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City of Copperas Cove, Texas

Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2020

City of Copperas Cove, Texas

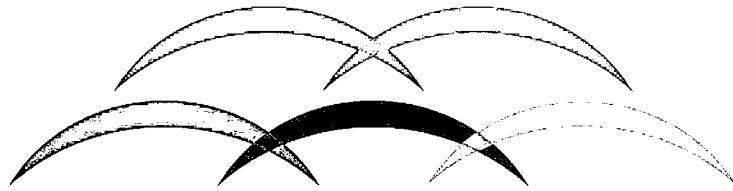
Vision Statement

The Vision of the City of Copperas Cove is to be the premier family oriented community in the Fort Hood/Central Texas region.

Mission Statement

The City of Copperas Cove strives to be a community valuing opportunity and partnerships, promoting family values, a healthy environment, and enhancing the quality of life in a fiscally responsible manner.

Adopted by the City Council on March 21, 2017



City of Copperas Cove

"The City Built for Family Living"

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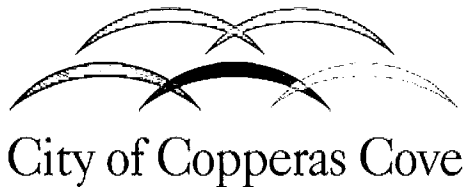
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Introductory Section

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“The City Built for Family Living”

March 29, 2021

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

The Comprehensive Annual Financial Report (CAFR) of the City of Copperas Cove, Texas, for the fiscal year ended September 30, 2020, 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 provides the City Council, City staff, our citizens, our bondholders and any other interested parties with valuable detailed information concerning the financial condition and activities 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 Weaver and Tidwell, L.L.P., 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, 2020, 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 unmodified opinion that the City of Copperas Cove’s financial statements for the fiscal year ended September 30, 2020, 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 bylaws and appoints its Board of Directors, thereby overseeing the ½ cent sales tax allocated for economic development. In November 2016, proposition 2 was passed to reduce the ½ cent sales tax to ⅜ cent sales tax. The purpose of this change was to use the ⅛ cent to fund the City's street maintenance plan. In November 2020, the citizens voted to continue with the reallocation of the ⅛ cent towards the street maintenance plan.

Generally Accepted Accounting Principles (GAAP) 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 35 (IH-35). Copperas Cove is fortunately located on a main East-West line of the Santa Fe Railroad. There are approximately 17.1 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 copper-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; and recreational activities and cultural events. In addition to general government activities, other funds exist 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 35,837, in accordance with resolution 2020-1, 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. 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 35,830, per the Fort Hood Fast Facts published on October 7, 2020. Fort Hood has a significant economic impact on the local economy in the form of payroll, contracts, local purchases, and school aid. The City's economy is primarily service-oriented, virtually tied in every way to the operations at Fort Hood.

The Copperas Cove Independent School District provides high quality education to its students and has attained a Recognized Rating from the Texas Education Agency (TEA). The Independent School district serves the educational needs of over 8,100 students in grades K-12 with a staff of over 1,300 teachers, administrators, and support personnel. There are 11 campuses and 29% of the student population comes from military families, due to the close proximity to Fort Hood. All campuses are accredited by the TEA. Central Texas College and Texas A&M University-Central Texas 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.

Ad Valorem Taxes. Property tax revenues are the City's largest source of the funding. Tax collections totaled \$10.9 million for fiscal year 2020, an increase of 2.6% from prior year. The City has experienced a decline in net taxable value since 2009; this decline is the result of the disabled veteran's exemption and the over 65 tax freeze.

Sales Tax. After property tax revenues, the General Fund's second largest revenue and most volatile source is sales tax generated from a variety of businesses operating in the City of Copperas Cove. Sales tax collections have increased by approximately 15.2 percent in comparison to fiscal year 2019.

Overall, the City is maintaining adequate funding for expenditures and reserves as required by the fund balance policy. The City continues 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.

Long-term Financial Planning

The City has a five-year financial plan composed of a staffing requirement plan, a capital improvement, and a capital outlay plan. Due to the challenges provided by the economy these plans are closely monitored and adjusted accordingly.

The City has an Audit Committee to discuss financial information for long-term planning, financial policies, internal controls, and fund balance reserve requirements.

Annually, a multi-year budget is presented to City Council as part of the budget process. Multi-year budgeting will help to further streamline the current budgeting process for future year budgets. This document forecasts the operating and debt service funds for the upcoming three years. In addition, a multi-year Capital Outlay Plan (COP), Capital Improvement Plan (CIP), Personnel Improvement Plan (PIP), and Debt Service requirement is prepared and presented to City Council as part of the annual process.

MAJOR INITIATIVES

At the end of the 2020 fiscal year, the City of Copperas Cove had a number of major projects ongoing that are worth noting. Additional information related to the capital improvement projects and funding for those improvements is located on the City's website under the Five-Year Capital Improvement Plan.

City Council and City staff continue working to ensure the completion of ongoing projects that will provide infrastructure improvements to the City's water/wastewater systems, roadways, and drainage systems. The Water System Study provides "a list of recommended improvements that has been developed to address immediate concerns and deficiencies in the Copperas Cove water system. These improvements are referred to as Phase I Improvements in the total amount of \$11.3 million and are necessary for the water distribution system to provide an adequate level of service and satisfy design criteria under current existing conditions. Phase I Improvements consists of four projects whose primary goal is to address the water storage deficiencies and improve water transmission capabilities." Phase I was authorized by City Council, beginning with the Southwest Water Improvements project. Phase II and III projects are longer term and total \$27.6 million to address population growth.

ACCOMPLISHMENTS

During fiscal year 2020, 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

- ◆ Conducted a National Night Out Event and a National Night Out Kick Off Party.
- ◆ Provided police protection during numerous community events.
- ◆ Continued the Crime Stoppers Program, Kiddo Card Program, Neighborhood Watch Program, Gunlock Program, and Copperas Cove Citizens Police Academy Program.
- ◆ Continued providing crime prevention programs and distribution of safety materials.
- ◆ Continued the Tobacco Grant Program, tobacco stings, and business compliance inspections.
- ◆ Continued participation in the Bulletproof Vest Grant Program.
- ◆ Maintained above average clearance rates in Part I & Part II crimes as compared to state averages.
- ◆ Provided Citizens Response to Active Shooter Events (CRASE) training to various civilian organizations and churches.
- ◆ Continued physical readiness testing event with a Department pass rate of 96%.

Fire

- ◆ Meet all local, state, and federally-mandated training requirements related to fire protection and emergency medical response.
- ◆ Tested every nursing home in the jurisdiction to include residents and staff for Coronavirus in support of Governor Abbott's directive.
- ◆ Fully integrated Active 911 reporting for all fire and EMS apparatus and fire stations.
- ◆ Adopted a Clean Cab Policy to help aid in cancer prevention.

Community Services

- ◆ Managed to continue library services through a global pandemic and a new curbside service to circulate materials with minimal contact.
- ◆ Created and operated a Covid-19 information hotline.
- ◆ Library maintained accreditation by the Texas State Library & Archives Commission.
- ◆ Provided a successful Summer Reading program and Hero Camp during a global pandemic.
- ◆ Engaged community during COVID-19 with on-line contest, projects and fitness workouts.
- ◆ Secured a donation to install a fountain in City Park pond.
- ◆ Conducted Youth Basketball with 422 participants.
- ◆ Conducted Swimming lesson for 6 levels of ability with 173 participants registered.
- ◆ Conducted Youth winter Soccer program with 518 participants.
- ◆ Conducted Youth Baseball / Softball program with over 786 participants.

Public Works

- ◆ Continued to ensure all Federal, State and Local requirements were met.
- ◆ Completed the design of the Rattlesnake Elevated Storage Tank and move forward with construction phase.
- ◆ Completed the transition of Utility Administration from a third party to an in-house billing and customer care services.
- ◆ Completed the full SCADA system update.
- ◆ All personnel continued training for license/certification requirements.
- ◆ Began construction phase of the Northeast Wastewater Treatment U.V.

Solid Waste

- ◆ Won the GCAA of Sustained Excellence Award for the consecutive 13th years.
- ◆ 1,500 tons of recyclables were collected and kept away from the landfill resulting in savings for our City and helping the environment.
- ◆ Hosted two City-Wide clean-up events.
- ◆ Successfully submitted quarterly and semiannual report for groundwater monitoring.

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 combined financial statement.

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 30, the City Council adopts an annual operating budget for the ensuing fiscal year. The operating budget includes anticipated revenues and expenditures for the General Fund, Special Revenue Funds, 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 Budget Director. Any changes to the budget outside of an individual department can only be made by a City Council ordinance or resolution. Any revisions that alter the total expenditures of any fund must be adopted by the City Council after formal public budget hearings.

Fund Balance: The City adopted a policy of retaining 25% of funds' expenditures in its fund balance for the General fund and Utility Funds.

Other Financial Policies: Other financial policies the City has adopted include the calculation of Indirect Cost Recovery for the General Fund from the Utility funds for the General and Administrative cost incurred in conducting business, such as payroll, financial reporting, accounts payable, purchasing, and budgeting. Other policies adopted include procedures for Budget Amendments, Budget transfers, Purchasing, Investments, Capital Assets, and Debt Management Policy.

