also shown positive trends. Building permits issued in fiscal year 2006-07, recorded an increase of 131 permits or 10.6 percent. The value of the permits issued in FY 2006-07 was \$46,936,833, which was a decrease from \$58,148,330.

All of these factors were considered in preparing the City's budget for Fiscal Year 2007-08. The budget for the 2007-08 fiscal year includes:

- Conservative projections of major revenue sources. For example, sales tax revenue which has been growing at an average of 6 percent annually is projected to grow by 3.0 percent during fiscal year 2007-08.

- Ad valorem tax revenue has also been projected conservatively. The City has been experiencing an increased growth in its assessed valuation from 4.8 percent to 18.1 percent annually in the past three years. However, the assessed valuation for the 2007-08 fiscal year was estimated by the appraisal district to grow by 12.5 percent.
- Employee benefits remain intact with moderate adjustments.
- Included essential capital outlay expenditures.

The ad valorem tax rate was maintained in fiscal year 2007-08 at \$.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:

Director of Financial Services
City of Copperas Cove
507 South Main Street
Copperas Cove, TX 76522
(254) 547-4221

Or visit our website at:

<http://www.ci.copperas-cove.tx.us>

CITY OF COPPERAS COVE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 14,032,154	\$ 2,199,250	\$ 16,231,404	\$ 658,520
Receivables (net of allowances for uncollectibles):				
Accounts	281,023	-	281,023	-
Taxes	165,574	-	165,574	-
Ambulance fees	674,764	-	674,764	-
Assessments	23,829	-	23,829	-
Utility accounts	-	1,881,759	1,881,759	-
Grants	1,040	-	1,040	-
Miscellaneous	161,466	853	162,319	-
Internal Balances	(125,966)	125,966	-	-
Inventory	67,675	40,532	108,207	-
Prepays	74,336	8,800	83,136	-
Notes receivable	151,974	-	151,974	-
Restricted cash and cash equivalents	-	5,615,058	5,615,058	97,840
Restricted deferred bond issuance costs	158,967	687,113	846,080	-
Deferred amount on refunding	344,230	474,080	818,310	-
Unamortized bond discount	9,874	-	9,874	-
Capital assets:				
Non-depreciable	1,353,147	2,418,638	3,771,785	3,264,860
Depreciable (net)	19,606,606	40,772,146	60,378,752	688,948
Total Assets	<u>\$ 36,980,693</u>	<u>\$ 54,224,195</u>	<u>\$ 91,204,888</u>	<u>\$ 4,710,168</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 547,071	\$ 186,913	\$ 733,984	\$ 10,182
Retainage payable	43,344	42,963	86,307	-
Customer meter deposits	-	283,413	283,413	-
Due to other governmental agencies	113,410	-	113,410	-
Deferred revenue	176,983	-	176,983	-
Other accrued liabilities	837,062	224,992	1,062,054	-
Other liabilities	173,292	164,080	337,372	-
Landfill costs payable - due within one year	-	19,500	19,500	-
Capital leases - due within one year	179,052	298,693	477,745	-
Restricted - debt payable current	875,359	1,451,269	2,326,628	50,000
Restricted - accounts payable	-	6,374	6,374	-
Restricted - accrued interest	83,211	135,730	218,941	6,980
Compensated absences payable	292,371	153,874	446,245	-
Capital leases	333,228	409,704	742,932	-
Long-term debt	14,582,001	24,887,286	39,469,287	750,000
Future landfill costs	-	409,500	409,500	-
Total Liabilities	<u>18,236,384</u>	<u>28,674,291</u>	<u>46,910,675</u>	<u>817,162</u>
Net Assets:				
Investment in capital assets (net of related debt)	12,609,887	20,770,346	33,380,233	3,233,922
Restricted for:				
Debt Service	156,930	825,526	982,456	-
Capital Projects	43,821	783,250	827,071	-
Unrestricted	5,933,671	3,170,782	9,104,453	660,084
Total Net Assets	<u>\$ 18,744,309</u>	<u>\$ 25,549,904</u>	<u>\$ 44,294,213</u>	<u>\$ 3,894,006</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, 2007

EXHIBIT A-2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
PRIMARY GOVERNMENT:								
Governmental activities:								
General Government	\$ 1,839,306	\$ 470,885	\$ -	\$ -	\$ (1,368,421)	\$ -	\$ (1,368,421)	\$ -
Community Services	2,258,488	933,020	129,755	-	(1,195,713)	-	(1,195,713)	-
Fleet and Facility Maintenance	386,747	-	-	-	(386,747)	-	(386,747)	-
Highways and Streets	897,493	837,486	-	450,824	390,817	-	390,817	-
Public Safety	7,888,352	1,261,826	320,548	-	(6,305,978)	-	(6,305,978)	-
Interest on Long-term Debt	492,193	-	-	-	(492,193)	-	(492,193)	-
Total governmental activities:	<u>13,762,579</u>	<u>3,503,217</u>	<u>450,303</u>	<u>450,824</u>	<u>(9,358,235)</u>	<u>-</u>	<u>(9,358,235)</u>	<u>-</u>
Business-type activities:								
Water and Sewer	7,071,789	8,526,099	-	370,434	-	1,824,744	1,824,744	-
Solid Waste	2,267,473	2,690,123	-	-	-	422,650	422,650	-
Golf Course	786,556	633,730	-	-	-	(152,826)	(152,826)	-
Total business-type activities:	<u>10,125,818</u>	<u>11,849,952</u>	<u>-</u>	<u>370,434</u>	<u>-</u>	<u>2,094,568</u>	<u>2,094,568</u>	<u>-</u>
Total Primary Government	<u>\$ 23,888,397</u>	<u>\$ 15,353,169</u>	<u>\$ 450,303</u>	<u>\$ 821,258</u>	<u>(9,358,235)</u>	<u>2,094,568</u>	<u>(7,263,667)</u>	<u>-</u>
COMPONENT UNIT								
Economic Development	\$ 1,018,866	\$ 100	\$ -	\$ -	-	-	-	(1,018,766)
Total Component Unit	<u>\$ 1,018,866</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,018,766)</u>
General revenues:								
Ad valorem taxes					6,784,145	-	6,784,145	-
Penalties and interest					47,307	-	47,307	-
Beverage taxes					13,382	-	13,382	-
Franchise taxes					1,270,632	-	1,270,632	-
City sales taxes					2,275,752	-	2,275,752	1,075,424
Bingo taxes					84,462	-	84,462	-
Unrestricted investment earnings					610,569	456,616	1,067,185	85,168
Transfers					996,616	(996,616)	-	-
Total general revenues					<u>12,082,865</u>	<u>(540,000)</u>	<u>11,542,865</u>	<u>1,160,592</u>
Change in net assets					2,724,630	1,554,568	4,279,198	141,826
Net assets - beginning					9,617,986	23,995,336	33,613,322	3,752,180
Prior period adjustment					6,401,693	-	6,401,693	-
Net assets - ending					<u>\$ 18,744,309</u>	<u>\$ 25,549,904</u>	<u>\$ 44,294,213</u>	<u>\$ 3,894,006</u>

The accompanying notes are an integral part of this statement.

**CITY OF COPPERAS COVE, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2007**

EXHIBIT A-3

	General Fund	2007 Capital Imp CO Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,483,706	\$ 5,338,633	\$ 4,209,815	\$ 14,032,154
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	281,023	281,023
Taxes	136,793	-	28,781	165,574
Ambulance fees	674,764	-	-	674,764
Assessments	23,829	-	-	23,829
Grants	1,040	-	-	1,040
Miscellaneous	161,466	-	-	161,466
Due from other funds	171,548	-	707	172,255
Inventory	67,352	-	323	67,675
Prepaid expenditures	74,336	-	-	74,336
Notes receivable	-	-	151,974	151,974
	<u>\$ 5,794,834</u>	<u>\$ 5,338,633</u>	<u>\$ 4,672,623</u>	<u>\$ 15,806,090</u>
Total Assets				
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 131,955	\$ -	\$ 415,116	\$ 547,071
Retainage payable	-	-	43,344	43,344
Due to other funds	116,607	-	181,614	298,221
Due to other governmental agencies	113,410	-	-	113,410
Deferred revenue	935,458	-	79,500	1,014,958
Unearned revenue	-	-	-	-
Other accrued items	337,775	-	25,556	363,331
Other liabilities	173,292	-	-	173,292
	<u>1,808,497</u>	<u>-</u>	<u>745,130</u>	<u>2,553,627</u>
Total Liabilities				
Fund Balances:				
Reserved for debt services	-	-	156,930	156,930
Reserved for capital projects	-	5,338,633	-	5,338,633
Reserved for encumbrances	590,556	-	638,251	1,228,807
Reserved for inventory and prepaid expenditures	67,352	-	323	67,675
Unreserved, designated for contingencies	1,000,000	-	-	1,000,000
Unreserved, undesignated	2,328,429	-	-	2,328,429
Unreserved, undesignated special revenue funds	-	-	1,076,333	1,076,333
Unreserved, undesignated capital projects funds	-	-	2,055,656	2,055,656
	<u>3,986,337</u>	<u>5,338,633</u>	<u>3,927,493</u>	<u>13,252,463</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$ 5,794,834</u>	<u>\$ 5,338,633</u>	<u>\$ 4,672,623</u>	<u>\$ 15,806,090</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, 2007

EXHIBIT A-4

Total fund balances - governmental funds balance sheet	\$ 13,252,463
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.	20,959,753
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.	(16,305,882)
Other long-term assets/liabilities are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>837,975</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 18,744,309</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, 2007

EXHIBIT A-5

	General Fund	2007 Capital Imp CO Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 9,106,880	\$ -	\$ 1,328,254	\$ 10,435,134
Licenses	39,784	-	-	39,784
Permits	178,795	-	-	178,795
City services provided	747,192	-	1,043,228	1,790,420
Fines	761,074	-	54,459	815,533
Interest	253,593	92,974	264,003	610,570
Sale of plots	-	-	10,800	10,800
Miscellaneous	264,388	-	234,202	498,590
Intergovernmental	103,226	-	-	103,226
Contributions - developers	337,224	-	113,600	450,824
Contributions - miscellaneous	31,071	-	122,006	153,077
Total Revenues	<u>11,823,227</u>	<u>92,974</u>	<u>3,170,552</u>	<u>15,086,753</u>
EXPENDITURES				
Current:				
General government	1,749,763	54,341	138,434	1,942,538
Community services	1,402,104	-	378,644	1,780,748
Fleet and facility services	376,342	-	-	376,342
Highways and streets	545,509	-	333,431	878,940
Public safety	7,247,564	-	185,766	7,433,330
Capital outlay	993,164	-	1,376,954	2,370,118
Debt service:				
Principal retirement	-	-	926,000	926,000
Interest and fiscal charges	-	-	464,207	464,207
Total Expenditures	<u>12,314,446</u>	<u>54,341</u>	<u>3,803,436</u>	<u>16,172,223</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(491,219)</u>	<u>38,633</u>	<u>(632,884)</u>	<u>(1,085,470)</u>
OTHER FINANCING SOURCES (USES)				
Capital Leases	-	-	-	-
Proceeds from Fixed Asset dispositions	-	-	-	-
Issuance of Debt	-	5,300,000	1,408,500	6,708,500
Refunding of Debt	-	-	(1,133,000)	(1,133,000)
Deferred amount on refunding	-	-	(254,461)	(254,461)
Transfers in	1,201,644	-	62,616	1,264,260
Transfers (out)	(88,298)	-	(179,346)	(267,644)
Total Other Financing Sources (Uses)	<u>1,113,346</u>	<u>5,300,000</u>	<u>(95,691)</u>	<u>6,317,655</u>
NET CHANGES IN FUND BALANCES	622,127	5,338,633	(728,575)	5,232,185
FUND BALANCES, BEGINNING OF YEAR	<u>3,364,210</u>	<u>-</u>	<u>4,656,068</u>	<u>8,020,278</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,986,337</u>	<u>\$ 5,338,633</u>	<u>\$ 3,927,493</u>	<u>\$ 13,252,463</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, 2007

EXHIBIT A-6

Net change in fund balances - total governmental funds	\$ 5,232,185
<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>	1,221,342
<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>	(4,134,156)
<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>	1,418
<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>403,841</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ 2,724,630</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, 2007**

EXHIBIT A-7

Business-type Activities Enterprise Funds

	Water and Sewer Fund	Solid Waste Fund	Nonmajor Fund	
			Golf Course Fund	Total Funds
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,453,708	\$ 741,470	\$ 4,072	\$ 2,199,250
Accounts receivable				
Billed utility	769,761	337,609	-	1,107,370
Unbilled utility	1,021,740	275,642	-	1,297,382
Other	-	-	853	853
Allowance for uncollectible	(377,488)	(145,505)	-	(522,993)
Due from other funds	125,966	-	-	125,966
Inventory	-	-	40,532	40,532
Prepaid expenses	8,800	-	-	8,800
Restricted cash and cash equivalents	5,598,006	14,840	2,212	5,615,058
Total Current Assets	<u>8,600,493</u>	<u>1,224,056</u>	<u>47,669</u>	<u>9,872,218</u>
Noncurrent Assets				
Restricted deferred bond issuance costs	672,840	-	14,273	687,113
Deferred amount of refunding bonds	426,980	-	47,100	474,080
Property and Equipment:				
Land	345,933	204,753	300,000	850,686
Buildings	289,446	29,823	53,549	372,818
Furniture and fixtures	64,506	-	-	64,506
Vehicles	1,157,601	1,506,886	-	2,664,487
Equipment	1,827,591	1,217,308	669,841	3,714,740
Facilities	60,184,625	2,995,446	1,253,342	64,433,413
Construction in progress	1,567,952	-	-	1,567,952
Less: Accumulated depreciation	(27,260,043)	(2,648,051)	(569,724)	(30,477,818)
Net Property and Equipment	<u>38,177,611</u>	<u>3,306,165</u>	<u>1,707,008</u>	<u>43,190,784</u>
Total Noncurrent Assets	<u>39,277,431</u>	<u>3,306,165</u>	<u>1,768,381</u>	<u>44,351,977</u>
Total Assets	<u>\$ 47,877,924</u>	<u>\$ 4,530,221</u>	<u>\$ 1,816,050</u>	<u>\$ 54,224,195</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 111,465	\$ 58,450	\$ 16,998	\$ 186,913
Customer meter deposits	283,413	-	-	283,413
Retainage payable	42,963	-	-	42,963
Due to other funds	-	-	-	-
Other accrued items	154,893	45,061	25,038	224,992
Capital leases	41,875	180,975	75,843	298,693
Landfill costs payable	-	19,500	-	19,500
Other liabilities	62,621	101,459	-	164,080
Restricted - accounts payable	6,374	-	-	6,374
Restricted - accrued interest	131,500	-	4,230	135,730
Restricted - long-term debt - current portion	1,390,177	-	61,092	1,451,269
Total Current Liabilities	<u>2,225,281</u>	<u>405,445</u>	<u>183,201</u>	<u>2,813,927</u>
Noncurrent Liabilities				
Compensated absences	120,227	31,543	2,104	153,874
Capital leases	19,411	272,275	118,018	409,704
Certificates of obligation (net of unamortized bond premium)	9,853,218	-	861,795	10,715,013
General obligation bonds (net of unamortized bond premium)	14,172,273	-	-	14,172,273
Future landfill costs	-	409,500	-	409,500
Total Noncurrent Liabilities	<u>24,165,129</u>	<u>713,318</u>	<u>981,917</u>	<u>25,860,364</u>
Total Liabilities	<u>26,390,410</u>	<u>1,118,763</u>	<u>1,165,118</u>	<u>28,674,291</u>
Net Assets:				
Investment in capital assets (net of related debt)	17,331,401	2,852,915	586,030	20,770,346
Restricted:				
Debt Service	825,526	-	-	825,526
Capital Projects	-	-	-	-
Unrestricted	3,330,587	558,543	64,902	3,954,032
Total Net Assets	<u>21,487,514</u>	<u>3,411,458</u>	<u>650,932</u>	<u>25,549,904</u>
Total Liabilities and Net Assets	<u>\$ 47,877,924</u>	<u>\$ 4,530,221</u>	<u>\$ 1,816,050</u>	<u>\$ 54,224,195</u>

The accompanying notes are an integral part of this statement.

CITY OF COPPERAS COVE, TEXAS
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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	\$ 8,152,305	\$ 2,489,166	\$ 551,705	\$ 11,193,176
Miscellaneous	373,794	200,957	82,025	656,776
Total Operating Revenues	8,526,099	2,690,123	633,730	11,849,952
OPERATING EXPENSES				
Personnel services	1,683,534	687,848	432,915	2,804,297
Supplies and materials	1,745,969	144,131	51,946	1,942,046
Maintenance and repair	266,300	82,464	36,069	384,833
Services and charges	1,128,567	1,049,420	161,186	2,339,173
Depreciation	1,214,394	300,372	85,378	1,600,144
Total Operating Expenses	6,038,764	2,264,235	767,494	9,070,493
OPERATING INCOME (LOSS)	2,487,335	425,888	(133,764)	2,779,459
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	422,924	33,399	293	456,616
Interest expense	(1,007,835)	(21,384)	(15,481)	(1,044,700)
Miscellaneous expense	(12,402)	-	-	(12,402)
Landfill closure and postclosure care costs estimate reduction	-	19,500	-	19,500
Bond agent fees	(5,698)	-	-	(5,698)
Loss on sale of asset	(7,090)	(1,354)	(3,581)	(12,025)
Total Nonoperating Revenues (Expenses)	(610,101)	30,161	(18,769)	(598,709)
Capital contributions	370,434	-	-	370,434
NET INCOME (LOSS) BEFORE TRANSFERS	2,247,668	456,049	(152,533)	2,551,184
TRANSFERS IN (OUT)				
Transfers in	20,000	-	129,877	149,877
Transfers (out)	(755,329)	(388,105)	(3,059)	(1,146,493)
CHANGE IN NET ASSETS	1,512,339	67,944	(25,715)	1,554,568
NET ASSETS, BEGINNING OF YEAR	19,975,175	3,343,514	676,647	23,995,336
NET ASSETS, END OF YEAR	\$ 21,487,514	\$ 3,411,458	\$ 650,932	\$ 25,549,904

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, 2007**

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	\$ 8,141,746	\$ 2,667,988	\$ 633,934	\$ 11,443,668
Payments to suppliers	(3,335,197)	(1,199,155)	(248,197)	(4,782,549)
Payments to employees	(1,653,288)	(651,320)	(437,677)	(2,742,285)
Payments for interfund services used	-	-	2,600	2,600
Net Cash Provided by Operating Activities	<u>3,153,261</u>	<u>817,513</u>	<u>(49,340)</u>	<u>3,921,434</u>
Cash Flows from Investing Activities:				
Interest received	422,924	33,399	293	456,616
Net Cash Provided by Investing Activities	<u>422,924</u>	<u>33,399</u>	<u>293</u>	<u>456,616</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	20,000	-	129,877	149,877
Transfers (out)	(755,329)	(388,105)	(3,059)	(1,146,493)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(735,329)</u>	<u>(388,105)</u>	<u>126,818</u>	<u>(996,616)</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from issuance of long-term debt	3,266,500	-	-	3,266,500
Principal paid on capital leases	(41,874)	(180,975)	(75,843)	(298,692)
Principal paid on long-term debt	(4,606,000)	-	(69,222)	(4,675,222)
Interest paid on capital leases	(3,158)	(21,384)	(5,479)	(30,021)
Interest paid on long-term debt	(1,058,845)	-	(10,604)	(1,069,449)
Acquisition of property and equipment	(1,227,082)	(5,608)	(2,609)	(1,235,299)
Bond issuance costs and deferred amount on refunding	20,340	-	2,607	22,947
Payment of bond agent fees	(5,698)	-	-	(5,698)
Net Cash Provided (Used) Capital & Related Financing Activities	<u>(3,655,817)</u>	<u>(207,967)</u>	<u>(161,150)</u>	<u>(4,024,934)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(814,961)</u>	<u>254,840</u>	<u>(83,379)</u>	<u>(643,500)</u>
Cash and Cash Equivalents, Beginning of Year	7,866,675	501,470	89,663	8,457,808
Cash and Cash Equivalents, End of Year	<u>\$ 7,051,714</u>	<u>\$ 756,310</u>	<u>\$ 6,284</u>	<u>\$ 7,814,308</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 2,487,335	\$ 425,888	\$ (133,764)	\$ 2,779,459
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,214,394	300,372	85,378	1,600,144
Decrease (increase) in assets:				
Accounts receivable	(384,353)	22,135	(204)	(362,422)
Due from other funds	-	-	2,600	2,600
Inventory	-	-	2,818	2,818
Prepaid expenditures	(556)	2,273	1,999	3,716
Increase (decrease) in liabilities:				
Accounts payable	(154,584)	55,891	1,934	(96,759)
Retainage payable	(13,900)	-	-	(13,900)
Accrued interest	(51,010)	-	(602)	(51,612)
Due to other funds	(1,538)	-	-	(1,538)
Other accrued liabilities	10,104	(4,322)	(4,861)	921
Other liabilities	(10,748)	15,163	-	4,415
Vacation and sick leave payable	42,658	113	(4,638)	38,133
Customer deposits	15,459	-	-	15,459
Total adjustments	665,926	391,625	84,424	1,141,975
Net Cash Provided by Operating Activities	<u>\$ 3,153,261</u>	<u>\$ 817,513</u>	<u>\$ (49,340)</u>	<u>\$ 3,921,434</u>
Supplemental Disclosure				
Non-Cash Transactions				
Water/Sewer system	370,434	-	-	370,434
Developer contributions	(370,434)	-	-	(370,434)
Interest expense	(511)	-	(86)	(597)
Bond premium	511	-	86	597
Bond issuance costs	65,850	-	1,919	67,769
Amortization of bond issuance costs	(65,850)	-	(1,919)	(67,769)
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, 2007

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 because it receives 90% of its revenue from the City's sales tax revenue. Separate financial statements for the component unit can be obtained by contacting the CCEDC located at 210 South First Street, Copperas Cove, Texas, 76522.

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.

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

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

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

Fund Financial Statements: Separate fund based financial statements are provided for governmental funds 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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

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

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 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.

2007 Capital Improvements CO Fund – This capital project fund is used to account for various projects to include, but not limited to, construction of a new police facility.

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, 2007

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, 2007

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, 2007

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, 2007

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 / Infrastructure	25 - 40
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. The City has implemented the Infrastructure related provisions of Governmental Accounting Standards Board statement number 34 in the current year.

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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

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 **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, 2007

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 \$15,862,722 difference are as follows:

Note Payable	\$ (24,660)
General Obligation bonds payable	(5,800,700)
Limited Tax Notes	(965,000)
Certificates of Obligation bonds payable	(8,667,000)
Less: Unamortized bond issuance costs	158,967
Less: Unamortized bond discount	9,874
Less: Deferred amount on refunding	344,230
Accrued interest payable	(83,211)
Capitalized leases payable	(512,280)
Compensated absences	<u>(766,102)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (16,305,882)</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 \$464,768 difference are as follows:

Capital outlay	\$ 2,841,684
Depreciation expense	<u>(1,620,342)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,221,342</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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

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)

Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$4,134,156 difference are as follows:

Principal commitments	(6,708,500)
Unamortized bond issuance costs	69,768
Unamortized deferred amount on refunding	254,462
Principal repayments:	
General obligation debt	316,000
Certificate of obligation debt	1,448,000
Limited tax notes	295,000
Notes Payable	1,589
Capital leases	<u>189,525</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (4,134,156)</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 \$444,578 difference are as follows:

Compensated absences	\$ 78,629
Accrued interest	(21,255)
Amortization of bond discount	(6,731)
Deferred amount on refunding	(24,225)
Amortization of bond issuance costs	<u>(25,000)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,418</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 Abandoned Vehicle, Texas Community Development Loan Fund, Donation Fund and FEMA Grant Fund), Debt Service, and Proprietary Funds. Project-length financial plans are adopted for all Capital Projects Funds.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

A. Budgetary Information (continued)

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

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

1. Prior to August 15, the City Manager submits a proposed operating budget to the City Council for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. On or before September 15, the City Council holds public hearing and adopts the budget.
3. Any revisions that alter the total expenditures of any fund must be adopted by the City Council after formal public budget hearings. Transfers, between departments within a fund, are permitted within the last three months of the fiscal year by a City Council resolution. The Director of Finance may at any time transfer any unencumbered appropriations between general classification of expenditures within an office, department or agency.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, some specific Special Revenue Funds, Debt Service Funds, and the three Proprietary Funds. Formal annual budgetary integration is not employed for the remainder of the Special Revenue Funds because the amount of revenues and expenditures vary depending on unpredictable availability of resources or the Capital Projects Funds because effective project budgetary control is provided by project length budgets.
5. Budgets for the General Fund, the Special Revenue Funds, and the Debt Service Fund are adopted on the modified accrual basis of accounting. All budgetary expenditures include encumbrances outstanding at year-end. Budgets for Proprietary Funds are prepared on an accrual basis.
6. Budget appropriations lapse at year-end and do not carry forward to future periods unless they have been legally encumbered. Budget amounts presented are from the original and final budget approved by the City Council. The amendments had no net effect on 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, 2007

B. Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2007, 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>
Transfers out	59,200	29,098	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 \$1,239,263 and the bank balance was \$1,963,664. Of the \$1,963,664 bank balance as of September 30, 2007, the entire balance was collateralized by either FDIC insurance or securities held by the pledging financial institution's trust department. However, in the months of October, December, January and February the City had deposits that were not fully insured or collateralized in the amounts of \$29,927, \$300,478, \$1,280,327, and \$131,022, respectively.

The carrying amount of demand deposits for the Economic Development Corporation, a discretely presented component unit, was \$756,360 and the bank balance was \$786,056. 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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

A. Deposits and Investments (continued)

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

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

Custodial Credit Risk – 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 currently 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. It is the City’s policy to ensure that potential brokers/dealers are in good standing with the National Association of Securities Dealers and registered with the Texas State Securities Board and invest in external investment pools that maintain a AAA or AAA-m rating by a nationally recognized rating service. Therefore, the City is not exposed to custodial credit risk.

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

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

The City’s investments at September 30, 2007, are shown below:

Name	Fair Value
State Operated Pools:	
TexPool	\$ 14,464,099
TexStar	6,143,101
Total	\$ 20,607,200

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

A. Deposits and Investments (continued)

The City uses the following external investment pools:

TexPool

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

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

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexStar

The Texas Short Term Asset Reserve Program (TexStar) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar. TexStar will invest only in instruments authorized under both the Public Funds Investment Act and the current TexStar Investment Policy. The primary objectives of TexStar are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet participants' needs, diversification to avoid unreasonable or avoidable risks, and yield. In order to comply with the Public Funds Investment Act, TexStar maintains a AAAM rating from Standard & Poor's which monitors weekly the funds compliance with its rating requirements.

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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

B. Property Taxes (continued)

With certain exceptions, intangible personal property and household goods are exempted from property tax assessment. The appraisal of property within the City is the responsibility of the countywide appraisal district. The appraisal district is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying an assessment ratio. The value of property within the appraisal district must be reviewed at least every five years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. The City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, and adjusted for new improvements, exceeds the effective tax rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

C. Receivables

Receivables at September 30, 2007 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	\$ 136,793	\$ -	\$ -	\$ -	\$ 28,781	\$ 165,574
Ambulance fees	918,287	-	-	-	-	918,287
Assessments	23,829	-	-	-	-	23,829
Utility accounts	-	1,791,501	613,251	-	-	2,404,752
Miscellaneous	172,789	-	-	853	293,725	467,367
Grants	1,040	-	-	-	-	1,040
Notes	-	-	-	-	151,974	151,974
Gross Receivables	1,252,738	1,791,501	613,251	853	474,480	4,132,823
Less: Allowance for Uncollectibles	(254,846)	(377,488)	(145,505)	-	(12,702)	(790,541)
Net Total						
Receivables	<u>\$ 997,892</u>	<u>\$ 1,414,013</u>	<u>\$ 467,746</u>	<u>\$ 853</u>	<u>\$ 461,778</u>	<u>\$ 3,342,282</u>

The Enterprise Fund accounts receivable include unbilled charges for services rendered at September 30, 2007.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

D. Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

Primary Government

	Balance 09/30/06	Additions	Deletions	Balance 9/30/2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,343,921	\$ -	\$ -	\$ 1,343,921
Construction in progress	2,300,727	883,400	3,174,901	9,226
Total capital assets, not being depreciated	<u>3,644,648</u>	<u>883,400</u>	<u>3,174,901</u>	<u>1,353,147</u>
Capital assets, being depreciated:				
Buildings / Improvements	6,983,493	69,441	-	7,052,934
Facilities / Infrastructure *	11,108,677	4,429,633	-	15,538,310
Furniture and fixtures	601,486	127,827	160,567	568,746
Vehicles	2,497,253	383,733	191,732	2,689,254
Equipment	5,350,205	122,551	88,975	5,383,781
Total capital assets being depreciated	<u>26,541,114</u>	<u>5,133,185</u>	<u>441,274</u>	<u>31,233,025</u>
Less accumulated depreciation for:				
Buildings / Improvements	3,231,320	248,368	-	3,479,688
Facilities / Infrastructure *	1,632,622	506,918	-	2,139,540
Furniture and fixtures	475,480	48,302	160,567	363,215
Vehicles	2,090,679	229,443	191,732	2,128,390
Equipment	3,017,250	587,311	88,975	3,515,586
Total accumulated depreciation	<u>10,447,351</u>	<u>1,620,342</u>	<u>441,274</u>	<u>11,626,419</u>
Total capital assets, being depreciated, net	<u>16,093,763</u>	<u>3,512,843</u>	<u>-</u>	<u>19,606,606</u>
Governmental activities capital assets, net	<u>\$ 19,738,411</u>	<u>\$ 4,396,243</u>	<u>\$ 3,174,901</u>	<u>\$ 20,959,753</u>

* Beginning balance includes a prior period adjustment of \$7,028,692 and \$626,999, respectively.
See note V. G.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

D. Capital Assets (continued)

	Balance 9/30/2006	Additions	Deletions	Balance 9/30/2007
Water and Sewer activities:				
Capital assets, not being depreciated:				
Land	\$ 345,933	\$ -	\$ -	\$ 345,933
Construction in progress	8,557,899	1,100,276	8,090,223	1,567,952
Total capital assets, not being depreciated	8,903,832	1,100,276	8,090,223	\$ 1,913,885
Capital assets, being depreciated:				
Buildings	289,446	-	-	289,446
Furniture and fixtures	42,299	30,023	7,816	64,506
Vehicles	1,114,858	45,782	3,039	1,157,601
Equipment	1,822,575	33,189	28,173	1,827,591
Facilities	51,714,794	8,469,831	-	60,184,625
Total capital assets, being depreciated	54,983,972	8,578,825	39,028	63,523,769
Less accumulated depreciation for:				
Buildings	159,115	10,282	-	169,397
Furniture and fixtures	20,038	6,188	4,815	21,411
Vehicles	971,401	39,755	3,040	1,008,116
Equipment	1,181,170	144,752	24,083	1,301,839
Facilities	23,745,863	1,013,417	-	24,759,280
Total accumulated depreciation	26,077,587	1,214,394	31,938	27,260,043
Total capital assets, being depreciated, net	28,906,385	7,364,431	7,090	36,263,726
Water and Sewer activities capital assets, net	\$ 37,810,217	\$ 8,464,707	\$ 8,097,313	\$ 38,177,611
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	29,823	-	-	29,823
Vehicles	1,606,181	-	99,295	1,506,886
Equipment	1,214,367	5,611	2,670	1,217,308
Facilities	2,995,446	-	-	2,995,446
Total capital assets, being depreciated	5,845,817	5,611	101,965	5,749,463
Less accumulated depreciation for:				
Buildings	27,853	109	-	27,962
Vehicles	1,024,258	138,377	99,190	1,063,445
Equipment	734,385	101,977	1,421	834,941
Facilities	661,794	59,909	-	721,703
Total accumulated depreciation	2,448,290	300,372	100,611	2,648,051
Total capital assets, being depreciated, net	3,397,527	(294,761)	1,354	3,101,412
Solid Waste activities capital assets, net	\$ 3,602,280	\$ (294,761)	\$ 1,354	\$ 3,306,165