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 (CAFR) for the fiscal year ended September 30, 2019. This was the 28th 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 (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. 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 should also 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 Weaver and Tidwell L.L.P. is greatly appreciated.

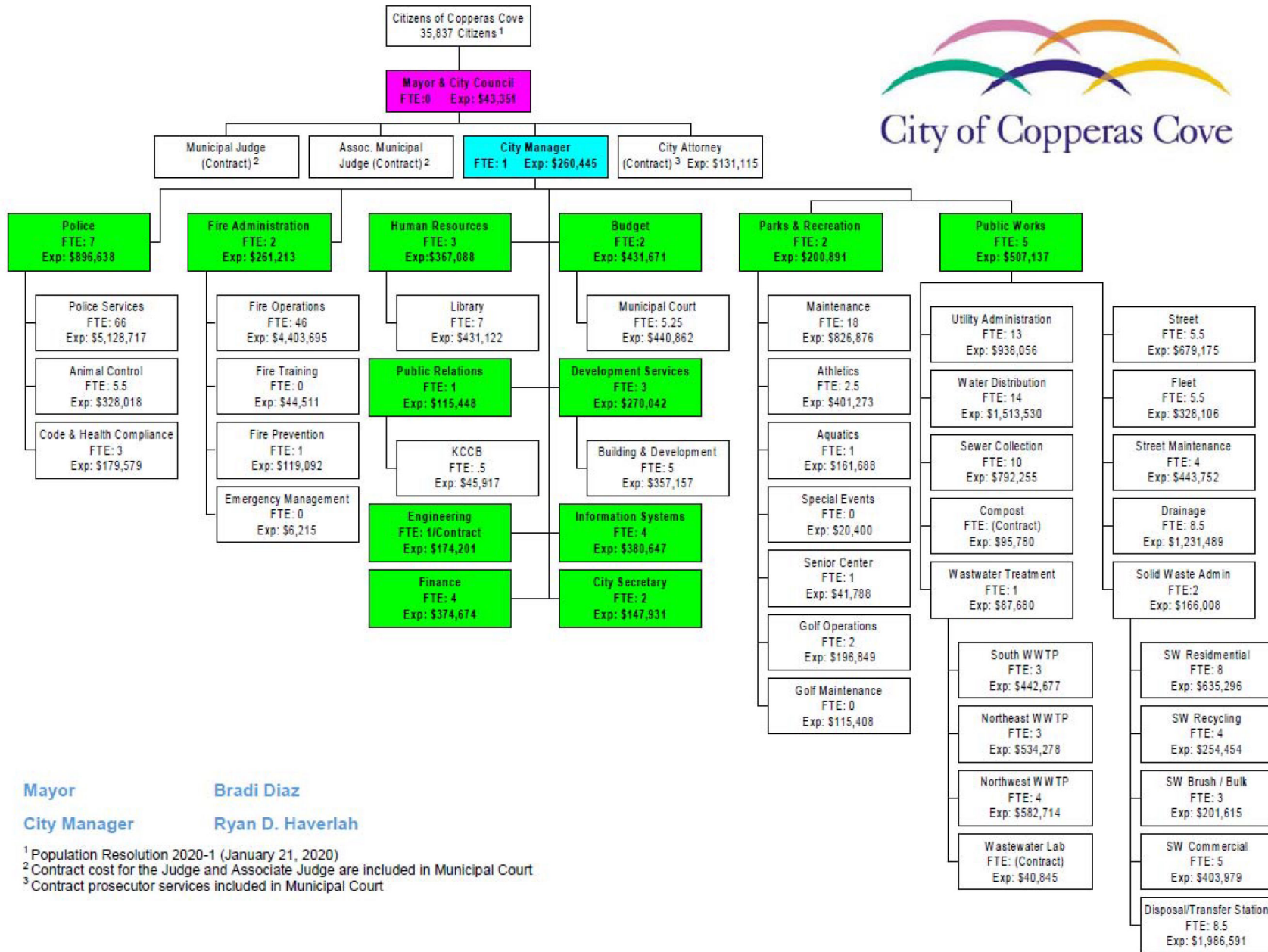
Respectfully submitted,



Ryan Haverlah
City Manager



Velia Key
Director of Financial Services



Mayor

Bradi Diaz

City Manager

Ryan D. Haverlah

¹ Population Resolution 2020-1 (January 21, 2020)

² Contract cost for the Judge and Associate Judge are included in Municipal Court

³ Contract prosecutor services included in Municipal Court

City of Copperas Cove, Texas

List of Principal Officials

City Council

Bradi Diaz – Mayor
Dan Yancey – Mayor Pro Tem

Joann Courtland – Council Member	Dianne Campbell – Council Member
Fred Chavez – Council Member	Marc Payne – Council Member
Jay Manning – Council Member	Jack Smith – Council Member

City Staff

Reporting to City Council

Ryan D. Haverlah, City Manager
Denton, Navarro, Rocha, Bernal & Zech P.C., City Attorney
F.W. “Bill” Price, City Judge
Lisa Kubala, Associate Municipal Judge

Reporting to the City Manager

Ariana Beckman, Director of Budget
Eddie Wilson, Chief of Police
Jeff Davis, Director of Human Resources
Jeff Stoddard, Director of Parks and Recreation
Kevin Keller, Director of Public Relations
Lisa Wilson, City Secretary
Michael Neujahr, Chief of Fire
Robert Lewis, Director of Development Services
Scott Osburn, Director of Public Works
Terry Gearhart, Director of Information Technology
Velia Key, Director of Financial Services



Government Finance Officers Association

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, 2019

Christopher P. Morill

Executive Director/CEO

Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

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, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4, The City restated beginning net position related to governmental activities and specifically related to the golf course to correct errors related to depreciation expense as of September 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary information and pension schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining financial statements and budget comparisons, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and budget comparisons were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund statements and budget comparisons are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
March 29, 2021

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Management's Discussion and Analysis

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Management's Discussion and Analysis

As management of the City of Copperas Cove, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii – xiii of this report, as well as the City's financial statements beginning on page 20 and the accompanying notes to the financial statements.

Financial Highlights

- The total net position of the City increased to \$65.7 million from the prior year's \$58.6 million.
- As of September 30, 2020, the City's governmental funds reported combined ending fund balances of \$26 million, an increase of \$2 million in comparison with prior year.
- As of September 30, 2020, unassigned fund balance for the General Fund was \$10.6 million, or 70% of total General Fund expenditures. Unassigned fund balance, when compared to prior year, increased 32%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 City's net position changed during the most recent fiscal year. All changes in net position 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 (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements 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 services, 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 20 through 23 of this report.

Fund Financial Statements – 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. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Establishment of some funds is required by state laws or bond covenants. However, the City Council established other funds to help control and manage money for particular purposes or as evidence of meeting legal responsibilities for using certain taxes, grants and other money. 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 useful 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 City'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 Debt Service Fund since they are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The budgetary comparison schedules can be found on pages 72 and 94 – 103.

The basic governmental fund financial statements can be found on pages 26 and 29 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, the 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 32 through 36 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 39 through 70 of this report.

Other information – The combining statements previously referred to in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 80 through 96 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, 2020.

Net Position

The following table reflects the Condensed Statement of Net Position as of September 30, 2020 and the previous year.

	Condensed Statement of Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 28,658,126	\$ 25,749,037	\$ 34,665,166	\$ 29,628,214	\$ 63,323,292	\$ 55,377,251
Capital assets	42,608,027	40,056,323	57,904,393	57,485,416	100,512,420	97,541,739
Total assets	71,266,153	65,805,360	92,569,559	87,113,630	163,835,712	152,918,990
Deferred outflows of resources	1,690,758	3,233,692	478,359	1,112,431	2,169,117	4,346,123
Other liabilities	2,332,167	1,573,369	2,853,632	2,261,224	5,185,799	3,834,593
Long-term liabilities	44,416,284	47,309,080	48,373,332	46,993,893	92,789,616	94,302,973
Total liabilities	46,748,451	48,882,449	51,226,964	49,255,117	97,975,415	98,137,566
Deferred inflows of resources	1,731,909	401,712	516,523	106,638	2,248,432	508,350
Net position						
Net investment in capital assets	16,171,757	14,587,776	25,171,135	23,105,717	41,342,892	37,693,493
Restricted	4,922,034	4,417,258	152,186	150,812	5,074,220	4,568,070
Unrestricted	3,382,760	749,857	15,981,110	15,607,777	19,363,870	16,357,634
Total net position	\$ 24,476,551	\$ 19,754,891	\$ 41,304,431	\$ 38,864,306	\$ 65,780,982	\$ 58,619,197

The City's combined net position was \$65.7 million as of September 30, 2020. Of the \$65.7 million, \$24.4 million was in the governmental activities and \$41.3 million was in the business-type activities. The City's total net position increased when compared to the prior year by \$6.8 million.

Net position consists of three components: net investment in capital assets, restricted net position and unrestricted net position. The first portion of net position (\$41 million or 63%) reflects the City's investment in capital assets, less any related debt used to acquire or construct the assets that are still outstanding. Compared to last year, the City's net investment in capital assets increased \$3.6 million or 9.7%. 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 position which totaled \$5 million at September 30, 2020, or 8% of overall total net position. Restricted net position represents resources that are subject to external restrictions on how they may be used. Restricted net position increased \$506 thousand or 11% compared to September 30, 2019.

The third portion consists of unrestricted net position totaling \$19.3 million or 29% of total net position. Unrestricted net position may be used to meet the City's ongoing obligation to citizens and creditors. Unrestricted net position decreased \$3 million or 18% compared to September 30, 2019.

Changes in Net Position

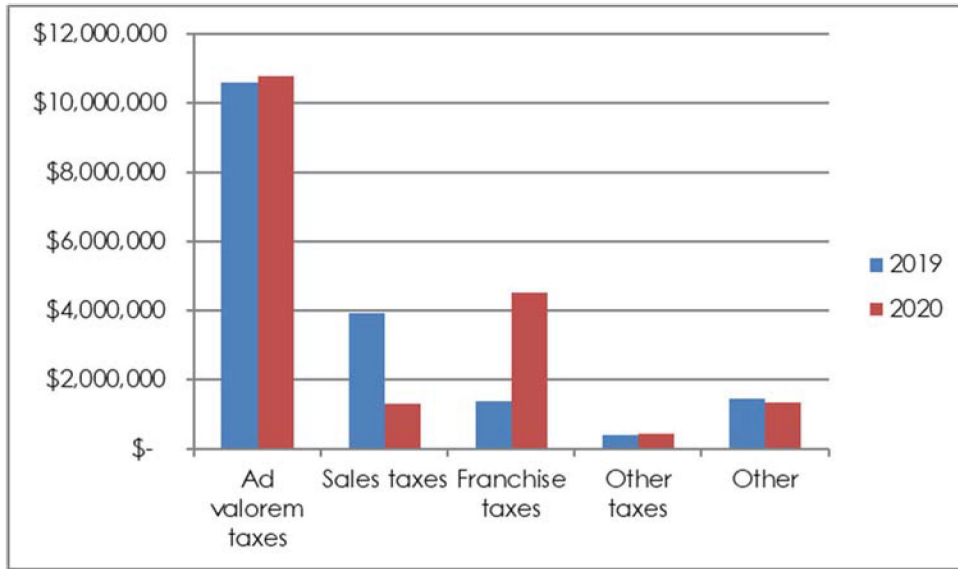
The City's total revenues for the fiscal year ended September 30, 2020, were \$43 million. Total revenues increased when compared to the prior year by \$3 million or 7%. The City's total costs of all programs and services increased to \$1.2 million, a decrease of 3.5% from the previous year.

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues						
Charges for services	\$ 3,604,365	\$ 3,918,458	\$ 17,826,255	\$ 17,354,004	\$ 21,430,620	\$ 21,272,462
Operating grants and contributions	2,709,367	-	-	-	2,709,367	-
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Ad valorem taxes	10,793,500	10,612,611	-	-	10,793,500	10,612,611
Sales taxes	4,514,912	3,918,847	-	-	4,514,912	3,918,847
Franchise taxes	1,318,160	1,366,766	-	-	1,318,160	1,366,766
Other taxes	454,739	422,274	-	-	454,739	422,274
Interest and investment earnings	104,883	420,199	174,405	635,516	279,288	1,055,715
Miscellaneous	1,220,918	1,019,390	364,144	528,199	1,585,062	1,547,589
Total revenues	24,720,844	21,678,545	18,364,804	18,517,719	43,085,648	40,196,264
Expenses						
General government	3,484,004	3,498,370	-	-	3,484,004	3,498,370
Community services	2,200,325	2,093,206	-	-	2,200,325	2,093,206
Fleet and facility maintenance	300,784	274,359	-	-	300,784	274,359
Highways and streets	2,021,629	1,530,288	-	-	2,021,629	1,530,288
Public safety	12,292,733	12,032,251	-	-	12,292,733	12,032,251
Interest and fiscal charges	1,207,160	1,314,120	-	-	1,207,160	1,314,120
Water and sewer	-	-	10,492,326	9,975,419	10,492,326	9,975,419
Solid waste	-	-	3,903,165	3,616,568	3,903,165	3,616,568
Golf course	-	-	351,764	708,069	351,764	708,069
Total expenses	21,506,635	20,742,594	14,747,255	14,300,056	36,253,890	35,042,650
Increase (decrease) in net position before transfers	3,214,209	935,951	3,617,549	4,217,663	6,831,758	5,153,614
Transfers	1,507,451	1,449,971	(1,507,451)	(1,449,971)	-	-
Change in net position	4,721,660	2,385,922	2,110,098	2,767,692	6,831,758	5,153,614
Net position, beginning - as restated	19,754,891	17,368,969	39,194,333	36,096,614	58,949,224	53,465,583
Net position, ending	\$ 24,476,551	\$ 19,754,891	\$ 41,304,431	\$ 38,864,306	\$ 65,780,982	\$ 58,619,197

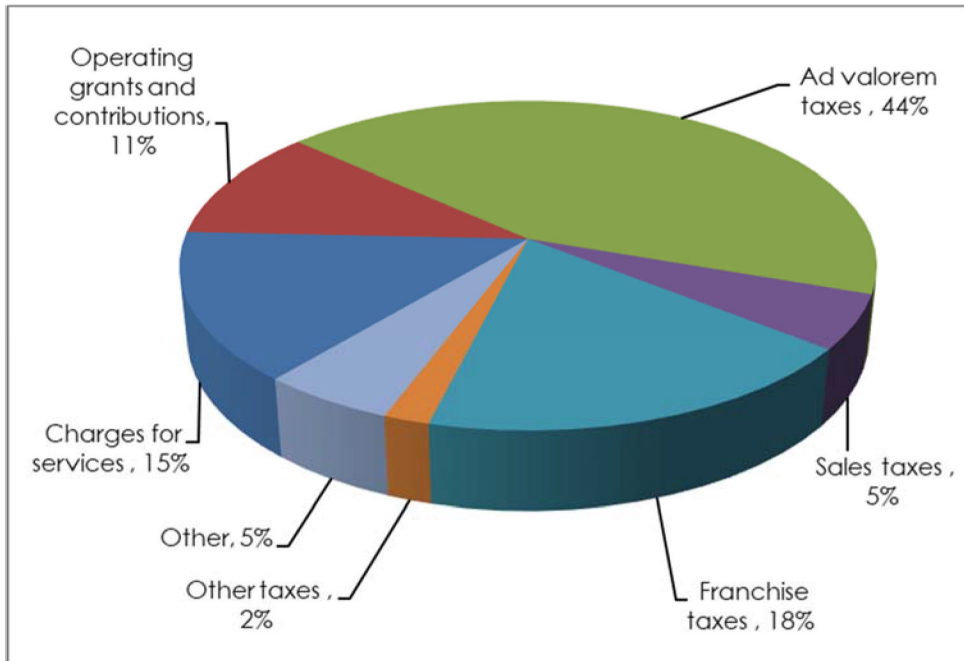
General Revenues – Governmental Activities

Governmental activities revenues such as ad valorem, sales, and franchise taxes are not shown by program, but are effectively used to support program activities City-wide. Ad valorem taxes increased to \$10.7 million, which is an increase of 1.7% compared to the previous year. Sales tax increased to \$1 million, which is an increase of 15.2% compared to the previous year due primarily to the impact of COVID.

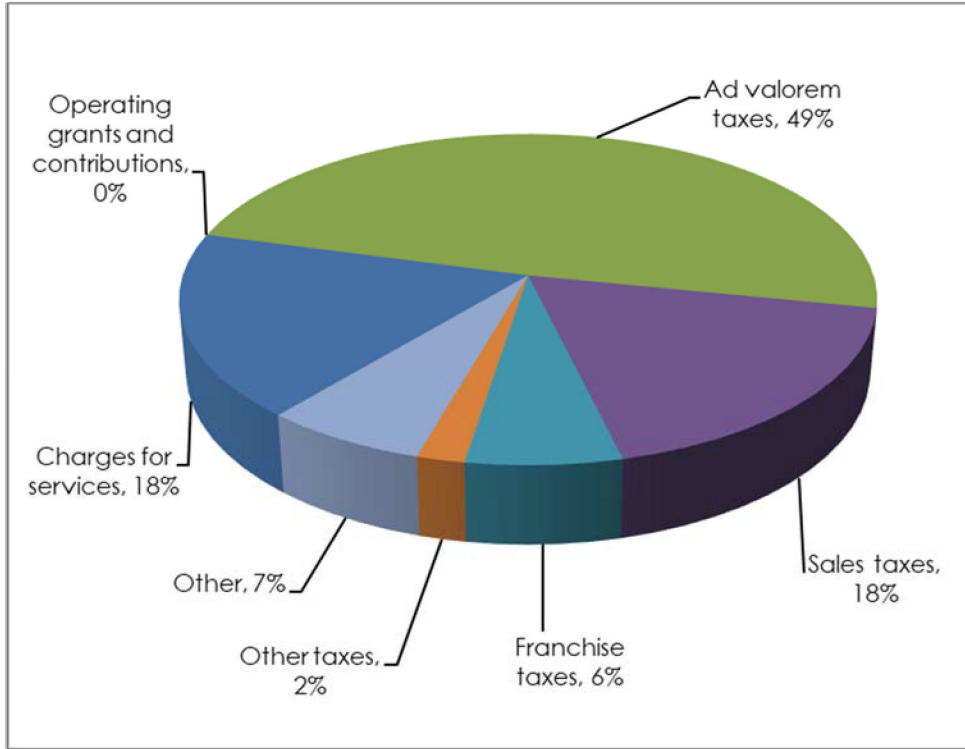
General Revenues – Governmental Activities