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

D. Capital Assets (continued)

	Balance 9/30/2006	Additions	Deletions	Balance 9/30/2007
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	53,549	-	-	53,549
Equipment	681,440	2,609	14,208	669,841
Facilities	1,253,342	-	-	1,253,342
Total capital assets, being depreciated	1,988,331	2,609	14,208	1,976,732
Less accumulated depreciation for:				
Buildings	15,811	2,286	-	18,097
Equipment	290,014	58,026	10,628	337,412
Facilities	189,149	25,066	-	214,215
Total accumulated depreciation	494,974	85,378	10,628	569,724
Total capital assets, being depreciated, net	1,493,357	(82,769)	3,580	1,407,008
Golf Course activities capital assets, net	\$ 1,793,357	\$ (82,769)	\$ 3,580	\$ 1,707,008
	Balance 9/30/2006	Additions	Deletions	Balance 9/30/2007
Total Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 850,686	\$ -	\$ -	\$ 850,686
Construction in progress	8,557,899	1,100,276	8,090,223	1,567,952
Total capital assets, not being depreciated	9,408,585	1,100,276	8,090,223	2,418,638
Capital assets, being depreciated:				
Buildings	372,818	-	-	372,818
Furniture and fixtures	42,299	30,023	7,816	64,506
Vehicles	2,721,039	45,783	102,335	2,664,487
Equipment	3,718,382	41,409	45,051	3,714,740
Facilities	55,963,582	8,469,831	-	64,433,413
Total capital assets, being depreciated	62,818,120	8,587,046	155,202	71,249,964
Less accumulated depreciation for:				
Buildings	202,779	12,677	-	215,456
Furniture and fixtures	20,038	6,188	4,815	21,411
Vehicles	1,995,659	178,132	102,230	2,071,561
Equipment	2,205,569	304,755	36,132	2,474,192
Facilities	24,596,806	1,098,392	-	25,695,198
Total accumulated depreciation	29,020,851	1,600,144	143,177	30,477,818
Total capital assets, being depreciated, net	33,797,269	6,986,902	12,025	40,772,146
Business-type activities capital assets, net	\$ 43,205,854	\$ 8,087,178	\$ 8,102,248	\$ 43,190,784

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

D. Capital Assets (continued)

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

Governmental activities:			
General Government		\$	152,398
Public Safety			494,116
Community Service			439,260
Highways and Streets			522,836
Fleet Maintenance			11,732
		<u>\$</u>	<u>1,620,342</u>
Total depreciation expense-governmental activities			
Business-type activities:			
Water and Sewer		\$	1,214,394
Solid Waste			300,372
Golf Course			85,378
		<u>\$</u>	<u>1,600,144</u>
Total depreciation expense-business-type activities			

Discretely presented component unit

Activity for the Economic Development Corporation (EDC) for the year ended September 30, 2007, was as follows:

	Balance 9/30/2006	Additions	Deletions	Balance 9/30/2007
Capital assets, not being depreciated:				
Land	\$ 934,818	\$ 2,336,060	\$ 6,018	\$ 3,264,860
Total capital assets, not being depreciated	<u>934,818</u>	<u>2,336,060</u>	<u>6,018</u>	<u>3,264,860</u>
Capital assets, being depreciated:				
Buildings	885,609	-	-	885,609
Equipment	98,312	10,222	-	108,534
Total capital assets, being depreciated	<u>983,921</u>	<u>10,222</u>	<u>-</u>	<u>994,143</u>
Less accumulated depreciation for:				
Buildings	190,999	35,675	-	226,674
Equipment	70,719	7,802	-	78,521
Total accumulated depreciation	<u>261,718</u>	<u>43,477</u>	<u>-</u>	<u>305,195</u>
Total capital assets, being depreciated, net	<u>722,203</u>	<u>(33,255)</u>	<u>-</u>	<u>688,948</u>
EDC capital assets, net	<u>\$ 1,657,021</u>	<u>\$ 2,302,805</u>	<u>\$ 6,018</u>	<u>\$ 3,953,808</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

E. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2007 is as follows:

Non-Major Governmental Funds	171,548	707
Water and Sewer Fund	-	115,900
Total General Fund	171,548	116,607
Non-Major Governmental Funds		
General Fund	707	171,548
Water and Sewer Fund	-	10,066
Total Non-Major Governmental Funds	707	181,614
Water and Sewer Fund		
2003 Capital Imp CO Fund	10,066	-
General Fund	115,900	-
Total Water and Sewer Fund	125,966	-
Total	\$ 298,221	\$ 298,221

Balances resulted from the time lag between the dates that 1) transactions are recorded in the accounting system, and payments between funds are made.

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

Transfers during the year ended September 30, 2007 were:

	Transfer In	Transfer Out
Governmental Activities:		
General Fund	\$ 1,201,644	\$ 88,298
Non-Major governmental activities	62,616	179,346
Business-type Activities:		
Water and Sewer	20,000	755,329
Solid Waste	-	388,105
Golf Course	129,877	3,059
Total	\$ 1,414,137	\$ 1,414,137

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

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, 2007.

	Governmental Funds	Proprietary Funds
Asset:		
Machinery and Equipment	\$ 1,165,780	\$ 1,526,028
Less: Accumulated Depreciation	434,645	582,700
Total	<u>\$ 731,135</u>	<u>\$ 943,328</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, 2007.

Year Ending September 30,	Governmental Funds	Proprietary Funds
2008	\$ 179,051	\$ 274,504
2009	179,051	298,050
2010	141,888	149,246
2011	45,656	25,051
2012	-	-
2013 and thereafter	-	-
Total minimum lease payments	<u>545,646</u>	<u>746,851</u>
Less amount representing interest	33,366	38,454
Present value of future minimum lease payments	<u>\$ 512,280</u>	<u>\$ 708,397</u>

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

G. Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2007 is as follows:

	Balance 09/30/06	Additions	Deletions	Balance 09/30/07	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 4,708,200	\$ 1,408,500	\$ (316,000)	\$ 5,800,700	\$ 548,731
Notes Payable	26,249	-	(1,589)	24,660	1,628
Tax/Revenue certificates of obligation	4,815,000	5,300,000	(1,448,000)	8,667,000	180,000
Limited Tax Notes	1,260,000	-	(295,000)	965,000	145,000
Unamortized bond issue costs	(114,199)	(69,768)	25,000	(158,967)	-
Unamortized bond (discount)	(16,605)	1,702	5,029	(9,874)	-
Deferred amount on refunding	(113,993)	(254,462)	24,225	(344,230)	-
Total bonds payable	10,564,652	6,385,972	(2,006,335)	14,944,289	875,359
Compensated absences	844,731	529,307	(607,936)	766,102	472,731
Capitalized leases	701,805	-	(189,525)	512,280	179,052
Governmental activity long-term debt	<u>\$ 12,111,188</u>	<u>\$ 6,915,279</u>	<u>\$ (2,803,796)</u>	<u>\$ 16,222,671</u>	<u>\$ 1,527,142</u>
Business Type Activities					
General obligation bonds	12,896,800	3,286,500	(584,000)	15,599,300	591,269
Tax/Revenue certificates of obligation	14,805,000	-	(4,092,000)	10,713,000	860,000
Unamortized bond issue costs	(619,343)	(154,440)	86,670	(687,113)	-
Unamortized bond premium	45,668	21,993	(9,467)	58,194	-
Unamortized bond (discount)	(39,064)	(1,745)	8,870	(31,939)	-
Deferred amount on refunding	(454,016)	(44,480)	24,416	(474,080)	-
Total bonds payable	26,635,045	3,107,828	(4,565,511)	25,177,362	1,451,269
Future landfill costs	448,500	-	(19,500)	429,000	19,500
Compensated absences	261,787	12,632	(77,609)	196,810	42,936
Capitalized leases	1,007,089	-	(298,692)	708,397	298,693
Business - type activity long-term debt	<u>\$ 28,352,421</u>	<u>\$ 3,120,460</u>	<u>\$ (4,961,312)</u>	<u>\$ 26,511,569</u>	<u>\$ 1,812,398</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, 2007, includes the following individual issues (not including the unamortized premium of \$ 58,194 and unamortized discount of \$ 31,939 of the Water & Sewer Tax and Revenue Certificates of Obligation):

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

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	566,333	\$ 433,667
1998 Refunding	3.70 - 4.50	09-01-98	08-15-12	2,750,000	1,523,667	1,226,333
2005 Refunding	3.68	11-29-05	08-15-17	1,892,800	129,600	1,763,200
2006 Refunding	3.78	03-09-06	08-15-21	996,000	6,000	990,000
2007 Refunding	3.94	05-31-07	09-30-23	1,408,500	21,000	1,387,500
2006 Limited Tax Notes	3.50 - 4.00	09-26-06	08-15-13	1,260,000	295,000	965,000
Note payable	2.50	11-14-00	09-01-20	35,000	10,340	24,660
Tax/Revenue Certificates of Obligation:						
1997 Various purpose	4.10 - 5.35	03-01-97	08-15-07	2,010,000	2,010,000	-
1999 Various purpose	3.75 - 5.40	09-07-99	08-15-09	585,000	520,000	65,000
2001 Various purpose	3.00 - 5.25	06-15-01	08-15-21	1,915,000	1,420,000	495,000
2003 Various purpose	2.00 - 5.00	08-05-03	09-30-23	4,190,000	1,383,000	2,807,000
2007 Various purpose	3.94	05-31-07	09-30-27	5,300,000	-	5,300,000
Total				<u>\$ 23,342,300</u>	<u>\$ 7,884,940</u>	<u>\$15,457,360</u>
Proprietary Funds						
General Obligation Bond:						
2001A Refunding	4.00 - 4.50	06-15-01	08-15-09	\$ 1,845,000	\$ 1,320,000	\$ 525,000
2003A Refunding	2.00 - 5.00	08-05-03	09-30-23	4,720,000	850,000	3,870,000
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
2007 Refunding	3.94	05-31-07	09-30-23	3,286,500	49,000	3,237,500
Tax/Revenue Certificates of Obligation:						
1997 Various purpose	4.10 - 5.35	09-07-99	08-15-17	1,000,000	1,000,000	-
1999 Various purpose	3.75 - 5.40	09-07-99	08-15-19	6,035,000	5,555,000	480,000
2001 Various purpose	4.00 - 5.25	06-15-01	08-15-21	6,485,000	5,015,000	1,470,000
2003 Improvements	2.00 - 5.00	08-05-03	09-30-23	9,820,000	3,987,000	5,833,000
2005 Various purpose	3.63	11-10-05	08-15-25	3,050,000	120,000	2,930,000
Total				<u>\$ 44,247,700</u>	<u>\$17,935,400</u>	<u>\$26,312,300</u>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$25,905,000. 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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

G. Long-Term Debt (continued)

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, 2007, the outstanding maturities on the refunded debt have been redeemed.

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, 2007, the outstanding maturities on the refunded debt have been redeemed.

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, 2007 the outstanding maturities have been redeemed on the refunded debt for the Series 1993 and 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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

G. Long-Term Debt (continued)

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, 2007 the outstanding maturities on the refunded debt were \$3,260,000 for the Series 1999. The outstanding maturities for the Series 1994 and Series 1997 refunded debt have been redeemed.

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, 2007 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.

On May 31, 2007, the City issued \$4,695,000 in General Obligation Refunding Bonds with an average interest rate of 3.94 percent to refund \$4,350,000 of outstanding Combination Tax & Revenue Certificates of Obligations, Series 2003. The net proceeds of \$4,624,875 (after payment of \$70,125 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. As of September 30, 2007 the outstanding maturities on the refunded debt were \$4,350,000.

The City refunded the bonds to reduce its total debt service payment over the next sixteen years by \$291,247 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$213,454.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

G. Long-Term Debt (continued)

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 548,731	\$ 229,513	\$ 591,269	\$ 606,691
2009	515,145	207,510	714,854	584,677
2010	628,650	186,774	991,351	557,083
2011	673,269	161,639	1,061,731	518,545
2012	686,434	134,258	1,078,566	477,289
2013-2017	949,971	434,689	5,455,029	1,656,489
2018-2023	1,798,500	261,687	5,706,500	726,435
Total	<u>\$ 5,800,700</u>	<u>\$ 1,616,070</u>	<u>\$ 15,599,300</u>	<u>\$ 5,127,209</u>

Note Payable

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2008	\$ 1,628	\$ 617
2009	1,669	576
2010	1,711	534
2011	1,754	491
2012	1,798	447
2013-2017	9,685	1,540
2018-2020	6,415	320
Total	<u>\$ 24,660</u>	<u>\$ 4,525</u>

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.

On May 31, 2007, the City issued \$5,300,000 in Combination Tax and Revenue Certificates of Obligation, Series 2007 with an interest rate of 3.94% to pay for construction and improvements to the City's police facility and land acquisition for future projects.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

G. Long-Term Debt (continued)

Annual debt service requirements to maturity for Tax and Revenue Certificates of Obligation 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>
2008	\$ 180,000	\$ 397,868	\$ 860,000	\$ 472,151
2009	205,000	345,152	890,000	437,445
2010	180,000	335,226	630,000	400,672
2011	195,000	326,842	660,000	375,541
2012	200,000	316,599	695,000	349,996
2013-2017	2,785,000	1,364,984	3,445,000	1,348,636
2018-2022	2,473,000	754,475	2,867,000	478,473
2023-2027	2,449,000	266,688	666,000	57,658
Total	<u>\$ 8,667,000</u>	<u>\$ 4,107,834</u>	<u>\$ 10,713,000</u>	<u>\$ 3,920,572</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:

Year Ending <u>September 30,</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2008	145,000	38,311
2009	150,000	32,554
2010	160,000	26,599
2011	165,000	20,247
2012	170,000	13,697
2013-2017	175,000	6,947
Total	<u>\$ 965,000</u>	<u>\$ 138,355</u>

V. OTHER INFORMATION

A. Risk Management

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool ("Pool"). The Pool was created for the purpose of providing coverage against risks, which are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, property and workers' compensation coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and that will be provided coverage through commercial company's reinsurance contracts. The Pool agrees to handle all liability, property and workers' compensation claims and provides any defense as is necessary.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

A. Risk Management (continued)

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 Governmental and Water and Sewer construction projects as of September 30, 2007. At year-end the City's commitments with contractors are as follows:

	Contract Amount	Spent-to-date	Remaining Commitment
Governmental	\$ 1,681,348	\$ 1,637,527	\$ 43,821
Water and Sewer	1,850,855	1,067,605	783,250
Total	\$ 3,532,203	\$ 2,705,132	\$ 827,071

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 821 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 employee's accumulated contributions.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

C. Employee Benefits (continued)

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 cost 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 amortizes 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, 2006, valuation is effective for rates beginning January 2008).

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

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

C. Employee Benefits (continued)

Schedule of Actuarial Liabilities and Funding Progress

	12/31/06	12/31/05	12/31/04
Actuarial Valuation Date			
Actuarial Value of Assets	\$ 15,430,911	\$ 14,772,787	\$ 13,594,432
Actuarial Accrued Liability	\$ 18,806,345	\$ 17,618,764	\$ 15,864,075
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 3,375,434	\$ 2,845,977	\$ 2,269,643
Funded Ratio	82.05%	83.8%	85.7%
Annual covered Payroll	\$ 8,932,152	\$ 8,461,828	\$ 8,354,212
UAAL as a Percentage of Covered Payroll	37.79%	33.6%	27.2%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Required Contribution (ARC)	\$ 718,866	\$ 707,410	\$ 682,966
Interest on NPO	-	-	-
Adjustments to the ARC	-	-	-
	718,866	707,410	682,966
Contributions Made	718,866	707,410	682,966
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	3.5%
Cost of Living Increases	None

D. Metered Water and Sewer

The City had approximately 12,702 metered customers on their water and sewer systems at September 30, 2007. 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.