Revenues by Source – Governmental Activities – FY 2020



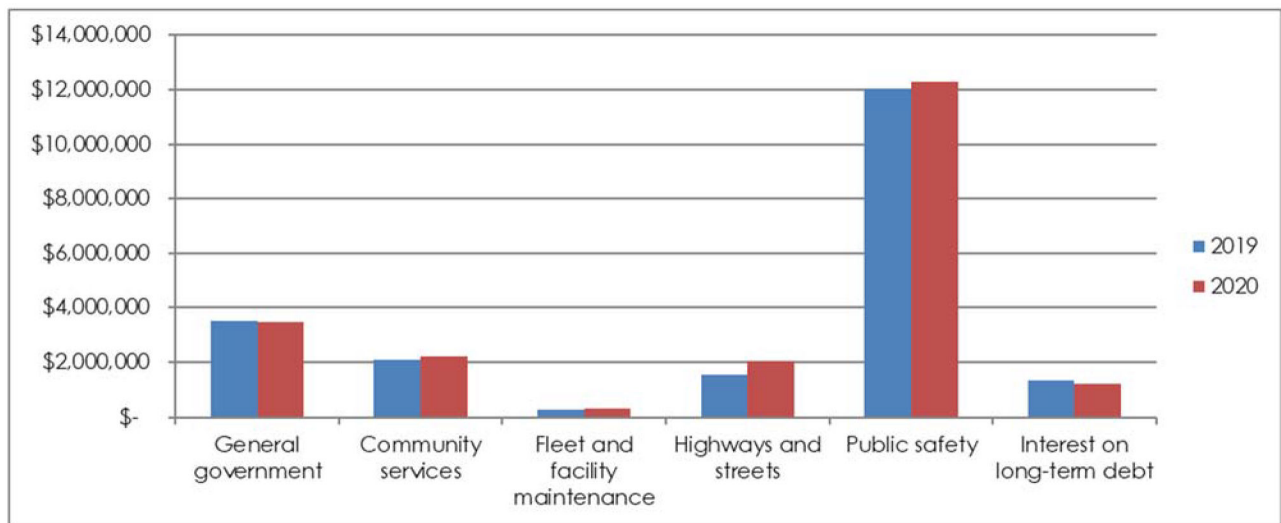
Revenues by Source – Governmental Activities – FY 2019



Expenses – Governmental Activities

The following chart illustrates the City's governmental expenses by function. As shown, Public Safety is the largest function in expenses at \$12.2 million, or 57% of total expenses compared to the prior year's \$12 million, or 58%, followed by General Government at \$3.5 million, or 16% compared to prior year's \$3.5 million, or 17%. Community Services recorded \$2.2 million, or 10% compared to prior year's \$2 million, or 10%. Highways and Streets recorded \$2 million, or 9% compared to prior year's \$1.5 million, or 7%. Fleet and facility maintenance recorded \$0.5 million, or 2% compared to prior year's \$0.5 million, or 2%. Interest on long-term debt recorded \$1.2 million, or 5% compared to prior year's \$1.2 million, or 5%.

Expenses – Governmental Activities

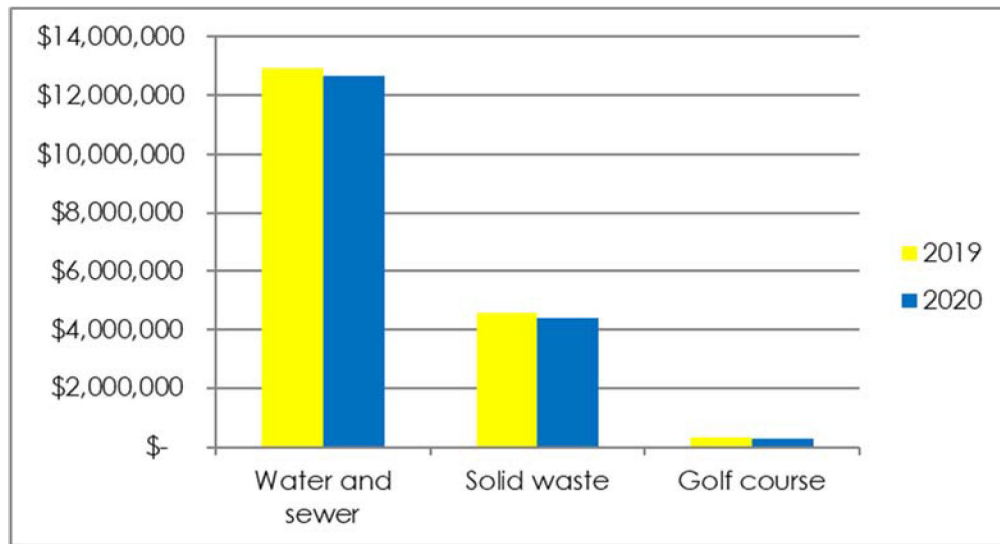


Business-type Activities – Revenues

Business-type activities increased the City's net position by \$2.1 million. Charges for services provided the largest share of revenues at 97%.

Water and sewer fees are the major revenue source for the business-type activities of the City, which recorded \$12.9 million in revenue. Compared to the prior year, water and sewer revenues increased by \$231 thousand or 1.8%. Solid Waste revenues recorded \$4.6 million, an increase of \$181 thousand, and the Golf Course Fund revenues recorded \$344 thousand, an increase of \$59 thousand.

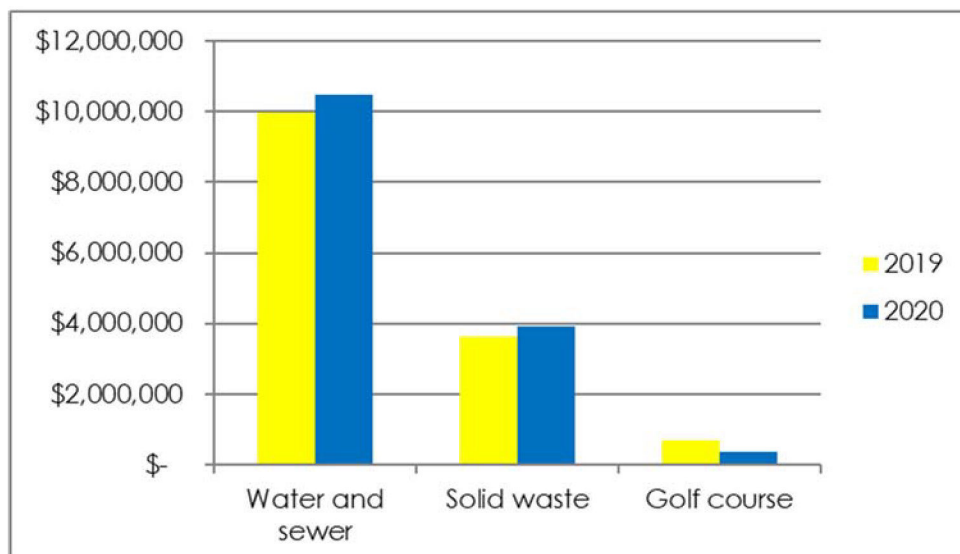
Program Revenues – Business-type Activities



Business-type Activities – Expenses

Total expenses for business-type activities were \$14.7 million, an increase of \$447 thousand, or 3.1% compared to the prior year. Water and Sewer recorded \$10.4 million in expenses, an increase of \$516 thousand or 5% compared to the prior year. Solid Waste expenses increased \$287 thousand or 7.9%. Golf Course expenses decreased from \$708 thousand in 2019 to \$351 thousand in 2020, a decrease of \$356 thousand or 50%.

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, unassigned 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, the 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 \$26 million, an increase of \$2.1 million in comparison with the prior year.

The General Fund is the chief operating fund of the City. At September 30, 2020, unassigned fund balance of the General Fund was \$10.6 million, while total fund balance was \$11 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 70% of total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$554 thousand, all of which is restricted for the payment of debt service.

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 position of the Water & Sewer Fund as of the end of the year totaled \$13 million, a decrease of \$640 thousand or 4.7%. The Solid Waste Fund unrestricted net position was \$4.3 million, an increase of \$837 thousand or 24%. Unrestricted net position for the Golf Course Fund increased by \$176 thousand in 2020.

The total increase in net position for the three funds was \$2.1 million, an increase of \$2.1 million, a decrease of \$82 thousand, and an increase of \$54 thousand, respectively. Total operating revenues in the 2020 fiscal year were \$18 million, an increase of .66% from the 2019 fiscal year. Total operating expenses totaled \$13.1 million, an increase of 3.6%. Total operating income was \$4.8 million, a decrease of \$344 thousand or 6.7%.

General Fund Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison schedules 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 budgetary comparisons are presented in this report that provide 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.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2020, the City has \$100.5 million invested in various capital assets, net of accumulated depreciation. Of the \$100.5 million, \$42.6 million is invested in governmental activities and \$57.9 million is invested in business-type activities. Compared to last year, total capital assets increased \$2.9 million. Capital assets in governmental activities increased \$2 million from the prior year. Capital assets in business-type activities increased \$2 million from the prior year.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2020. Additional information on the City's capital assets may be found in Note 2-E to the financial statements.

	Capital Assets					
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,331,355	\$ 1,331,355	\$ 917,921	\$ 917,921	\$ 2,249,276	\$ 2,249,276
Buildings and improvements	6,538,404	6,912,319	11,499	13,625	6,549,903	6,925,944
Furniture and fixtures	57	57	-	-	57	57
Vehicles	1,202,918	1,008,428	2,045,259	2,546,482	3,248,177	3,554,910
Equipment	1,340,843	794,922	666,476	538,975	2,007,319	1,333,897
Facilities/infrastructure	27,618,364	27,413,350	47,740,076	48,986,778	75,358,440	76,400,128
Construction in progress	4,576,086	2,595,892	6,523,162	4,481,635	11,099,248	7,077,527
Total capital assets	\$ 42,608,027	\$ 40,056,323	\$ 57,904,393	\$ 57,485,416	\$ 100,512,420	\$ 97,541,739

Long-term Debt

The City's total debt increased by \$1.9 million during the current fiscal year. During the 2020 fiscal year, the City had the following debt issuances:

- General Obligation Refunding Bonds, Series 2020, in the amount of \$8.3 million.
- Combination Tax and Revenue Certificates of Obligation, Series 2020, in the amount of \$8.2 million.

The following schedule shows the outstanding bonds and notes of the City (both current and long-term) as of September 30, 2020 and 2019.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
General obligations	\$ 14,195,000	\$ 15,451,500	\$ 9,015,000	\$ 10,758,500	\$ 23,210,000	\$ 26,210,000
Tax/revenue certificates of obligation	21,794,258	20,821,842	34,985,742	31,083,158	56,780,000	51,905,000
Total debt	\$ 35,989,258	\$ 36,273,342	\$ 44,000,742	\$ 41,841,658	\$ 79,990,000	\$ 78,115,000

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

Bonded Debt Ratings September 30, 2020		
Bond Type	Standard & Poor's	Moody's
General obligation bonds	AA	Aa3
Certificates of obligation	AA	Aa3
Revenue bonds	AA	Aa3

Additional information on the City's long-term debt can be found in Note 2-G of the Notes to the Financial Statements.

Economic Outlook

In the fiscal year 2021 Budget, the tax rate of 78.65 cents per \$100 was approved by City Council. This is the same as the previous fiscal year, the Maintenance and Operations (General Fund) tax rate allocation of 49.7144 cents or 63% and the Interest & Sinking Fund (Debt Service) tax rate allocation of 28.9356 cents or 37% to cover all debt service payment. They both have an inverse relationship, therefore, if one portion requires to increase in order to pay all debt obligations in accordance with debt covenants then the other portion must decrease.

The Sales tax revenue source is extremely important to the City to reduce the General Fund dependency on property tax revenue. The Five Hill Shopping Area continues to thrive and 18.9% of the \$4.5 million budgeted is collected from that area alone. This source of revenue is impacted by the economic cycles and discretionary purchasing power from the consumers. The budget includes a 3% increase in comparison from the previous year. We will evaluate the amount during the preparation of the next budget cycle and propose an increase if deemed necessary.

The City continues to develop and is experiencing several housing developments under construction and anticipates the construction will continue for more than a decade. Heartwood Park Phase II, a development of 148 lots, has sold a large number of homes and continues construction on remaining lots. The Reserves at Skyline Mountain, a development of 57 lots, finished installing infrastructure and is currently constructing and selling homes. There are also three additional housing developments including Creekside Hills, Heartwood Park Phase III, and Valley at Great Hills with over 2,400 lots in the platting and design phases that will provide additional housing needs for Copperas Cove. The City is also pursuing the purchase of certificates of convenience and necessity (CCN) to provide water service to several of these developments.

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 City'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
 914 South Main Street
 Copperas Cove, Texas 76522
 (254) 547-4221

Or visit our website at <http://www.copperascovetx.gov>

Basic Financial Statements

City of Copperas Cove, Texas

Statement of Net Position

September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 24,099,796	\$ 17,430,822	\$ 41,530,618	\$ 6,848,279
Restricted cash and investments	-	8,252,108	8,252,108	-
Receivables (net of allowance)				
Taxes	1,192,060	-	1,192,060	259,471
Accounts	658,363	6,082,663	6,741,026	-
Fines	70,103	-	70,103	-
Ambulance fees	67,232	-	67,232	-
Grants	2,326,269	-	2,326,269	-
Inventories	75,964	29,244	105,208	-
Prepaid items	123,870	8,933	132,803	10,087
Notes receivable	44,469	2,856,313	2,900,782	-
Capital assets				
Nondepreciable	5,907,441	7,441,083	13,348,524	612,460
Depreciable (net)	36,700,586	50,463,310	87,163,896	2,275
Total assets	71,266,153	92,564,476	163,830,629	7,732,572
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - pension	1,145,386	280,789	1,426,175	70,672
Deferred outflow - OPEB	274,926	-	274,926	-
Deferred outflow - refunding	270,446	197,570	468,016	-
Total deferred outflows of resources	1,690,758	478,359	2,169,117	70,672
Total assets and deferred outflows of resources	72,956,911	93,042,835	165,999,746	7,803,244

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Copperas Cove, Texas
Statement of Net Position – Continued
September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 836,187	\$ 882,819	\$ 1,719,006	\$ 5,554
Retainage payable	-	60,512	60,512	-
Accrued liabilities	553,264	393,423	946,687	15,082
Due to other governments	154,570	-	154,570	-
Unearned revenue	489,571	1,001	490,572	-
Other liabilities	161,527	-	161,527	-
Accrued interest payable	137,048	178,662	315,710	2,789
Customer deposits	-	1,337,215	1,337,215	-
Noncurrent liabilities				
Due within one year	3,682,123	4,159,138	7,841,261	100,000
Due in more than one year	40,734,161	44,214,194	84,948,355	1,463,016
Total liabilities	46,748,451	51,226,964	97,975,415	1,586,441
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow - pension	1,524,941	516,523	2,041,464	12,319
Deferred inflow - OPEB	206,968	-	206,968	-
Total deferred inflows of resources	1,731,909	516,523	2,248,432	12,319
NET POSITION				
Net investment in capital assets	16,171,757	25,717,224	41,888,981	614,735
Restricted for				
Debt service	554,499	152,186	706,685	-
Community services	251,978	-	251,978	-
Highways and streets	3,562,413	-	3,562,413	-
Public safety	229,510	-	229,510	-
Economic development	323,634	-	323,634	5,589,749
Unrestricted	3,382,760	15,429,938	18,812,698	-
TOTAL NET POSITION	\$ 24,476,551	\$ 41,299,348	\$ 65,775,899	\$ 6,204,484

City of Copperas Cove, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 3,484,004	\$ 1,398,277	\$ -	\$ -
Community services	2,200,325	340,640	-	-
Fleet and facility services	300,784	-	-	-
Highways and streets	2,021,629	49,597	-	-
Public safety	12,292,733	1,675,988	2,709,367	-
Interest and fiscal charges	1,207,160	-	-	-
Total governmental activities	21,506,635	3,464,502	2,709,367	-
Business-type activities				
Water and sewer	10,492,326	12,910,843	-	-
Solid waste	3,903,165	4,570,951	-	-
Golf course	351,764	344,461	-	-
Total business-type activities	14,747,255	17,826,255	-	-
Total primary government	<u>\$ 36,253,890</u>	<u>\$ 21,290,757</u>	<u>\$ 2,709,367</u>	<u>\$ -</u>
COMPONENT UNIT				
Economic development	\$ 736,346	\$ -	\$ -	\$ -
Interest on long-term debt	42,888	-	-	-
Total component unit	<u>\$ 779,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		General revenues		
		Taxes		
		Ad valorem taxes		
		Sales taxes		
		Franchise taxes		
		Other taxes		
		Miscellaneous		
		Investment earnings		
		Gain/(loss) on disposal of asset		
		Transfers		
		Total general revenues and transfers		
		Change in net position		
		Net position, beginning - as previously reported		
		Prior period adjustment		
		Net position, beginning - restated		
		Net position, ending		

The Notes to the Basic Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,085,727)	\$ -	\$ (2,085,727)	
(1,859,685)	-	(1,859,685)	
(300,784)	-	(300,784)	
(1,972,032)	-	(1,972,032)	
(7,907,378)	-	(7,907,378)	
(1,207,160)	-	(1,207,160)	
(15,332,766)	-	(15,332,766)	
-	2,418,517	2,418,517	
-	667,786	667,786	
-	(7,303)	(7,303)	
-	3,079,000	3,079,000	
(15,332,766)	3,079,000	(12,253,766)	
			\$ (736,346)
			(42,888)
			(779,234)
10,793,500	-	10,793,500	-
4,514,912	-	4,514,912	1,500,249
1,318,160	-	1,318,160	-
454,739	-	454,739	-
1,353,703	169,322	1,523,025	25,140
104,883	364,144	469,027	54,838
7,078	-	7,078	340
1,507,451	(1,507,451)	-	-
20,054,426	(973,985)	19,080,441	1,580,567
4,721,660	2,105,015	6,826,675	801,333
19,754,891	38,864,306	58,619,197	5,403,151
-	330,027	330,027	-
19,754,891	39,194,333	58,949,224	5,403,151
<u>\$ 24,476,551</u>	<u>\$ 41,299,348</u>	<u>\$ 65,775,899</u>	<u>\$ 6,204,484</u>

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City of Copperas Cove, Texas

Governmental Funds

General Fund – 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.