CITY OF COPPERAS COVE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2007

E. Municipal Solid Waste Landfill (continued)

The regulations require that once the landfill is closed, the owner/operator is responsible for maintaining the final cover, monitoring groundwater and methane gas, and continuing leachate management for 30 years. They must also show that they have financial mechanisms to cover the costs of closure, postclosure care, and any cleanup from releases for 30 years.

The total current cost of closure and postclosure care is the amount that would be paid if all equipment, facilities and services included in the estimates were acquired during the current period. The cost estimates used were obtained by the City's environmental consultants who maintain the landfills. Each year the City evaluates estimated closure costs and post closure care costs for changes due to inflation or deflation, technology, or applicable laws or regulations.

The City 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, 2007. The revised cost estimate was \$429,000. This revision resulted in recognition of a change in accounting estimate and a decrease in the landfill closure and post closure care costs liability of \$19,500. All estimated costs related to the landfill have been recognized. The City currently has 100 acres permitted for landfill use. Of this, 20 acres were previously filled under regulations prior to Subtitle "D". Currently, there are 32.45 acres in approved Subtitle "D" landfill space of which six acres have been prepared and two acres have been used. The remaining 47.55 acres can be designated for future landfill if the City chooses to do so once permitted for Subtitle "D" in accordance with TCEQ regulations. This would extend the useful life of the landfill. The City has approximately 26.5% of landfill capacity to date and it is estimated that the remaining landfill life approved for Subtitle "D" is 15 years.

F. Change in Accounting Estimate

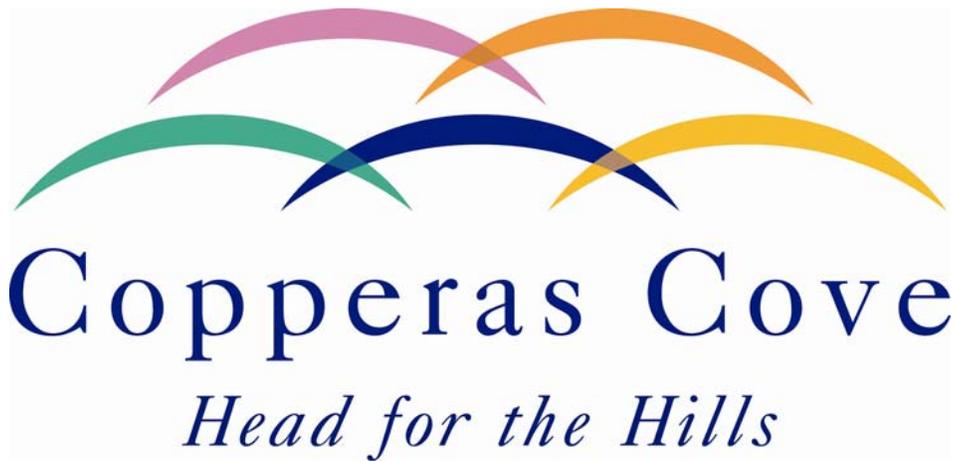
The City revised its estimate of landfill closure and post closure care costs required to comply with TCEQ regulations. The revised estimate of landfill closure and post closure care costs is \$429,000. Prior to this estimate adjustment, the City had a total remaining landfill closure and post closure care costs liability in the Solid Waste Fund of \$448,500. As a result of adjusting the liability for the revised estimate, a \$19,500 reduction in landfill closure and post closure care costs has been recognized in the Solid Waste Fund during the fiscal year ended September 30, 2007.

G. Prior Period Adjustment

The City implemented the remaining requirements of GASB 34 related to infrastructure in the current year. The result was an increase to capital assets of \$7,028,692, and an increase to accumulated depreciation of \$626,999 and an increase to net assets of \$6,401,693.

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

“ The City Built for Family Living ”



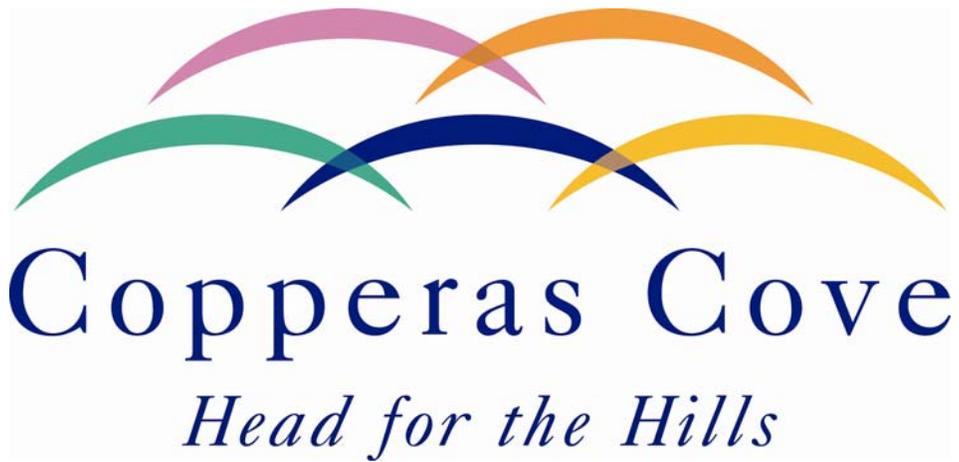
Copperas Cove

Head for the Hills

**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, 2007**

EXHIBIT B-1

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 9,154,389	\$ 9,154,389	\$ 9,106,880	\$ (47,509)
Licenses	45,400	45,400	39,784	(5,616)
Permits	185,000	185,000	178,795	(6,205)
City services provided	984,550	984,550	747,192	(237,358)
Fines	965,058	965,058	761,074	(203,984)
Interest	200,000	200,021	253,593	53,572
Miscellaneous	133,950	141,487	264,388	122,901
Intergovernmental	-	37,562	103,226	65,664
Contributions	-	1,000	31,071	30,071
Total Revenues	<u>11,668,347</u>	<u>11,714,467</u>	<u>11,486,003</u>	<u>(228,464)</u>
EXPENDITURES				
Current:				
General government	2,192,689	2,158,497	2,086,249	72,248
Community services	1,518,746	1,516,907	1,502,425	14,482
Fleet and facility services	418,539	417,048	396,751	20,297
Highways and streets	1,063,314	1,058,230	914,266	143,964
Public safety	7,653,133	7,682,101	7,536,659	145,442
Total Expenditures	<u>12,846,421</u>	<u>12,832,783</u>	<u>12,436,350</u>	<u>396,433</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,178,074)</u>	<u>(1,118,316)</u>	<u>(950,347)</u>	<u>167,969</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,200,500	1,201,644	1,144
Transfers (out)	-	(59,200)	(88,298)	(29,098)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,141,300</u>	<u>1,113,346</u>	<u>(27,954)</u>
NET CHANGES IN FUND BALANCES	<u>\$ (1,178,074)</u>	<u>\$ 22,984</u>	<u>162,999</u>	<u>\$ 140,015</u>
FUND BALANCE, BEGINNING OF YEAR			3,364,210	
CURRENT YEAR ENCUMBERANCES			590,556	
PRIOR YEAR ENCUMBERANCES			<u>(131,428)</u>	
ADJUSTED FUND BALANCE			<u>3,823,338</u>	
FUND BALANCE, END OF YEAR			<u>\$ 3,986,337</u>	



Copperas Cove

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**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 purpose of additional analysis.

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2007**

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	\$ 1,541,047	\$ 156,930	\$ 2,511,838	\$ 4,209,815
Receivables (net of allowances for uncollectibles):				
Accounts	279,523	-	1,500	281,023
Taxes	-	28,781	-	28,781
Due from other funds	707	-	-	707
Inventory	323	-	-	323
Prepaid Expenditures	-	-	-	-
Notes receivable	151,974	-	-	151,974
Total Assets	<u>\$ 1,973,574</u>	<u>\$ 185,711</u>	<u>\$ 2,513,338</u>	<u>\$ 4,672,623</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 77,779	\$ -	\$ 337,337	\$ 415,116
Retainage payable	-	-	43,344	43,344
Due to other funds	104,747	-	76,867	181,614
Due to other governmental agencies	-	-	-	-
Deferred revenue	50,719	28,781	-	79,500
Unearned revenue	-	-	-	-
Other accrued items	25,422	-	134	25,556
Total Liabilities	<u>258,667</u>	<u>28,781</u>	<u>457,682</u>	<u>745,130</u>
Fund Balances:				
Reserved:				
Debt service	-	156,930	-	156,930
Encumbrances	638,251	-	-	638,251
Inventory	323	-	-	323
Prepaid expenditures	-	-	-	-
Unreserved, undesignated	1,076,333	-	2,055,656	3,131,989
Total Fund Balances	<u>1,714,907</u>	<u>156,930</u>	<u>2,055,656</u>	<u>3,927,493</u>
Total Liabilities and Fund Balances	<u>\$ 1,973,574</u>	<u>\$ 185,711</u>	<u>\$ 2,513,338</u>	<u>\$ 4,672,623</u>

**CITY OF COPPERAS COVE, TEXAS
GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2007**

EXHIBIT C-2

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES				
Taxes	\$ 111,854	\$ 1,216,400	\$ -	\$ 1,328,254
Charges for services	1,043,228	-	-	1,043,228
Fines	54,459	-	-	54,459
Interest	73,162	37,303	153,538	264,003
Sale of plots	10,800	-	-	10,800
Miscellaneous	230,749	-	3,453	234,202
Intergovernmental	-	-	-	-
Contributions - developers	113,600	-	-	113,600
Contributions - miscellaneous	122,006	-	-	122,006
Total Revenues	<u>1,759,858</u>	<u>1,253,703</u>	<u>156,991</u>	<u>3,170,552</u>
EXPENDITURES				
Current:				
General government	117,395	21,039	-	138,434
Community services	378,644	-	-	378,644
Highway and streets	333,431	-	-	333,431
Public safety	185,766	-	-	185,766
Capital outlay	165,602	-	1,211,352	1,376,954
Debt service:				
Principal retirement	210,000	716,000	-	926,000
Interest and fiscal charges	60,830	403,373	4	464,207
Total Expenditures	<u>1,451,668</u>	<u>1,140,412</u>	<u>1,211,356</u>	<u>3,803,436</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>308,190</u>	<u>113,291</u>	<u>(1,054,365)</u>	<u>(632,884)</u>
OTHER FINANCING SOURCES (USES)				
Other sources	-	1,408,500	-	1,408,500
Other uses	-	(1,133,000)	-	(1,133,000)
Deferred amount on refunding	-	(254,461)	-	(254,461)
Transfers in	62,616	-	-	62,616
Transfers out	(101,078)	(74,878)	(3,390)	(179,346)
Total Other Financing Sources (Uses)	<u>(38,462)</u>	<u>(53,839)</u>	<u>(3,390)</u>	<u>(95,691)</u>
NET CHANGE IN FUND BALANCES	269,728	59,452	(1,057,755)	(728,575)
FUND BALANCES, BEGINNING OF YEAR	<u>1,445,179</u>	<u>97,478</u>	<u>3,113,411</u>	<u>4,656,068</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,714,907</u>	<u>\$ 156,930</u>	<u>\$ 2,055,656</u>	<u>\$ 3,927,493</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, 2007

EXHIBIT C-3

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 1,212,375	\$ 1,216,400	\$ 1,216,400	\$ -
Interest	20,000	37,303	37,303	-
Total Revenues	1,232,375	1,253,703	1,253,703	-
EXPENDITURES				
Debt Service:				
Principal	716,000	716,000	716,000	-
Interest and Fiscal Charges	477,776	403,373	403,373	-
Total Debt Service	1,193,776	1,119,373	1,119,373	-
Total Expenditures	1,193,776	1,119,373	1,119,373	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	38,599	134,330	134,330	-
OTHER FINANCING (USES)				
Other sources	-	-	1,408,500	(1,408,500)
Other uses	-	-	(1,133,000)	1,133,000
Bond issuance costs	-	-	(21,039)	21,039
Deferred amount on refunding	-	-	(254,461)	254,461
Transfers (out)	-	(74,878)	(74,878)	-
Total Other Financing (Uses)	-	(74,878)	(74,878)	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 38,599	\$ 59,452	59,452	\$ -
FUND BALANCE, BEGINNING OF YEAR			97,478	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			97,478	
FUND BALANCE, END OF YEAR			\$ 156,930	

CITY OF COPPERAS COVE, TEXAS SPECIAL REVENUE FUNDS

Recreation 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 Fund - To account for fiscal agent activities related to a joint project to improve community image.

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

Donation Fund - To account for funds which are donated to the City.

Safer Grant Fund - To account for funding aiding Staffing for Adequate Fire and Emergency Response.

FEMA Grant Fund - To account for activity related to Federal assistance.

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2007**

ASSETS	<u>Recreation Activities</u>	<u>Hotel/Motel Tax</u>	<u>Abandoned Vehicle</u>	<u>Animal Shelter</u>
Cash and cash equivalents	\$ 114,246	\$ 157,802	\$ -	\$ 24,178
Receivables (net of allowances for uncollectibles):				
Accounts	44	1,039	-	-
Inventory	323	-	-	-
Due from other funds	-	-	-	-
Notes receivable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 114,613</u>	<u>\$ 158,841</u>	<u>\$ -</u>	<u>\$ 24,178</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,050	\$ 23,714	\$ -	\$ -
Deferred revenue	-	1,039	-	-
Due to other funds	-	-	-	-
Other accrued items	3,842	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>6,892</u>	<u>24,753</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved:				
Encumbrances	4,251	55,500	-	3,031
Inventory	323	-	-	-
Prepaid Expenditures	-	-	-	-
Unreserved, undesignated	103,147	78,588	-	21,147
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>107,721</u>	<u>134,088</u>	<u>-</u>	<u>24,178</u>
	<u>\$ 114,613</u>	<u>\$ 158,841</u>	<u>\$ -</u>	<u>\$ 24,178</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>
\$ 826,720	\$ 6,539	\$ 204,765	\$ 45,546	\$ 32,761
156,760	-	4,700	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>151,974</u>	<u>-</u>
<u>\$ 983,480</u>	<u>\$ 6,539</u>	<u>\$ 209,465</u>	<u>\$ 197,520</u>	<u>\$ 32,761</u>
\$ 50,268	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
<u>16,851</u>	<u>1,799</u>	<u>2,749</u>	<u>-</u>	<u>-</u>
<u>67,119</u>	<u>1,799</u>	<u>2,749</u>	<u>-</u>	<u>-</u>
562,366	-	13,103	-	-
-	-	-	-	-
-	-	-	-	-
<u>353,995</u>	<u>4,740</u>	<u>193,613</u>	<u>197,520</u>	<u>32,761</u>
<u>916,361</u>	<u>4,740</u>	<u>206,716</u>	<u>197,520</u>	<u>32,761</u>
<u>\$ 983,480</u>	<u>\$ 6,539</u>	<u>\$ 209,465</u>	<u>\$ 197,520</u>	<u>\$ 32,761</u>