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

City of Copperas Cove, Texas

Governmental Funds

Balance Sheet

September 30, 2020

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 9,055,965	\$ 564,079	\$ 14,479,752	\$ 24,099,796
Receivables (net of allowance)				
Taxes	973,577	94,540	123,943	1,192,060
Ambulance fees	67,232	-	-	67,232
Accounts	104,079	-	554,284	658,363
Fines	65,173	-	4,930	70,103
Grants	830	-	2,325,439	2,326,269
Due from other funds	1,998,260	-	40	1,998,300
Inventory	75,964	-	-	75,964
Prepaid items	123,870	-	-	123,870
Notes receivable	-	-	44,469	44,469
TOTAL ASSETS	\$ 12,464,950	\$ 658,619	\$ 17,532,857	\$ 30,656,426
LIABILITIES				
Accounts payable	\$ 300,822	\$ 9,800	\$ 525,565	\$ 836,187
Retainage payable	-	-	-	-
Due to other funds	40	-	1,998,260	1,998,300
Due to other governments	154,570	-	-	154,570
Unearned revenue	70,026	-	419,545	489,571
Accrued liabilities	537,830	-	15,434	553,264
Other liabilities	161,527	-	-	161,527
Total liabilities	1,224,815	9,800	2,958,804	4,193,419
DEFERRED INFLOWS OF RESOURCES				
Unavailable				
Property taxes	152,666	94,320	-	246,986
Municipal court fines	65,173	-	4,930	70,103
Ambulance fees	24,601	-	-	24,601
Total deferred inflows of resources	242,440	94,320	4,930	341,690
FUND BALANCES				
Nonspendable	199,834	-	-	199,834
Restricted	70,716	554,499	14,569,123	15,194,338
Assigned	50,725	-	-	50,725
Unassigned	10,676,420	-	-	10,676,420
Total fund balances	10,997,695	554,499	14,569,123	26,121,317
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 12,464,950	\$ 658,619	\$ 17,532,857	\$ 30,656,426

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Copperas Cove, Texas

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position September 30, 2020

Total fund balances - governmental funds balance sheet \$ 26,121,317

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, including accumulated depreciation, used in governmental activities are not financial resources and, therefore are not reported in the funds. These items include:

Capital assets	75,521,765
Accumulated depreciation	(32,913,738)

Long-term debt is not due and payable in the current period, and therefore is not reported in the funds. These amounts include:

Long-term debt	(35,989,258)
Unamortized (premium) discount	(1,262,468)
Deferred charges on refunding	270,446
Accrued interest	(137,048)

Long-term employee benefit related liabilities are not due and payable in the current period, and therefore are not reported in the funds. These amounts include:

Net pension liability	(4,935,862)
Deferred outflow - pension	1,145,386
Deferred inflow - pension	(1,524,941)
Other postemployment benefits	(1,384,229)
Deferred outflow - OPEB	274,926
Deferred inflow - OPEB	(206,968)
Compensated absences	(844,467)

Revenues earned but not available at year end are not recognized on the fund statements.

These items include:

Property taxes	246,986
Ambulance fees	24,601
Municipal court fines	70,103

Net position of governmental activities - statement of net position \$ 24,476,551

City of Copperas Cove, Texas

Governmental Funds

Statement of Revenues, Expenditures, and Changes In Fund Balances

For the Fiscal Year Ended September 30, 2020

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 12,297,715	\$ 4,147,794	\$ 647,203	\$ 17,092,712
Charges for services	1,449,808	-	986,308	2,436,116
Intergovernmental	4,642	133,925	2,704,726	2,843,293
Fines	441,952	-	32,615	474,567
Licenses	50,553	-	-	50,553
Permits	369,340	-	-	369,340
Investment income	76,318	5,696,405	108,660	5,881,383
Miscellaneous	1,319,415	361	1,986	1,321,762
Total revenues	<u>16,009,743</u>	<u>9,978,485</u>	<u>4,481,498</u>	<u>30,469,726</u>
EXPENDITURES				
Current				
General government	3,144,467	-	-	3,144,467
Community services	1,898,204	-	129,744	2,027,948
Fleet and facility services	294,903	-	-	294,903
Highways and streets	549,593	-	901,491	1,451,084
Public safety	9,234,874	-	1,886,620	11,121,494
Capital outlay	63,833	-	4,564,125	4,627,958
Debt service				
Principal retirement	-	2,861,584	4,000	2,865,584
Interest and fiscal charges	-	7,003,859	48,865	7,052,724
Total expenditures	<u>15,185,874</u>	<u>9,865,443</u>	<u>7,534,845</u>	<u>32,586,162</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	823,869	113,042	(3,053,347)	(2,116,436)
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	-	-	2,485,000	2,485,000
Payment to refunding escrow agent	-	-	-	-
Refunding bonds issued	-	-	-	-
Premium on bonds	-	-	199,467	199,467
Sale of capital assets	23,499	-	4,458	27,957
Insurance recoveries	31,941	-	-	31,941
Transfers in	1,729,715	-	-	1,729,715
Transfers out	-	(42,416)	(179,848)	(222,264)
Total other financing sources (uses)	<u>1,785,155</u>	<u>(42,416)</u>	<u>2,509,077</u>	<u>4,251,816</u>
NET CHANGE IN FUND BALANCES	2,609,024	70,626	(544,270)	2,135,380
Fund balances, beginning of year	8,388,671	483,873	15,113,393	23,985,937
FUND BALANCES, end of year	<u>\$ 10,997,695</u>	<u>\$ 554,499</u>	<u>\$ 14,569,123</u>	<u>\$ 26,121,317</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Copperas Cove, Texas

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of
Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended September 30, 2020

Net change in fund balances - total governmental funds \$ 2,135,380

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report all 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. These items include:

Current year capital outlay, net of disposals	4,587,611
Depreciation expense	(2,035,907)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has an effect on net position. The impact of recording these items, and related activity includes:

Current year issuance of debt	(8,261,500)
Current year payments on debt	8,545,584
New premiums on current year issuance	(199,467)
Amortization of existing premiums	141,367
Amortization of deferred charges	(2,115)
Change in accrued interest	26,312

Compensated absences, pension liability, and other postemployment benefits are not recognized in the governmental fund financial statements as they will not be settled with current financial resources; however these obligations are recognized in the governmental activities statement of net position. The change in these items includes:

Net pension liability	2,844,855
Deferred outflow - pension	(1,787,198)
Deferred inflow - pension	(1,155,159)
Other postemployment benefits	(105,014)
Deferred outflow - OPEB	246,379
Deferred inflow - OPEB	(175,038)
Compensated absences	(73,029)

Revenues earned but not available at year end are not recognized on the fund statements.

The change in these items include:

Property taxes	(11,401)
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Change in net position of governmental activities - statement of activities \$ 4,721,660

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City of Copperas Cove, Texas

Enterprise Funds

Water and Sewer Fund – This fund is used 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, related debt service, billing and collections.

Solid Waste Fund – This fund is used 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 – This fund is used to provide for revenue and expenses related to the operations of the municipal golf course.

City of Copperas Cove, Texas

Proprietary Funds

Statement of Net Position

September 30, 2020

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	
ASSETS				
Current assets				
Cash and investments	\$ 15,444,519	\$ 1,922,628	\$ 63,675	\$ 17,430,822
Restricted cash and investments	7,084,090	875,897	292,121	8,252,108
Accounts receivable, net	2,705,876	3,374,957	1,830	6,082,663
Due from other funds	1,482,781	-	-	1,482,781
Inventory	-	-	29,244	29,244
Prepaid expenses	8,933	-	-	8,933
Notes receivable	2,856,313	-	-	2,856,313
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	29,582,512	6,173,482	386,870	36,142,864
Noncurrent assets				
Property and equipment				
Land	413,469	204,452	300,000	917,921
Buildings	189,590	-	132,722	322,312
Vehicles	1,620,190	4,373,352	61,267	6,054,809
Equipment	1,950,864	846,586	594,729	3,392,179
Facilities	32,064,184	3,784,765	1,600,245	37,449,194
Infrastructure	56,739,444	-	-	56,739,444
Construction in progress	5,811,890	35,170	676,102	6,523,162
Less accumulated depreciation	(46,590,757)	(5,561,939)	(1,341,932)	(53,494,628)
	<hr/>	<hr/>	<hr/>	<hr/>
Net property and equipment	52,198,874	3,682,386	2,023,133	57,904,393
	<hr/>	<hr/>	<hr/>	<hr/>
Total noncurrent assets	52,198,874	3,682,386	2,023,133	57,904,393
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	81,781,386	9,855,868	2,410,003	94,047,257
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	132,316	98,576	49,897	280,789
Deferred charge on refunding	197,570	-	-	197,570
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred outflows of resources	329,886	98,576	49,897	478,359

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Copperas Cove, Texas

Proprietary Funds

Statement of Net Position – Continued

September 30, 2020

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable	\$ 564,303	\$ 205,889	\$ 112,627	\$ 882,819
Accrued liabilities	96,064	294,400	2,959	393,423
Due to other funds	-	-	1,482,781	1,482,781
Unearned revenue	-	236	765	1,001
Customer deposits	1,337,215	-	-	1,337,215
Retainage payable	54,851	-	5,661	60,512
Accrued interest	168,214	7,656	2,792	178,662
Noncurrent liabilities, current portion	3,668,268	406,693	84,177	4,159,138
Total current liabilities	5,888,915	914,874	1,691,762	8,495,551
Noncurrent liabilities				
Compensated absences	76,226	25,765	720	102,711
Bonds payable	38,943,050	2,044,095	958,812	41,945,957
Pension	705,788	410,224	128,209	1,244,221
Other post employment benefits	282,747	172,919	18,454	474,120
Estimated landfill postclosure care costs	-	447,185	-	447,185
Total noncurrent liabilities	40,007,811	3,100,188	1,106,195	44,214,194
Total liabilities	45,896,726	4,015,062	2,797,957	52,709,745
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	314,174	182,733	19,616	516,523
Total deferred inflows of resources	314,174	182,733	19,616	516,523
NET POSITION				
Net investment in capital assets	22,894,344	1,694,884	1,127,996	25,717,224
Restricted for				
Debt service	41,456	110,730	-	152,186
Unrestricted	12,964,572	3,951,035	(1,485,669)	15,429,938
TOTAL NET POSITION	\$ 35,900,372	\$ 5,756,649	\$ (357,673)	\$ 41,299,348

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Copperas Cove, Texas

Proprietary Funds

Combining Statement of Revenues, Expenses
and Changes in Net Position

For the Fiscal Year Ended September 30, 2020

	Business-type Activities			Total
	Water and Sewer	Solid Waste	Nonmajor Golf Course	
OPERATING REVENUES				
Charges for services	\$ 12,910,843	\$ 4,570,951	\$ 344,461	\$ 17,826,255
Miscellaneous	31,956	120,484	16,882	169,322
Total operating revenues	12,942,799	4,691,435	361,343	17,995,577
OPERATING EXPENSES				
Personnel services	2,321,019	1,209,810	67,535	3,598,364
Supplies and materials	2,499,541	236,336	67,914	2,803,791
Services and charges	1,796,491	1,533,713	68,868	3,399,072
Maintenance and repairs	378,492	199,919	86,592	665,003
Capital outlay	-	50,781	-	-
Depreciation	2,021,863	603,756	54,579	2,680,198
Total operating expenses	9,017,406	3,834,315	345,488	13,197,209
OPERATING INCOME (LOSS)	3,925,393	857,120	15,855	4,798,368
NONOPERATING REVENUES (EXPENSES)				
Investment income	338,102	23,641	2,401	364,144
Interest and fiscal charges	(1,474,920)	(68,850)	(6,276)	(1,550,046)
Total nonoperating revenues (expenses)	(1,136,818)	(45,209)	(3,875)	(1,185,902)
NET INCOME (LOSS) BEFORE TRANSFERS	2,788,575	811,911	11,980	3,612,466
TRANSFERS				
Transfers in	667,231	-	42,416	709,647
Transfers out	(1,317,977)	(899,121)	-	(2,217,098)
CHANGE IN NET POSITION	2,137,829	(87,210)	54,396	2,105,015
Net position, beginning of year - restated	33,762,543	5,843,859	(412,069)	39,194,333
NET POSITION, end of year	<u>\$ 35,900,372</u>	<u>\$ 5,756,649</u>	<u>\$ (357,673)</u>	<u>\$ 41,299,348</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Copperas Cove, Texas

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended September 30, 2020

	Business-type Activities			Total
	Water and Sewer	Solid Waste	Nonmajor Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 12,005,070	\$ 4,245,698	\$ 361,485	\$ 16,612,253
Payments to suppliers	(4,521,259)	(2,104,570)	(144,581)	(6,770,410)
Payments to employees	(2,199,919)	(1,122,864)	19,006	(3,303,777)
Net cash provided by operating activities	5,283,892	1,018,264	235,910	6,538,066
CASH FLOWS FROM INVESTING ACTIVITIES				
Issuance of public note	-	-	-	-
Investment income	338,102	23,641	2,401	364,144
Payments on notes receivable	143,687	-	-	-
Net cash provided by investing activities	481,789	23,641	2,401	507,831
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	7,383,500	615,000	245,000	8,243,500
Principal paid on long-term debt	(4,769,000)	(325,339)	(54,112)	(5,148,451)
Interest and fiscal charges paid	(2,244,016)	(69,665)	(6,802)	(2,320,483)
Acquisition of property and equipment	(2,421,944)	-	(292,396)	(2,714,340)
Net cash provided by (used in) noncapital financing activities	(2,051,460)	219,996	(108,310)	(1,939,774)
FINANCING ACTIVITIES				
Cash received from other funds	667,231	-	42,416	709,647
Cash paid to other funds	(1,317,977)	(899,121)	-	(2,217,098)
Net cash flows provided by (used in) noncapital financing activities	(650,746)	(899,121)	42,416	(1,507,451)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,063,475	362,780	172,417	3,598,672
Cash and cash equivalents, beginning of year	19,419,365	2,414,052	266,543	22,099,960
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 22,482,840</u>	<u>\$ 2,776,832</u>	<u>\$ 438,960</u>	<u>\$ 25,698,632</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION				
Unrestricted cash and investments	\$ 15,444,519	\$ 1,922,628	\$ 63,675	\$ 17,430,822
Restricted cash and investments	7,084,090	875,897	292,121	8,252,108
TOTAL CASH AND INVESTMENTS	<u>\$ 22,528,609</u>	<u>\$ 2,798,525</u>	<u>\$ 355,796</u>	<u>\$ 25,682,930</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Copperas Cove, Texas

Proprietary Funds

Statement of Cash Flows – Continued

For the Fiscal Year Ended September 30, 2020

	Business-type Activities			Total
	Water and Sewer	Solid Waste	Nonmajor Golf Course	
RECONCILIATION OF OPERATING INCOME				
TO NET CASH PROVIDED BY OPERATING				
ACTIVITIES				
Operating income	\$ 3,925,393	\$ 857,120	\$ 15,855	\$ 4,798,368
Adjustments to reconcile operating income to net cash provided by by operating activities				
Depreciation	2,021,863	603,756	54,579	2,680,198
Changes in operating assets and liabilities				
Accounts receivable	(1,133,899)	(445,737)	142	(1,579,494)
Inventory	-	-	(13,306)	(13,306)
Prepaid expenses	(133)	347	-	214
Accounts payable	131,088	38,237	108,748	278,073
Retainage payable	-	-	5,661	5,661
Accrued liabilities	33,025	31,974	1,146	66,145
Due to other funds	22,310	-	(22,310)	-
Landfill closure costs	-	(122,405)	-	(122,405)
Accrued compensated absences	21,974	8,187	83,438	113,599
Net pension liability	2,735	30,887	898	34,520
Net OPEB obligation	63,366	15,898	1,059	80,323
Customer deposits	196,170	-	-	196,170
Total adjustments	1,358,499	161,144	220,055	1,739,698
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 5,283,892	\$ 1,018,264	\$ 235,910	\$ 6,538,066

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

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City of Copperas Cove, Texas

Notes to the Basic Financial Statements

Note 1. 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, May 3, 2003, May 10, 2008, May 8, 2010, November 6, 2012, November 4, 2014, November 8, 2016, and November 6, 2018. 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 operation 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 Copperas Cove Economic Development Corporation (CCEDC) was created in 1990 by resolution of the City Council to promote and develop new and expanded business enterprises and to provide and encourage employment and the public welfare. The City Council appoints the Board of Directors of the component unit; the organization is fiscally dependent on the City. Separate financial statements for the component unit may be obtained by contacting the CCEDC located at 914 South Main Street, Copperas Cove, Texas, 76522.

Government-wide Financial Statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component unit. As a rule, the effect of interfund activity has been eliminated from these statements. However, interfund services provided and used are not eliminated. Governmental activities, normally 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

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Also included in program revenues are grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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. The nonmajor funds are detailed in the combining financial statements section of this report.

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

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

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component unit. Amounts reported as program revenues include 1) charges to customers 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.

The fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the City 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, claims, and judgments are recorded only when payment is due.

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.

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 nonmajor 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 Projects Funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities.

The City reports the following major proprietary funds:

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

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

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

Those revenues susceptible to accrual are taxes, grants, fines, investment income and charges for services. Licenses, permits, and contributions are not susceptible to accrual because, generally, they are not measurable until received in cash. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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. These revenues are recognized in subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources.

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 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 proprietary funds are charges to customers for sales and services. Operating expense 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 expenses.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

Cash and Investments

For the purpose of the statement of cash flows, cash equivalents are defined as short-term, highly-liquid investments with an original maturity date of three months or less.

Investments for the City are reported at fair value except for the position in the State Treasurer's Investment Pool (Pool). In accordance with state law, the Pool operated in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualified as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of less than one year from the date of acquisition.

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 are accounted for as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonreciprocal interfund transactions are reported as transfers.

City of Copperas Cove, Texas
 Notes to the Basic Financial Statements

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 Revenue Funds. Encumbrances outstanding at year-end do not constitute Generally Accepted Accounting Principles (GAAP) basis expenditures or liabilities, since the commitments will be honored during the subsequent year.