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2007**

ASSETS	<u>Joint Image Campaign</u>	<u>Tobacco Grant</u>	<u>Donation Fund</u>
Cash and cash equivalents	\$ 7,057	\$ 3,296	\$ 44,887
Receivables (net of allowances for uncollectibles):			
Accounts	-	-	1,224
Inventory	-	-	-
Due from other funds	-	-	-
Notes receivable	-	-	-
	<u>7,057</u>	<u>3,296</u>	<u>46,111</u>
Total Assets	<u>\$ 7,057</u>	<u>\$ 3,296</u>	<u>\$ 46,111</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 747
Deferred revenue	-	-	-
Due to other funds	-	-	-
Other accrued items	-	181	-
	<u>-</u>	<u>181</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>181</u>	<u>747</u>
Fund Balances:			
Reserved:			
Encumbrances	-	-	-
Inventory	-	-	-
Prepaid Expenditures	-	-	-
Unreserved, undesignated	7,057	3,115	45,364
	<u>7,057</u>	<u>3,115</u>	<u>45,364</u>
Total Fund Balances	<u>7,057</u>	<u>3,115</u>	<u>45,364</u>
Total Liabilities and Fund Balances	<u>\$ 7,057</u>	<u>\$ 3,296</u>	<u>\$ 46,111</u>

EXHIBIT C-4

Safer Grant	FEMA Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ -	\$ 73,250	\$ 1,541,047
104,747	11,009	279,523
-	-	323
-	707	707
-	-	151,974
<u>\$ 104,747</u>	<u>\$ 84,966</u>	<u>\$ 1,973,574</u>
\$ -	\$ -	\$ 77,779
-	49,680	50,719
104,747	-	104,747
-	-	25,422
<u>104,747</u>	<u>49,680</u>	<u>258,667</u>
-	-	638,251
-	-	323
-	-	-
-	35,286	1,076,333
<u>-</u>	<u>35,286</u>	<u>1,714,907</u>
<u>\$ 104,747</u>	<u>\$ 84,966</u>	<u>\$ 1,973,574</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, 2007**

	Recreation Activities	Hotel/Motel Tax	Abandoned Vehicle	Animal Shelter
REVENUES				
Taxes	\$ -	\$ 111,854	\$ -	\$ -
Charges for services	205,742	-	-	-
Fines	-	-	-	-
Interest	5,579	7,540	-	69
Sale of plots	-	-	-	-
Miscellaneous	-	-	-	1,947
Contributions - developers	-	-	-	-
Contributions - miscellaneous	-	-	-	27,458
	<u>211,321</u>	<u>119,394</u>	<u>-</u>	<u>29,474</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Community services	198,262	108,000	-	-
Highway and streets	-	-	-	-
Public safety	-	-	-	-
Capital outlay	25,125	-	-	7,414
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>223,387</u>	<u>108,000</u>	<u>-</u>	<u>7,414</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(12,066)</u>	<u>11,394</u>	<u>-</u>	<u>22,060</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	(1,078)	-
	<u>-</u>	<u>-</u>	<u>(1,078)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(12,066)	11,394	(1,078)	22,060
FUND BALANCES, BEGINNING OF YEAR	<u>119,787</u>	<u>122,694</u>	<u>1,078</u>	<u>2,118</u>
FUND BALANCES, END OF YEAR	<u>\$ 107,721</u>	<u>\$ 134,088</u>	<u>\$ -</u>	<u>\$ 24,178</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>
\$ -	\$ -	\$ -	\$ -	\$ -
837,486	-	-	-	-
-	-	54,459	-	-
44,436	900	11,383	2,953	135
-	10,800	-	-	-
158	92	-	-	36,497
113,600	-	-	-	-
-	-	-	-	-
<u>995,680</u>	<u>11,792</u>	<u>65,842</u>	<u>2,953</u>	<u>36,632</u>
-	-	-	-	-
-	31,650	-	-	-
333,431	-	-	-	-
-	-	45,919	-	19,984
120,452	2,200	2,415	-	5,074
210,000	-	-	-	-
60,830	-	-	-	-
<u>724,713</u>	<u>33,850</u>	<u>48,334</u>	<u>-</u>	<u>25,058</u>
<u>270,967</u>	<u>(22,058)</u>	<u>17,508</u>	<u>2,953</u>	<u>11,574</u>
-	-	-	-	-
<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
170,967	(22,058)	17,508	2,953	11,574
<u>745,394</u>	<u>26,798</u>	<u>189,208</u>	<u>194,567</u>	<u>21,187</u>
<u>\$ 916,361</u>	<u>\$ 4,740</u>	<u>\$ 206,716</u>	<u>\$ 197,520</u>	<u>\$ 32,761</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, 2007**

	Joint Image Campaign	Tobacco Grant	Donation Fund
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	-	-	-
Fines	-	-	-
Interest	56	-	111
Sale of plots	-	-	-
Miscellaneous	-	-	-
Contributions - developers	-	-	-
Contributions - miscellaneous	28,500	2,757	63,291
Total Revenues	<u>28,556</u>	<u>2,757</u>	<u>63,402</u>
EXPENDITURES			
Current:			
General government	-	2,757	-
Community services	40,732	-	-
Highway and streets	-	-	-
Public safety	-	-	15,116
Capital outlay	-	-	2,922
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	<u>40,732</u>	<u>2,757</u>	<u>18,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(12,176)</u>	<u>-</u>	<u>45,364</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(12,176)	-	45,364
FUND BALANCES, BEGINNING OF YEAR	<u>19,233</u>	<u>3,115</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,057</u>	<u>\$ 3,115</u>	<u>\$ 45,364</u>

EXHIBIT C-5 (cont'd)

Safer Grant	FEMA Grant	Total Nonmajor Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ 111,854
-	-	1,043,228
-	-	54,459
-	-	73,162
-	-	10,800
104,747	87,308	230,749
-	-	113,600
-	-	122,006
<u>104,747</u>	<u>87,308</u>	<u>1,759,858</u>
-	114,638	117,395
-	-	378,644
-	-	333,431
104,747	-	185,766
-	-	165,602
-	-	210,000
-	-	60,830
<u>104,747</u>	<u>114,638</u>	<u>1,451,668</u>
-	(27,330)	308,190
-	62,616	62,616
-	-	(101,078)
-	62,616	(38,462)
-	35,286	269,728
-	-	1,445,179
<u>\$ -</u>	<u>\$35,286</u>	<u>\$ 1,714,907</u>

CITY OF COPPERAS COVE, TEXAS
RECREATION ACTIVITIES
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2007

EXHIBIT C-6

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Charges for services	\$ 162,375	\$ 204,987	\$ 205,742	\$ 755
Interest	3,000	5,579	5,579	-
Total Revenues	165,375	210,566	211,321	755
EXPENDITURES				
Current:				
Community services:				
Personnel services	56,988	59,163	59,362	(199)
Supplies and materials	97,367	114,355	116,702	(2,347)
Maintenance and repairs	868	868	867	1
Services and charges	10,309	30,175	23,391	6,784
Total Community services	165,532	204,561	200,322	4,239
Capital Outlay:				
General government	3,500	3,500	3,500	-
Total Expenditures	169,032	208,061	203,822	4,239
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (3,657)	\$ 2,505	7,499	\$ 4,994
FUND BALANCE, BEGINNING OF YEAR			119,787	
CURRENT YEAR ENCUMBRANCES			4,251	
PRIOR YEAR ENCUMBRANCES			(23,816)	
ADJUSTED FUND BALANCE			100,222	
FUND BALANCE, END OF YEAR			\$ 107,721	

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, 2007

EXHIBIT C-7

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 144,000	\$ 144,000	\$ 111,854	\$ (32,146)
Interest	2,200	2,200	7,540	5,340
Total Revenues	<u>146,200</u>	<u>146,200</u>	<u>119,394</u>	<u>(26,806)</u>
EXPENDITURES				
Current:				
Community services:				
Personnel services	-	-	-	-
Supplies and materials	109,500	109,500	109,500	-
Maintenance and repairs	4,000	4,000	4,000	-
Services and charges	-	-	-	-
Total Community services	<u>113,500</u>	<u>113,500</u>	<u>113,500</u>	<u>-</u>
Capital Outlay:				
General government	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total Expenditures	<u>143,500</u>	<u>143,500</u>	<u>143,500</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 2,700</u>	<u>\$ 2,700</u>	<u>(24,106)</u>	<u>\$ (26,806)</u>
FUND BALANCE, BEGINNING OF YEAR			122,694	
CURRENT YEAR ENCUMBRANCES			35,500	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			<u>158,194</u>	
FUND BALANCE, END OF YEAR			<u>\$ 134,088</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, 2007

EXHIBIT C-8

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Interest	\$ 5	\$ 69	\$ 69	\$ -
Miscellaneous	-	-	1,947	\$ 1,947
Contributions	150	29,495	27,458	(2,037)
Total Revenues	<u>155</u>	<u>29,564</u>	<u>29,474</u>	<u>(90)</u>
EXPENDITURES				
Current:				
Community services:				
Supplies and materials	2,686	2,686	-	2,686
Total Community services	<u>2,686</u>	<u>2,686</u>	<u>-</u>	<u>2,686</u>
Capital Outlay:				
General government	-	10,445	10,445	-
Total Expenditures	<u>2,686</u>	<u>13,131</u>	<u>10,445</u>	<u>2,686</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (2,531)</u>	<u>\$ 16,433</u>	19,029	<u>\$ 2,596</u>
FUND BALANCE, BEGINNING OF YEAR			2,118	
CURRENT YEAR ENCUMBRANCES			3,031	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			<u>5,149</u>	
FUND BALANCE, END OF YEAR			<u>\$ 24,178</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, 2007**

EXHIBIT C-9

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Charges for services:				
Maintenance	\$ 802,500	\$ 802,500	\$ 837,486	\$ 34,986
Total Charges for services	<u>802,500</u>	<u>802,500</u>	<u>837,486</u>	<u>34,986</u>
Interest	26,800	26,800	44,436	17,636
Miscellaneous	1,500	1,500	158	(1,342)
Total Revenues	<u>830,800</u>	<u>830,800</u>	<u>882,080</u>	<u>51,280</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personnel services	246,307	215,471	193,741	21,730
Supplies and materials	17,725	20,057	14,962	5,095
Maintenance and repairs	16,000	15,462	9,665	5,797
Services and charges	32,835	125,281	122,071	3,210
Total Highways and streets	<u>312,867</u>	<u>376,271</u>	<u>340,439</u>	<u>35,832</u>
Capital Outlay:				
General government	241,200	177,796	156,852	20,944
Debt Service:				
Principal	210,000	210,000	210,000	-
Interest and fiscal charges	60,830	60,830	60,830	-
Total Debt service	<u>270,830</u>	<u>270,830</u>	<u>270,830</u>	<u>-</u>
Total Expenditures	<u>824,897</u>	<u>824,897</u>	<u>768,121</u>	<u>56,776</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,903</u>	<u>5,903</u>	<u>113,959</u>	<u>108,056</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(100,000)	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (94,097)</u>	<u>\$ (94,097)</u>	<u>13,959</u>	<u>\$ 108,056</u>
FUND BALANCE, BEGINNING OF YEAR			745,394	
CURRENT YEAR ENCUMBRANCES			547,021	
PRIOR YEAR ENCUMBRANCES			<u>(390,013)</u>	
ADJUSTED FUND BALANCE			<u>902,402</u>	
FUND BALANCE, END OF YEAR			<u>\$ 916,361</u>	

CITY OF COPPERAS COVE, TEXAS
 CITY CEMETERY FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 For the Year Ended September 30, 2007

EXHIBIT C-10

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Interest	\$ 1,000	\$ 1,000	\$ 900	\$ (100)
Sale of plots	24,500	24,500	10,800	(13,700)
Miscellaneous	-	-	92	92
Total Revenues	<u>25,500</u>	<u>25,500</u>	<u>11,792</u>	<u>(13,708)</u>
EXPENDITURES				
Current:				
Community services:				
Personnel service	29,482	29,482	28,349	1,133
Supplies and materials	2,400	2,080	297	1,783
Maintenance and repairs	600	1,770	1,322	448
Services and charges	2,743	1,893	1,682	211
Total Community services	<u>35,225</u>	<u>35,225</u>	<u>31,650</u>	<u>3,575</u>
Capital outlay:				
General government	<u>2,500</u>	<u>2,500</u>	<u>2,200</u>	<u>300</u>
Total Expenditures	<u>37,725</u>	<u>37,725</u>	<u>33,850</u>	<u>3,875</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (12,225)</u>	<u>\$ (12,225)</u>	<u>(22,058)</u>	<u>\$ (9,833)</u>
FUND BALANCE, BEGINNING OF YEAR			26,798	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			<u>26,798</u>	
FUND BALANCE, END OF YEAR			<u>\$ 4,740</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, 2007**

EXHIBIT C-11

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Fines	\$ 65,192	\$ 65,192	\$ 54,459	\$ (10,733)
Interest	3,000	3,000	11,383	8,383
Total Revenues	<u>68,192</u>	<u>68,192</u>	<u>65,842</u>	<u>(2,350)</u>
EXPENDITURES				
Current:				
Public safety:				
Municipal court:				
Personnel services	44,183	44,183	26,779	
Supplies and materials	4,717	4,916	2,573	2,343
Maintenance and repair	20,386	19,811	13,595	6,216
Services and charges	13,673	13,294	3,962	9,332
Total Municipal court	<u>82,959</u>	<u>82,204</u>	<u>46,909</u>	<u>17,891</u>
Capital Outlay:				
Public safety	15,488	16,243	14,528	1,715
Total Expenditures	<u>98,447</u>	<u>98,447</u>	<u>61,437</u>	<u>19,606</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (30,255)</u>	<u>\$ (30,255)</u>	<u>4,405</u>	<u>\$ 17,256</u>
FUND BALANCE, BEGINNING OF YEAR			189,208	
CURRENT YEAR ENCUMBRANCES			13,103	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			<u>202,311</u>	
FUND BALANCE, END OF YEAR			<u>\$ 206,716</u>	

**CITY OF COPPERAS COVE, TEXAS
CORYELL COUNTY MUTUAL
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2007**

EXHIBIT C-12

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Interest	\$ -	\$ 135	\$ 135	\$ -
Miscellaneous	-	36,497	36,497	-
Total Revenues	-	36,632	36,632	-
EXPENDITURES				
Current:				
Public safety:				
Personnel services	-	-	-	-
Supplies and materials	-	6,368	6,368	-
Maintenance and repair	-	10,881	10,881	-
Services and charges	-	2,735	2,735	-
Total Public safety	-	19,984	19,984	-
Capital Outlay:				
Public safety	-	5,074	5,074	-
Total Expenditures	-	25,058	25,058	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ 11,574	11,574	\$ -
FUND BALANCE, BEGINNING OF YEAR			21,187	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			21,187	
FUND BALANCE, END OF YEAR			\$ 32,761	

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, 2007

EXHIBIT C-13

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Interest	\$ 30	\$ 56	\$ 56	\$ -
Contributions	30,000	28,500	28,500	-
Total Revenues	<u>30,030</u>	<u>28,556</u>	<u>28,556</u>	<u>-</u>
EXPENDITURES				
Current:				
Community services:				
Services and charges	-	40,732	40,732	-
Total Community services	<u>-</u>	<u>40,732</u>	<u>40,732</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>40,732</u>	<u>40,732</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 30,030</u>	<u>\$ (12,176)</u>	<u>(12,176)</u>	<u>\$ -</u>
FUND BALANCE, BEGINNING OF YEAR			19,233	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			<u>19,233</u>	
FUND BALANCE, END OF YEAR			<u>\$ 7,057</u>	

CITY OF COPPERAS COVE, TEXAS
 TOBACCO GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 For the Year Ended September 30, 2007

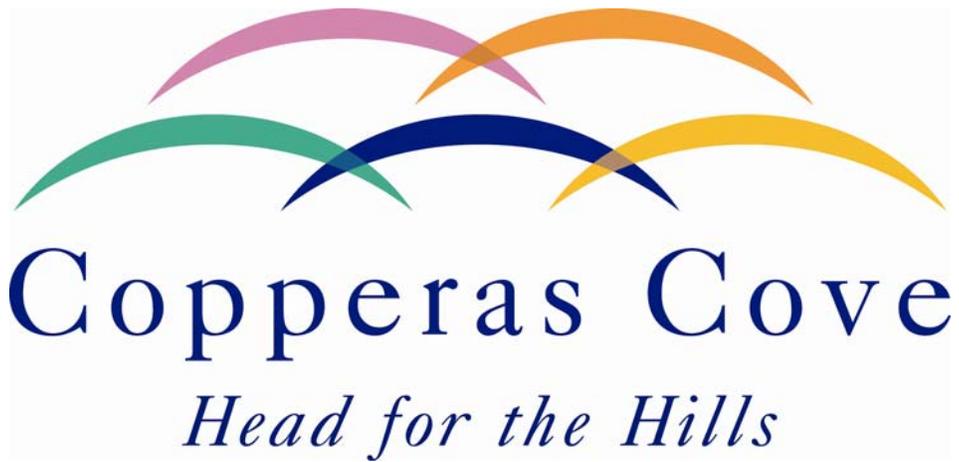
EXHIBIT C-14

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Contributions	\$ -	\$ 2,757	\$ 2,757	\$ -
Total Revenues	-	2,757	2,757	-
EXPENDITURES				
Current:				
General government:				
Personnel services	-	2,214	2,214	-
Supplies and materials	-	97	97	-
Services and charges	-	446	446	-
Total General government	-	2,757	2,757	-
Total Expenditures	-	2,757	2,757	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, BEGINNING OF YEAR			3,115	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			3,115	
FUND BALANCE, END OF YEAR			\$ 3,115	

CITY OF COPPERAS COVE, TEXAS
DONATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2007

EXHIBIT C-15

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous	\$ -	\$ 63,402	\$ 63,402	\$ -
Total Revenues	<u>-</u>	<u>63,402</u>	<u>63,402</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety:				
Personnel services	-	22,607	18,038	4,569
Total Public safety	<u>-</u>	<u>22,607</u>	<u>18,038</u>	<u>4,569</u>
Total Expenditures	<u>-</u>	<u>22,607</u>	<u>18,038</u>	<u>4,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 40,795</u>	<u>45,364</u>	<u>\$ 4,569</u>
FUND BALANCE, BEGINNING OF YEAR			-	
CURRENT YEAR ENCUMBRANCES			-	
PRIOR YEAR ENCUMBRANCES			-	
ADJUSTED FUND BALANCE			-	
FUND BALANCE, END OF YEAR			<u>\$ 45,364</u>	



Copperas Cove

Head for the Hills

CITY OF COPPERAS COVE, TEXAS 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.

2006 Limited Tax Notes – To account for 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 issue was for \$1,260,000.

Reliever Route – To account for proceeds of funds from the sale of Right-of-Way land and the expenditures related to the future reliever route.

2003 Capital Improvement Certificates of Obligation Fund - To account for various projects to include, but not limited to, procurement of a communication system and various street projects.

**CITY OF COPPERAS COVE, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2007**

	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	\$ 1,292	\$ 450	\$ 239
Accounts receivable	-	-	-	-
Total Assets	<u>\$ 37,853</u>	<u>\$ 1,292</u>	<u>\$ 450</u>	<u>\$ 239</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Retainage payable	-	-	-	-
Due to other funds	-	-	-	-
Other accrued items	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Unreserved fund balances	<u>37,853</u>	<u>1,292</u>	<u>450</u>	<u>239</u>
Total Fund Balances	<u>37,853</u>	<u>1,292</u>	<u>450</u>	<u>239</u>
Total Liabilities and Fund Balances	<u>\$ 37,853</u>	<u>\$ 1,292</u>	<u>\$ 450</u>	<u>\$ 239</u>

2001 Combination Tax and Revenue Certificates of Obligation	Tax Notes Series 2006	Reliever Route	2003 Capital Imp CO Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 284,483 1,500	\$ 1,021,461 -	\$ 312,310 -	\$ 853,750 -	\$ 2,511,838 1,500
<u>\$ 285,983</u>	<u>\$ 1,021,461</u>	<u>\$ 312,310</u>	<u>\$ 853,750</u>	<u>\$ 2,513,338</u>
\$ - - - -	\$ 300 - - -	\$ 3,450 - - -	\$ 333,587 43,344 76,867 134	\$ 337,337 43,344 76,867 134
<u>-</u>	<u>300</u>	<u>3,450</u>	<u>453,932</u>	<u>457,682</u>
285,983	1,021,161	308,860	399,818	2,055,656
<u>285,983</u>	<u>1,021,161</u>	<u>308,860</u>	<u>399,818</u>	<u>2,055,656</u>
<u>\$ 285,983</u>	<u>\$ 1,021,461</u>	<u>\$ 312,310</u>	<u>\$ 853,750</u>	<u>\$ 2,513,338</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, 2007

	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	\$ -	\$ 66	\$ 23	\$ 15
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>66</u>	<u>23</u>	<u>15</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>66</u>	<u>23</u>	<u>15</u>
OTHER FINANCING SOURCES (USES)				
Other sources	-	-	-	-
Bond issuance costs	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
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>66</u>	<u>23</u>	<u>15</u>
FUND BALANCES, BEGINNING OF YEAR	<u>37,853</u>	<u>1,226</u>	<u>427</u>	<u>224</u>
FUND BALANCES, END OF YEAR	<u>\$ 37,853</u>	<u>\$ 1,292</u>	<u>\$ 450</u>	<u>\$ 239</u>

2001 Combination Tax and Revenue Certificates of Obligation	Tax Notes Series 2006	Reliever Route	2003 Capital Imp CO Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 14,594	\$ 58,260	\$ 16,173	\$ 64,407	\$ 153,538
1,500	-	-	1,953	3,453
<u>16,094</u>	<u>\$ 58,260</u>	<u>16,173</u>	<u>66,360</u>	<u>156,991</u>
1,546	264,141	8,625	937,040	1,211,352
-	-	-	4	4
<u>1,546</u>	<u>264,141</u>	<u>8,625</u>	<u>937,044</u>	<u>1,211,356</u>
<u>14,548</u>	<u>(205,881)</u>	<u>7,548</u>	<u>(870,684)</u>	<u>(1,054,365)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	(3,390)	(3,390)
-	-	-	(3,390)	(3,390)
14,548	(205,881)	7,548	(874,074)	(1,057,755)
<u>271,435</u>	<u>1,227,042</u>	<u>301,312</u>	<u>1,273,892</u>	<u>3,113,411</u>
<u>\$ 285,983</u>	<u>\$ 1,021,161</u>	<u>\$ 308,860</u>	<u>\$ 399,818</u>	<u>\$ 2,055,656</u>

**CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**EXHIBIT C-18
Page 1 of 2**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
TAXES:				
Current ad valorem	\$ 5,452,497	5,452,497	5,473,810	\$ 21,313
Delinquent ad valorem	60,000	60,000	43,740	(16,260)
Penalty and interest	37,500	37,500	38,833	
Franchise	1,334,589	1,334,589	1,270,632	(63,957)
Wrecker	5,375	5,375	69	(5,306)
Sales	2,162,428	2,162,428	2,181,953	19,525
Mixed drink	17,000	17,000	13,382	(3,618)
Bingo	85,000	85,000	84,461	(539)
	<u>9,154,389</u>	<u>9,154,389</u>	<u>9,106,880</u>	<u>(48,842)</u>
LICENSES:				
Electricians	-	-	-	-
Bicycle	100	100	14	(86)
Ambulance	-	-	-	-
Contractors	40,000	40,000	35,265	(4,735)
Animal	3,700	3,700	3,395	(305)
Managers' certification	-	-	-	-
Wrecker	600	600	510	(90)
Bail bondsmen	-	-	-	-
Taxi cab	1,000	1,000	600	(400)
	<u>45,400</u>	<u>45,400</u>	<u>39,784</u>	<u>(5,616)</u>
PERMITS:				
Building	80,000	80,000	83,068	3,068
House Moving	200	200	150	(50)
Alarms	2,400	2,400	4,100	1,700
Street cut	6,500	6,500	8,406	1,906
Electrical	20,000	20,000	18,555	(1,445)
Solicitors	3,000	3,000	1,758	(1,242)
Gas	2,000	2,000	1,705	(295)
Mechanical	20,000	20,000	14,285	(5,715)
Garage sale	6,500	6,500	8,130	1,630
Plumbing	30,000	30,000	30,468	468
Car wash	700	700	375	(325)
Mobile Home Parks	-	-	-	-
Beverage	600	600	480	(120)
Signs	700	700	990	290
Food workers	-	-	-	-
Swimming pools	900	900	305	(595)
False Alarm	-	-	-	-
Senior Center	10,000	10,000	-	(10,000)
Well and Gas Drilling	-	-	4,000	4,000
Certificates	1,500	1,500	2,020	520
	<u>185,000</u>	<u>185,000</u>	<u>178,795</u>	<u>(6,205)</u>

**CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**EXHIBIT C-18
Page 2 of 2**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
CITY SERVICES PROVIDED:				
Swimming Pool	\$ 65,000	\$ 65,000	\$ 47,810	\$ (17,190)
Community building rental	18,500	18,500	20,490	1,990
Library miscellaneous	14,000	14,000	13,327	(673)
Animal shelter fees	32,000	32,000	44,676	12,676
Ambulance fees	739,300	739,300	512,815	(226,485)
Police overtime reimbursement	25,000	25,000	19,522	(5,478)
Police restitution	4,500	4,500	4,342	(158)
BC fire runs	6,000	6,000	-	(6,000)
Open records	3,000	3,000	1,120	(1,880)
Festival	13,000	13,000	13,094	94
Copy Machine	5,500	5,500	5,621	121
Mowing	25,000	25,000	28,497	3,497
Service charge - nsf checks	10,000	10,000	10,850	850
Plat filing fees	10,000	10,000	5,500	(4,500)
Contract EMS	-	-	-	-
Animal identification	350	350	1,778	1,428
Sale of city maps	200	200	573	373
Special events	2,200	2,200	3,947	1,747
Disposal fees	-	-	629	-
Re-inspection fees	-	-	575	-
Street sign revenue	-	-	2,355	-
RV park fees	11,000	11,000	9,671	(1,329)
	<u>984,550</u>	<u>984,550</u>	<u>747,192</u>	<u>(240,917)</u>
FINES:				
Traffic violations	404,544	404,544	301,645	(102,899)
Library fines	17,000	17,000	15,850	(1,150)
Municipal court fines	171,850	171,850	127,475	(44,375)
Arrest warrant income	138,087	138,087	118,131	(19,956)
Arresting officer fees	36,557	36,557	21,754	(14,803)
Child safety	13,834	13,834	6,078	-
HB 70 fees	15,461	15,461	9,547	(5,914)
Rezoning request fees	1,800	1,800	2,200	-
Variance request fees	500	500	110	-
Juvenile	109,579	109,579	104,912	-
State court fees	55,846	55,846	53,372	(2,474)
	<u>965,058</u>	<u>965,058</u>	<u>761,074</u>	<u>(191,571)</u>
INTEREST:				
Interest earnings	200,000	200,021	253,593	53,572
	<u>200,000</u>	<u>200,021</u>	<u>253,593</u>	<u>53,572</u>
MISCELLANEOUS:				
Auction proceeds	10,000	10,000	26,738	16,738
Rental Income	18,300	18,300	17,820	(480)
Miscellaneous	105,650	113,187	219,830	106,643
	<u>133,950</u>	<u>141,487</u>	<u>264,388</u>	<u>122,901</u>
INTERGOVERNMENTAL:				
Grants	-	37,562	103,226	65,664
	<u>-</u>	<u>37,562</u>	<u>103,226</u>	<u>65,664</u>
CONTRIBUTIONS:				
Miscellaneous	-	-	30,153	30,153
Library gifts and memorials	-	1,000	918	(82)
	<u>-</u>	<u>1,000</u>	<u>31,071</u>	<u>30,071</u>
Totals	<u>\$ 11,668,347</u>	<u>\$ 11,714,467</u>	<u>\$ 11,486,003</u>	<u>\$ (220,943)</u>

**CITY OF COPPERAS COVE, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

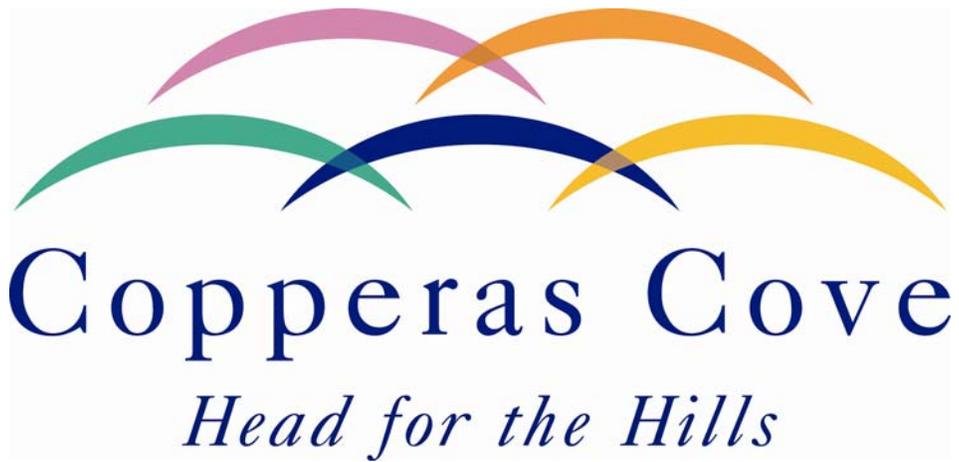
EXHIBIT C-19

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT:				
Current:				
City Council	\$ 43,800	\$ 43,800	\$ 21,825	\$ 21,975
City Manager	215,731	231,622	233,149	(1,527)
Financial services and accounting	485,477	477,406	464,047	13,359
Grants administration	60,437	68,508	68,508	-
City secretary	121,452	128,543	129,483	(940)
City attorney	104,190	97,099	96,456	643
Data Processing	197,452	196,671	203,034	(6,363)
Personnel	162,301	163,521	164,585	(1,064)
Nondepartmental	473,562	418,562	380,854	37,708
Public Works	35,675	37,166	42,092	(4,926)
Planning	180,679	183,666	184,737	(1,071)
Engineering	111,933	111,933	97,479	14,454
	<u>2,192,689</u>	<u>2,158,497</u>	<u>2,086,249</u>	<u>72,248</u>
COMMUNITY SERVICES:				
Current:				
Parks and recreation	880,110	864,219	867,007	(2,788)
Library	473,675	487,727	483,536	4,191
Code and health	164,961	164,961	151,882	13,079
	<u>1,518,746</u>	<u>1,516,907</u>	<u>1,502,425</u>	<u>14,482</u>
FLEET & FACILITY SERVICES:				
Current:				
Fleet maintenance	247,577	247,577	243,322	4,255
Facility maintenance	170,962	169,471	153,429	16,042
	<u>418,539</u>	<u>417,048</u>	<u>396,751</u>	<u>20,297</u>
HIGHWAYS AND STREETS:				
Current:				
Streets	1,063,314	1,058,230	914,266	143,964
	<u>1,063,314</u>	<u>1,058,230</u>	<u>914,266</u>	<u>143,964</u>
PUBLIC SAFETY:				
Current:				
Building inspections	280,720	280,720	253,119	27,601
Municipal Court	310,542	310,542	306,258	4,284
Animal control	197,383	197,383	182,013	15,370
Police department	4,015,039	3,804,997	3,725,170	79,827
Fire/EMS department	2,849,449	3,088,459	3,070,099	18,360
	<u>7,653,133</u>	<u>7,682,101</u>	<u>7,536,659</u>	<u>145,442</u>
Totals	<u>\$ 12,846,421</u>	<u>\$ 12,832,783</u>	<u>\$ 12,436,350</u>	<u>\$ 396,433</u>

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

(All Tables in the Statistical Section are Unaudited)

“ The City Built for Family Living ”



Copperas Cove

Head for the Hills

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities					
Invested in capital assets, net of related debt	\$12,609,887	\$ 2,464,242	\$ 2,647,484	\$ 4,619,317	\$ 3,816,831
Restricted					
Debt Service	156,930	97,478	129,781	121,112	221,994
Capital Projects	43,821	1,124,834	1,700,723	2,056,112	-
Unrestricted	<u>5,933,671</u>	<u>5,642,526</u>	<u>4,823,357</u>	<u>1,156,366</u>	<u>3,124,279</u>
Total governmental activities net assets	<u><u>\$18,744,309</u></u>	<u><u>\$ 9,329,080</u></u>	<u><u>\$ 9,301,345</u></u>	<u><u>\$ 7,952,907</u></u>	<u><u>\$ 7,163,104</u></u>
Business-type activities					
Invested in capital assets, net of related debt	\$20,770,346	\$ 21,359,736	\$19,448,721	\$ 19,766,421	\$17,378,940
Restricted					
Debt Service	825,526	555,900	571,000	571,000	675,400
Capital Projects	783,250	78,155	78,155	199,955,000	-
Unrestricted	<u>3,170,782</u>	<u>2,001,545</u>	<u>2,534,178</u>	<u>773,682</u>	<u>2,182,114</u>
Total business-type activities net assets	<u><u>25,549,904</u></u>	<u><u>23,995,336</u></u>	<u><u>\$22,632,054</u></u>	<u><u>\$221,066,103</u></u>	<u><u>\$20,236,454</u></u>
Primary government					
Invested in capital assets, net of related debt	\$33,380,233	\$ 23,823,978	\$22,096,205	\$ 24,385,738	\$21,195,771
Restricted					
Debt Service	982,456	653,378	700,781	692,112	897,394
Capital Projects	827,071	1,202,989	1,778,878	2,134,267	-
Unrestricted	<u>9,104,453</u>	<u>7,932,977</u>	<u>7,357,535</u>	<u>1,930,048</u>	<u>5,306,393</u>
Total primary government net assets	<u><u>\$44,294,213</u></u>	<u><u>\$ 33,613,322</u></u>	<u><u>\$31,933,399</u></u>	<u><u>\$ 29,142,165</u></u>	<u><u>\$27,399,558</u></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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses					
Governmental activities:					
General government	\$ 1,839,306	\$ 2,091,253	\$ 1,977,274	\$ 1,896,278	\$ 1,708,931
Community Services	2,258,488	2,292,606	1,802,034	1,855,310	1,663,213
Fleet and Facility Maintenance	386,747	437,608	354,464	344,483	321,073
Highways and Streets	897,493	1,212,838	877,655	834,013	778,099
Public Safety	7,888,352	8,457,720	6,770,603	6,530,561	6,228,186
Interest on long-term debt	492,193	444,344	364,607	464,477	398,906
Total governmental activities expenses	<u>13,762,579</u>	<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	7,064,699	7,429,996	6,416,373	6,093,256	5,353,609
Solid Waste	2,266,119	2,115,989	1,906,728	1,863,151	1,694,338
Golf Course	782,975	949,662	760,694	744,913	661,982
Total business-type activities expenses	<u>10,113,793</u>	<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>\$ 23,876,372</u>	<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	\$ 470,885	\$ 355,323	\$ 324,440	\$ 265,068	\$ 256,191
Community Services	933,020	900,461	825,813	672,719	314,729
Highways and Streets	837,486	790,940	754,729	730,424	740,218
Public Safety	1,261,826	938,489	1,026,549	1,156,323	1,447,861
Operating grants and contributions	450,303	160,504	699,807	654,160	25,513
Capital grants and contributions	450,824	909,162	-	-	-
Total governmental activities program revenues	<u>4,404,344</u>	<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	8,526,099	8,035,814	8,084,493	7,294,845	6,453,411
Solid Waste	2,690,123	2,795,138	2,430,997	2,305,309	2,314,581
Golf Course	633,730	750,858	707,654	605,202	619,452
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	370,434	810,756	-	-	-
Total business-type activities program revenues	<u>12,220,386</u>	<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>\$ 16,624,730</u>	<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	\$ (9,358,235)	\$(10,881,490)	9,301,345	7,952,907	7,163,104
Business-type activities	2,106,593	2,322,084	22,632,054	21,189,258	20,236,454
Total primary government net expense	<u>\$ (7,251,642)</u>	<u>\$ (8,559,406)</u>	<u>\$ 31,933,399</u>	<u>\$ 29,142,165</u>	<u>\$ 27,399,558</u>

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

	<u>2007</u>	<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	\$ 6,784,145	\$ 5,965,899	\$ 5,484,539	\$ 5,234,334	\$ 4,981,035
Penalties and interest	47,307	48,375	42,837	37,360	34,659
Beverage taxes	13,382	13,778	14,724	16,023	16,131
Franchise taxes	1,270,632	1,325,208	1,111,332	1,075,859	1,064,181
City sales taxes	2,275,752	2,122,243	2,034,195	1,985,647	1,924,665
Bingo taxes	84,462	85,382	71,964	62,794	61,489
Contributions	-	-	-	-	-
Unrestricted investment earnings	610,569	372,250	206,744	87,779	138,493
Transfers	996,616	976,090	897,402	708,408	970,324
Total governmental activities	<u>\$12,082,865</u>	<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	456,616	442,453	200,849	157,176	140,550
Loss on sale of capital assets	(12,025)	-	-	-	(5,055)
Transfers	(996,616)	(976,090)	(897,402)	(708,408)	(970,324)
Total business-type activities	-	-	-	-	-
Total primary government	<u>\$ (552,025)</u>	<u>\$ (533,637)</u>	<u>\$ (696,553)</u>	<u>\$ (551,232)</u>	<u>\$ (834,829)</u>
Changes in Net Assets					
Governmental activities	2,724,630	316,641	1,348,438	761,776	877,081
Business-type activities	1,554,568	1,363,282	1,442,796	952,804	842,686
Total primary government	<u>\$ 4,279,198</u>	<u>\$ 1,679,923</u>	<u>\$ 2,791,234</u>	<u>\$ 1,714,580</u>	<u>\$ 1,719,767</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
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years

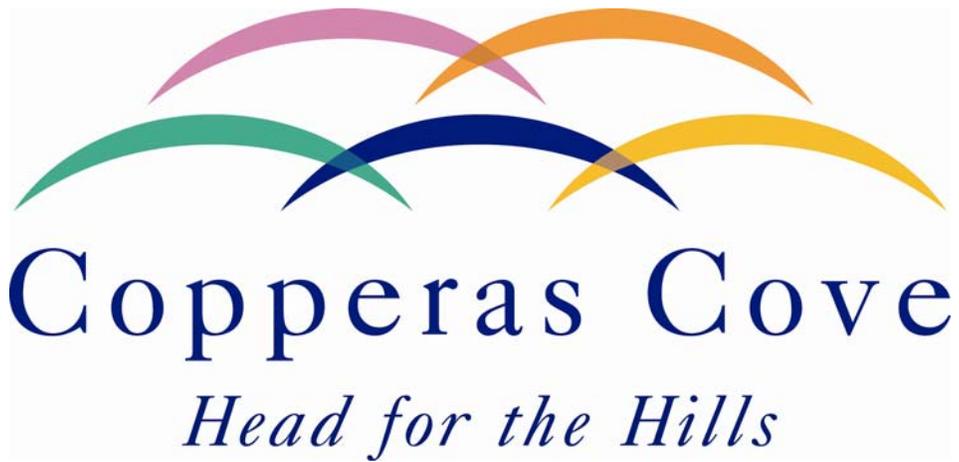
Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Bingo Tax	Beverage Tax	Total
2007	\$ 6,784,145	\$ 2,275,752	\$ 1,270,632	\$ 84,462	\$ 13,382	\$ 10,428,373
2006	5,965,899	2,122,243	1,325,208	85,382	13,778	9,512,510
2005	5,527,376	2,034,195	1,111,332	71,964	14,724	8,759,591
2004	5,271,694	1,985,647	1,075,859	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

Source: City of Copperas Cove Finance Department

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund					
Reserved					
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Projects	-	-	-	-	-
Encumbrances	590,556	131,428	60,697	77,437	83,476
Inventory and Prepaid Expenditures	67,352	108,590	131,954	125,190	60,334
Unreserved					
Designated	3,328,429	3,124,192	2,940,696	2,590,806	2,933,941
Total general fund	<u>\$3,986,337</u>	<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	\$ 156,930	\$ 97,478	\$ 129,781	\$ 121,112	\$ 221,994
Capital Projects	5,338,633	1,124,834	1,700,723	2,056,112	4,087,400
Encumbrances	638,251	562,887	226,636	265,466	44,432
Inventory and Prepaid Expenditures	323	936	452	-	-
Non-current Portion of Note Receivable	-	-	-	52,000	59,200
Unreserved, reported in:					
Special revenue funds	1,076,333	1,030,414	1,085,112	965,858	947,594
Capital projects funds	2,055,656	1,839,519	377,810	458,695	382,210
Total all other governmental funds	<u>\$9,266,126</u>	<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 prior to fiscal year 2003 are not available.



Copperas Cove

Head for the Hills

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues					
Taxes	\$10,435,134	\$ 9,526,380	\$ 8,747,317	\$ 8,398,186	\$ 8,028,158
Licenses	39,784	49,830	47,858	52,878	55,847
Permits	178,795	216,373	181,123	117,262	112,590
City Services Provided	1,790,420	1,707,578	1,486,260	1,312,024	1,346,013
Fines	815,533	706,025	733,830	938,078	862,917
Interest	610,569	372,250	206,744	87,779	138,493
Sale of Plots	10,800	11,700	13,900	41,800	36,750
Miscellaneous	498,590	202,610	212,373	205,857	205,426
Intergovernmental	103,226	220,980	781,026	760,500	191,917
Contributions	153,077	43,420	126,549	46,792	1,612
Total revenues	<u>14,635,928</u>	<u>13,057,146</u>	<u>12,536,980</u>	<u>11,961,156</u>	<u>10,979,723</u>
Expenditures				199,955,000	
General government	1,872,769	1,823,669	1,849,677	1,752,068	1,556,318
Community Services	1,780,748	1,604,037	1,429,971	1,421,453	1,352,840
Fleet and Facility maintenance	376,342	361,661	341,005	331,170	306,347
Highways and Streets	878,940	854,966	711,295	632,486	602,395
Public Safety	7,433,330	6,807,383	6,333,450	6,010,275	5,783,487
Capital outlay	2,370,118	3,088,289	1,870,826	3,472,547	1,538,534
Debt service:	-	-	-	-	-
Principal Retirement	926,000	710,600	640,000	635,000	751,111
Interest and fiscal charges	464,207	411,537	508,259	550,497	381,784
Total expenditures	<u>16,102,454</u>	<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	(1,466,526)	(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	5,251,270	1,226,147	-	-	4,087,400
Proceeds from fixed asset dispositions	-	300,186	-	-	-
Contributions - Developers	450,824	909,162	-	-	-
Transfers in	1,264,260	1,280,920	1,194,335	1,143,412	1,084,188
Transfers out	(267,643)	(304,830)	(296,933)	(435,004)	(113,864)
Total other financing sources (uses)	<u>6,698,711</u>	<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>5,232,185</u>	<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	10.1%	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
2007	2006	\$ 785,140,036	\$ 159,987,484	\$62,029,470	\$ 90,590
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
\$ 87,741,750	\$919,523,830	0.740	\$ 919,785,031	99.97%
70,659,836	778,807,966	0.775	778,807,966	100.00%
67,161,105	716,954,411	0.775	711,936,911	100.70%
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	778,441,852	0.705	614,876,645	126.60%
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				
2007	0.607	0.133	0.740	0.399	1.181	0.1420	2.462
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, 2007**

Principal Taxpayer	2007		Percentage of Total Taxable Assessed Value
	Type of Business	Taxable Assessed Value	
Wal-mart Real Estate	Developer	\$ 10,901,740	1.19%
TXU Electric Delivery	Electric Utility	9,549,460	1.04%
Wal-Mart Properties	Developer	8,493,740	0.92%
Central Telephone Company	Telephone Utility	7,660,420	0.83%
Cove Terrace Assoc.	Developer	7,112,880	0.77%
Colonial Plaza Partnership	Retailer	6,510,660	0.71%
Crosstowne LTD	Retailer	5,128,554	0.56%
HEB Grocery Store	Retailer	4,685,630	0.51%
TWE-ADV/Hewhouse Partnership	Cable Utility	3,909,370	0.43%
Judy Lane Properties	Developer	3,797,260	0.41%
Subtotals		<u>\$ 67,749,714</u>	<u>7.37%</u>
All Other taxpayers		<u>852,035,317</u>	<u>92.63%</u>
Total		\$ 919,785,031	100.00%

Source: Coryell County Tax Appraisal District, Gatesville, TX

Note: 1998 Data not available.

City of Copperas Cove, Texas
PROPERTY TAX LEVIES AND COLLECTIONS

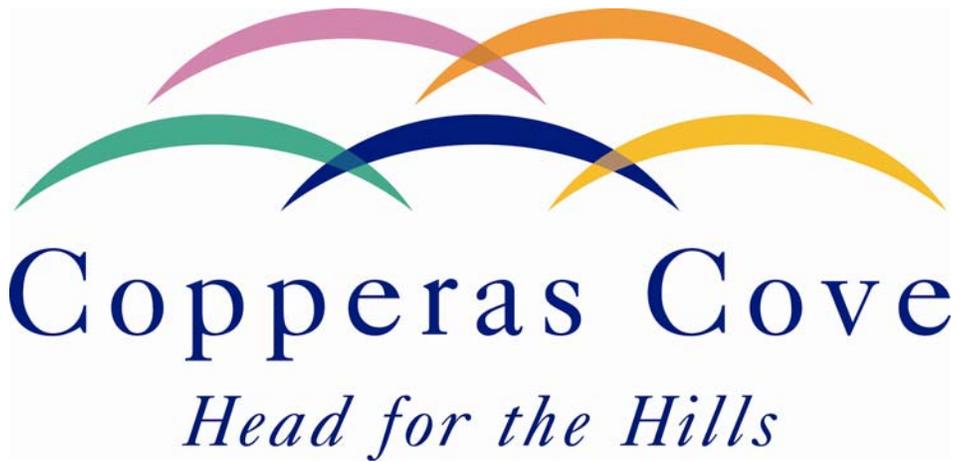
Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2007	\$ 6,713,407	\$ 6,667,677	99.3%
2006	6,032,566	5,919,039	98.1%
2005	5,553,655	5,507,707	99.2%
2004	5,265,965	5,236,331	99.4%
2003	4,994,028	4,936,024	98.8%
2002	4,776,331	4,763,292	99.7%
2001	4,532,455	4,494,472	99.2%
2000	4,175,990	4,149,031	99.4%
1999	4,080,366	4,050,984	99.3%
1998	3,987,067	3,944,767	98.9%

Source: City of Copperas Cove Finance Department

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Total Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Gross Tax Rate</u>
2007	2006	919,785,031	100.00%	0.7400
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

Source: City of Copperas Cove Finance Department



Copperas Cove

Head for the Hills

CITY OF COPPERAS COVE, TEXAS
Direct and Overlapping Governmental Activities Debt
September 30, 2007

<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>
Bell County	\$ 99,855,000 *	1/31/2008	**	\$ -
Coryell County	-	1/31/2008	53.57%	-
Copperas Cove I.S.D.	42,359,259 *	1/31/2008	19.40%	8,217,696
Lampasas County	4,040,000 *	1/31/2008	17.48%	706,192
Lampasas I.S.D.	52,607,580 *	1/31/2008	20.75%	10,916,073
Total Overlapping Debt				\$ 19,839,961
City of Copperas Cove		9/30/2006		\$ 14,058,023
Total Direct and Overlapping Debt:				\$ 33,897,984
Total Direct and Overlapping Debt % of A.V.:				3.74%
Total Direct and Overlapping Debt % of Capita				\$ 1,101

*Gross Debt

** A portion falls into the Fort Hood Reservation and has no taxable value.

Source: Municipal Advisory Council.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assessed Value, Tax Roll	\$ 1,035,057,214	\$ 907,217,167	\$ 778,807,966	\$ 716,936,911	\$ 683,946,827
	1.50%	1.50%	1.50%	1.50%	1.50%
Legal Debt Limit	<u>\$ 15,525,858</u>	<u>\$ 13,608,258</u>	<u>\$ 11,682,119</u>	<u>\$ 10,754,054</u>	<u>\$ 10,259,202</u>
Actual amount expended for General Obligation Debt Service During the Year	\$ 1,194,250	\$ 946,117	\$ 972,794	\$ 974,742	\$ 947,447

Source: City of Copperas Cove Finance Department

* Corrected to reflect actual amount expended.

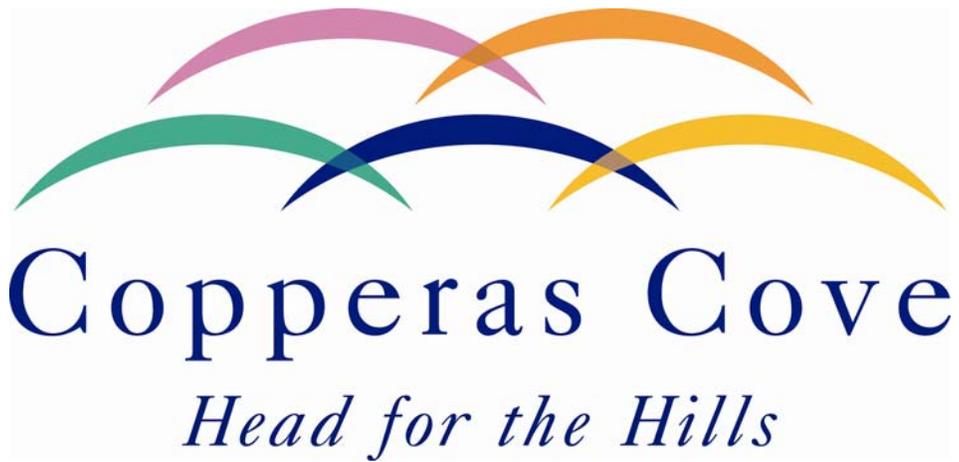
2002	2001	2000	1999	1998
\$ 670,249,206	\$ 642,285,232	\$ 609,332,900	\$ 592,338,964	\$ 578,486,852
1.50%	1.50%	1.50%	1.50%	1.50%
\$ 10,053,738	\$ 9,634,278	\$ 9,139,994	\$ 8,885,084	\$ 8,677,303
\$ 899,956	\$ 881,529	\$ 684,296	\$ 787,141	\$ 6,570,753

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

	<u>2007</u>	<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>
General Fund										
City Manager	2	2	2	2	2	2	2	2	2	2
City Secretary	2	2	2	2	1.5	1.5	1.5	1.5	1.5	1
City Attorney	1	1	1	1	1.5	1.5	1.5	1.5	1.5	1
Finance	5	6	6	6	6	6	6	6	5.5	5.5
Grants Administration	1	1	1	1	1	1	1	1	0	0
Human Resources	2	2	2	2	2	2	2	2	2	2
Information Systems	2	2	2	2	2	2	1	1	1	0
Downtown Redevelopment	0	0	0	0	0	0	0	0	1	0
Municipal Court	8	7	7	7	7	7	7	7	7	6
City Judge	1	1	1	1	1	1	1	1	1	1
Associate Judge	1	1	0	0	0	0	0	0	0	0
Police	71	69	69	69	69	67	67	67	67	66
Animal Control	4	4	4	4	4	4	4	3	3	3
Fire/EMS	52	46	46	46	46	46	46	46	36	36
Emergency Management	1	0	0	0	0	0	0	0	0	0
Engineering	1	4.5	4.5	4.5	5	5	4	4	3	2
Building & Development	5.5	5	4.5	4.5	4	4	4	4	6	5
Streets	7	7	7	7	7	7.5	7.5	7.5	7.5	7.5
Parks & Recreation	14	14	14	14	15	15	15	15	14	11
Support Services	0	0	0	0	0	0	0	0	0	8
Fleet Services	5	5	5	5	4	4	4	9	9	0
Facility Maintenance	5	5	5	5	5	5	5	1.5	0	0
Public Works	0.5	0.5	0.5	0.5	1	1.5	1.5	1	1.5	1.5
Planning	3	1	0.5	0.5	0.5	1	1	0	3	3
Library	10	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9
Code & Health	3.5	2.5	2	2	2	2	2	2	0	0
Total General Fund	<u>207.5</u>	<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>
Water & Sewer Fund										
Water & Sewer Admin	2	2	2	2	1.5	1.5	1.5	1.5	0	0
Utility Administration	10	11	8	8	8	8	7	7	7	7
Water Distribution	9	9	12	12	12	13	13	13	13	13
Sewer Collection	7	7	7	7	7	7	7	6	6	6
Wastewater Treatment	11	11	10	10	10	10	10	10	12.5	11.5
Composting	3	2	2	2	2	2	1	1	0	0
Total Water & Sewer Fund	<u>42</u>	<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>
Solid Waste Fund										
Administration	4	4	2.5	2.5	2.5	2	3	3	23	0
Residential	4	4	4	4	4	4	6	10	0	0
Recycling	2	2	3	3	3	3	3	3	0	0
Brush	2	2	2	2	2	2	2	2	0	0
Commercial	4	4	4	5	5	4	2	2	0	0
Collection	0	0	0	0	0	0	0	0	0	21
Disposal	4	4	4.5	4.5	4.5	5	5	5	5	5
Total Solid Waste Fund	<u>20</u>	<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>

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

	<u>2007</u>	<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>
Recreational Activities Fund										
Recreational Activities Fund	2	1	1	1	1	0.75	0.75	0.75	0.75	0
Total Recreational Activities Fund	<u>2</u>	<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>
Cemetery Fund										
Cemetery Fund	1	1	1	1	1	1	1	1	1	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>1</u>	<u>0</u>
Drainage Fund										
Drainage Utility	6.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	3.5
Total Drainage Fund	<u>6.5</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>4.5</u>	<u>3.5</u>
Golf Course Fund										
Golf Course	15	15	15	15	15	15	11.5	11.5	11.5	7
Total Golf Course Fund	<u>15</u>	<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>
Total All Funds	<u>294</u>	<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>



Copperas Cove

Head for the Hills

**City of Copperas Cove, Texas
DEMOGRAPHIC STATISTICS**

Fiscal Year	Population*	Personal Income** (amounts expressed in thousands)	Median Age***	School Enrollment****	Unemployment Rate*****
2007	29,988	20,672	26.9	7,788	4.7%
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	0.0	7,242	5.2%
2000	29,592	13,820	0.0	7,316	4.2%
1999	31,500	13,621	0.0	7,238	3.8%

Source:

* www.quickfacts.census.gov

** www.esri.com

***www.factfinder.census.gov

****www.tea.state.tx.us/perfreport/aeis/2007/index.html

*****www.tracer2.com

**City of Copperas Cove, Texas
PRINCIPAL EMPLOYERS**

2007

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Fort Hood - Military	39,262	1
Fort Hood - Civilian	14,939	2
Central Texas College	3,874	3
Copperas Cove ISD	1,218	4
GC Services	1,059	5
Metroplex Hospital	1,000	6
Wal-Mart	580	7
City of Copperas Cove	291	8
HEB Grocery	149	9
Windcrest Nursing Home	105	10
Totals	<u>62,477</u>	

Source: Each entity provided data.

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

Fiscal Year	Tax Year	Estimated Actual Property Value	Value of Construction Permits Issued	Bank Deposits
1998	1997	614,876,645	21,328,663	469,281,100
1999	1998	630,740,777	21,011,369	219,370,674
2000	1999	645,534,690	13,723,119	892,153,862
2001	2000	609,332,900	13,290,539	840,773,180
2002	2001	670,249,206	15,018,299	948,819,000
2003	2002	670,249,206	22,299,548	1,487,623,000
2004	2003	683,946,827	31,519,255	1,565,939,000
2005	2004	716,936,911	53,956,123	297,729,000
2006	2005	778,807,996	58,148,330	* 194,539,000
2007	2006	919,785,031	59,149,807	* 199,955,000

Source:

**Coryell County Building Department,
Appraisal Dist. City of Copperas
Cove, TX**

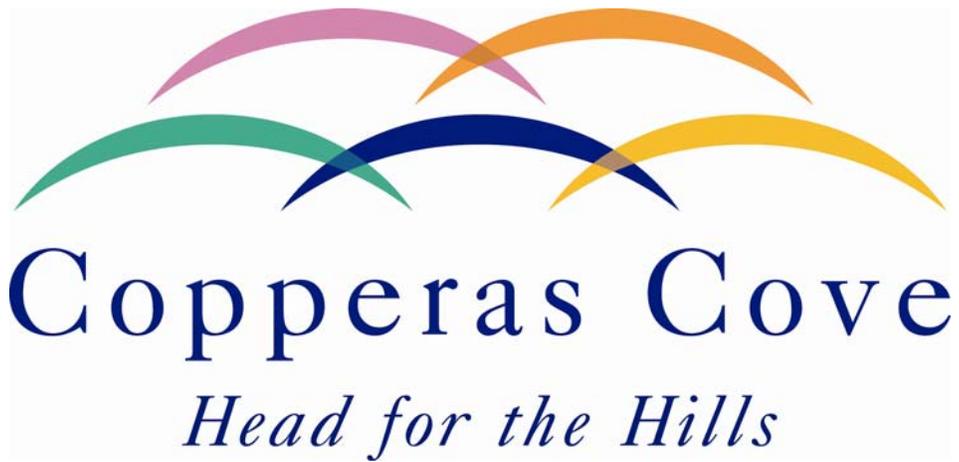
***Financial
Institutions
Copperas Cove,
Texas Only**

www.fdic.gov

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

	2007	2006	2005	2004
<u>Government Facilities</u>				
<u>Fire Protection</u>				
Number of stations:	3	3	3	3
Number of hydrants:	1,014	1,600	1,600	885
Number of volunteer firemen:	8	-	-	-
Number of paid firemen:	52	46	46	45
Firemen per 1,000 population:	1.73	1.51	1.51	1.48
<u>Police Protection</u>				
Stations	2	2	2	2
Number of reserve police officers:	-	-	-	-
Number of sworn officers:	54	53	53	53
Officers per 1,000 population:	1.80	1.74	1.74	1.74
<u>Libraries</u>				
Number of public libraries:	1	1	1	1
Number of volumes:	64,180	62,572	59,957	57,363
Circulation of volume:	95,826	102,986	109,299	106,348
Circulation per capita:	3.19	3.50	3.70	3.63
<u>Parks and Recreation</u>				
Park acreage developed:	214	214	214	214
Park acreage undeveloped:	163	163	163	163
Playgrounds:	6	5	5	5
<u>Streets (all figures approximate)</u>				
Paved streets:	129 miles	121 miles	121 miles	110 miles
Unpaved streets:	0 miles	0 miles	0 miles	0 miles
<u>Utilities</u>				
<u>Water System</u>				
Miles of water mains:	255	230	230	227
Daily average consumption:	4 MGD	4 MGD	4 MGD	5 MGD
Maximum daily capacity:	13.5 MGD	13.5 MGD	13.5 MGD	13.5 MGD
Number of service connections:	12,472	11,195	10,801	10,466
Source of water:	BCWCID No. 1*	BCWCID No. 1*	BCWCID No. 1*	BCWCID No. 1*
<u>Sewage System</u>				
Miles of sanitary sewers:	350	210	210	200
Number of lift stations:	14	14	14	14
Daily average treatment:	3.1 MGD	3.1 MGD	3.1 MGD	3.1 MGD
Maximum capacity of treatment plants:	9.0 MGD	9.0 MGD	9.0 MGD	6.35 MGD
Number of service connections:	9,813	9,813	9,813	9,508
<u>Community Statistics</u>				
Manufacturing Employees:	-	-	-	-
School District Employees:	1,218	1,162	1,159	1,142
City Employees:	291	281	279	279
Fort Hood Servicemen:	39,262	43,995	45,777	45,777
Fort Hood Non-Servicement Employee	8,909	8,909	12,134	12,134

2003	2002	2001	2000	1999
3	2	2	2	2
750	865	838	838	709
-	-	10	10	15
45	45	39	39	36
1.74	1.74	1.22	1.19	1.14
1	1	1	1	1
-	1	2	2	1
51	48	51	51	50
1.70	1.85	1.73	1.57	1.62
1	1	1	1	1
57,427	55,100	50,643	50,643	50,000
130,785	112,050	129,592	127,648	104,208
5.12	4.31	5.04	3.93	3.31
214	214	214	214	209
163	163	163	163	168
5	5	5	5	5
110 miles	140 miles	140 miles	140 miles	140 miles
0 miles	6.5 miles	6.5 miles	6.5 miles	6.5 miles
225	200	200	200	200
3.7 MGD	3.2 MGD	3.0 MGD	3.7 MGD	3.2 MGD
7.21 MGD	7.19 MGD	8.75 MGD	8.75 MGD	8.75 MGD
10,132	10,365	10,441	10,261	10,261
BCWCID No. 1*				
200	143	138	138	119
13	11	13	13	12
2.6 MGD				
6.35 MGD	6.35 MGD	6.35 MGD	6.35 MGD	5.85 MGD
9,439	9,439	9,413	9,413	9,413
-	-	96	96	96
1,253	1,263	1,265	1,265	1,265
279	272	266	266	271
40,672	40,672	42,000	42,000	42,000
13,724	13,724	6,538	6,538	6,538

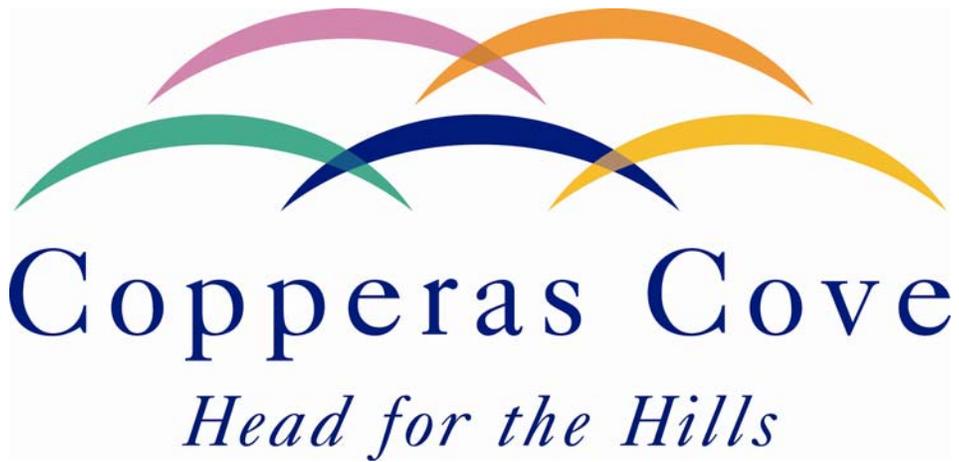


Copperas Cove

Head for the Hills

**CITY OF COPPERAS COVE, TEXAS
COMPLIANCE REPORT**

“ The City Built for Family Living ”



Copperas Cove

Head for the Hills



Lott, Vernon & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

KILLEEN • COPPERAS COVE • TEMPLE

109 EAST AVENUE B
POST OFFICE BOX 935
KILLEEN, TEXAS 76540

254/526/0571
800/460/0571
FAX 254/526/7667

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

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL 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, 2007, which comprise the City of Copperas Cove's basic financial statements and have issued our report thereon dated March 14, 2008. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Copperas Cove's 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City of Copperas Cove in a separate letter dated March 14, 2008.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Copperas Cove's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Copperas Cove's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Copperas Cove's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies of material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Copperas Cove's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Copperas Cove's financial statements that is more than inconsequential will not be prevented or detected by the City of Copperas Cove's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Copperas Cove's internal control. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the City of Copperas Cove in a separate letter dated March 14, 2008.

This report is intended for the information of the City's council, the management, federal awarding agencies, and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Lott, Vernon & Company P.C.

Killeen, Texas
March 14, 2008