Inventories and Prepaid Items

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

Restricted Assets

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

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 City as assets with an initial individual cost of more than \$5,000 and 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 completed. 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.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	25
Facilities/Infrastructure	25 - 40
Vehicles	7
Equipment	7
Furniture and fixtures	7

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

Compensated Absences

The City's vacation policy grants employee vacation depending on longevity, from ten days after one year to 20 days after 20 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 80 hours per year with a maximum accumulation of 960 hours. Fifty percent (50%) of sick pay benefits are accrued as expenditures only when the individual employee is eligible to collect retirement from the Texas Municipal Retirement System (TMRS). 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.

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, the 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Pensions and other Post-employment Benefits

For purposes of measuring the net pension liability and net OPEB liability, related deferred outflows and inflows of resources, and pension expense. City specific information about its Fiduciary Net Position in the applicable plans and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when the contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability and OPEB liability for life insurance benefits is obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with applicable Governmental Accounting Standards Board (GASB) standards. Information regarding the City's OPEB liability for retiree healthcare benefits is obtained through reports prepared for the City by its consulting actuary, Gabriel Roeder Smith & Company, in compliance with applicable GASB standards.

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred charges on bond refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in project and actual earnings on pension and OPEB assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension and OPEB experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Difference in expected and actual pension and OPEB experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Under the modified accrual basis of accounting, governmental funds report unavailable revenues from three sources: property taxes, municipal court fines, and ambulance revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which restricted and unrestricted fund balance is available, the City considered restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets (net of accumulated depreciation), reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Note 2. Detailed Notes on All Funds

A. Deposits and Investments

Substantially all deposits and investments are maintained in consolidated cash and investment accounts. Investment income relating to consolidated deposits and investments is allocated to the individual funds monthly based on each fund's pro rata share of total consolidated cash and investments. At year-end, the City's deposits were fully collateralized by either FDIC insurance or securities held by the pledging financial institution's trust department in the City's name.

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

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. 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 – In 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. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2020, the City's entire deposit balance was collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Interest Credit 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 – The City's investment policy does not allow for an investment in any one issuer that is in excess of 5% of the City's total investments.

Additionally, per its investment policy, the City is authorized to invest 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 deposit 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 Fund Investment Act.
7. Eligible investment pools in accordance with the Public Funds Investment Act, Sec. 2256.016-2256.019.

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

The City's investments at September 30, 2020 are shown below:

	Cost	Weighted Average Maturity (Days)
	<u> </u>	<u> </u>
TexPool - amortized cost	\$ 39,557,661	42
TexStar - amortized cost	2,945,036	28
	<u> </u>	
Total	<u>\$ 42,502,697</u>	

The City's investment pool is a 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 or the Investment Company Act of 1940. During the fiscal year ended September 30, 2020, the City utilized the following external investment pools.

TexPool

Under the TexPool Participation Agreement, administrative and investment firms Lehman Brothers, Inc. and Federated Investors, Inc. provide services to TexPool through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

TexStar

TexStar is managed by JPMorgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. under the TexStar board of directors, and provide investment and participant services.

TexPool and TexStar are rated "AAAm" by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review. The pools use amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of 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 if they are not collected within 60 days after the close of the City's fiscal year.

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

C. Receivables

Receivables at September 30, 2020, for the City's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, consist of the following:

	General	Debt Service	Water and Sewer	Solid Waste	Total Non-major	Total
Receivables						
Taxes	\$ 973,577	\$ 94,540	\$ -	\$ -	\$ 123,543	\$ 1,191,660
Ambulance	67,232	-	-	-	-	67,232
Fines	1,303,469	-	-	-	99,008	1,402,477
Utilities	-	-	2,705,876	3,374,957	-	6,080,833
Accounts	104,079	-	-	-	555,044	659,123
Grants	830	-	-	-	2,325,439	2,326,269
Notes	-	-	2,856,313	-	44,469	2,900,782
Gross receivables	2,449,187	94,540	5,562,189	3,374,957	3,147,503	14,628,376
Less allowance for uncollectible	1,238,296	-	-	-	94,078	1,332,374
Net total receivables	\$ 1,210,891	\$ 94,540	\$ 5,562,189	\$ 3,374,957	\$ 3,053,425	\$ 13,296,002

D. Fund Balance

Fund Balance Classification	General	Debt Service	Non-major
Nonspendable			
Inventories	\$ 75,964	\$ -	\$ -
Prepaid items	123,870	-	-
Restricted			
Tourism	-	-	175,799
Drainage	-	-	2,649,795
Municipal court	-	-	53,560
Economic development	-	-	208,270
Homeland security	-	-	151
Emergency management	-	-	3,906
Grants	70,716	-	40
City services	-	-	988,646
Debt service	-	554,499	-
Capital projects	-	-	10,488,956
Assigned			
Capital projects	50,725	-	-
Unassigned	10,676,420	-	-
Total	\$ 10,997,695	\$ 554,499	\$ 14,569,123

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

E. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance September 30, 2019	Additions	Deletions	Balance September 30, 2020
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,331,355	\$ -	\$ -	\$ 1,331,355
Construction in progress	2,595,892	3,306,064	1,325,870	4,576,086
Total capital assets not being depreciated	3,927,247	3,306,064	1,325,870	5,907,441
Capital assets, being depreciated				
Buildings	14,261,356	-	-	14,261,356
Furniture and fixtures	307,297	-	-	307,297
Vehicles	6,720,174	578,386	106,324	7,192,236
Equipment	5,328,741	698,282	45,290	5,981,733
Infrastructure	20,569,530	1,320,108	-	21,889,638
Facilities	19,950,544	31,520	-	19,982,064
Total capital assets being depreciated	67,137,642	2,628,296	151,614	69,614,324
Less accumulated depreciation				
Buildings	7,349,037	373,915	-	7,722,952
Furniture and fixtures	307,240	-	-	307,240
Vehicles	5,711,746	383,896	106,324	5,989,318
Equipment	4,533,819	131,482	24,411	4,640,890
Infrastructure	5,704,420	432,306	-	6,136,726
Facilities	7,402,304	714,308	-	8,116,612
Total accumulated depreciation	31,008,566	2,035,907	130,735	32,913,738
Total capital assets being depreciated, net	36,129,076	592,389	20,879	36,700,586
Governmental activities capital assets, net	\$ 40,056,323	\$ 3,898,453	\$ 1,346,749	\$ 42,608,027

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

	Balance September 30, 2019	Additions	Deletions	Balance September 30, 2020
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 917,921	\$ -	\$ -	\$ 917,921
Construction in progress	4,481,635	2,335,836	294,309	6,523,162
Total capital assets not being depreciated	5,399,556	2,335,836	294,309	7,441,083
Capital assets, being depreciated				
Buildings	322,312	-	-	322,312
Vehicles	5,915,390	139,419	-	6,054,809
Equipment	3,098,286	293,893	-	3,392,179
Infrastructure	56,445,135	294,309	-	56,739,444
Facilities	37,449,194	-	-	37,449,194
Total capital assets being depreciated	103,230,317	727,621	-	103,957,938
Less accumulated depreciation				
Buildings	308,687	2,126	-	310,813
Vehicles	3,368,908	640,642	-	4,009,550
Equipment	2,559,311	166,392	-	2,725,703
Infrastructure	28,276,216	944,270	-	29,220,486
Facilities	16,301,308	926,768	-	17,228,076
Total accumulated depreciation	50,814,430	2,680,198	-	53,494,628
Total capital assets being depreciated, net	52,415,887	(1,952,577)	-	50,463,310
Business-type activities capital assets, net	\$ 57,815,443	\$ 383,259	\$ 294,309	\$ 57,904,393

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

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

Government activities		
General government	\$	290,508
Public safety		1,031,060
Community service		148,806
Highways and streets		565,533
Fleet maintenance		-
		<hr/>
Total depreciation expense - government activities	\$	2,035,907
		<hr/> <hr/>
Business-type activities		
Water and sewer	\$	2,021,863
Solid waste		603,756
Golf course		54,579
		<hr/>
Total depreciation expense - business-type activities	\$	2,680,198
		<hr/> <hr/>

Discretely Presented Component Unit

Activity for the Copperas Cove Economic Development Corporation (CCEDC) for the year ended September 30, 2020 was as follows:

	Balance September 30, 2019	Additions	Deletions	Balance September 30, 2020
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, not being depreciated				
Land	\$ 612,460	\$ -	\$ -	\$ 612,460
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets not being depreciated	612,460	-	-	612,460
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, being depreciated				
Equipment	62,966	-	-	62,966
Improvements other than buildings	246,600	-	246,600	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	309,566	-	246,600	62,966
	<hr/>	<hr/>	<hr/>	<hr/>
Less accumulated depreciation				
Equipment	56,367	4,324	-	60,691
Improvements other than buildings	221,940	-	221,940	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	278,307	4,324	221,940	60,691
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated, net	31,259	(4,324)	24,660	2,275
	<hr/>	<hr/>	<hr/>	<hr/>
Discretely presented component unit	\$ 643,719	\$ (4,324)	\$ 24,660	\$ 614,735
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

F. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables at September 30, 2020, is as follows:

	Interfund Receivables	Interfund Payables
General fund		
Nonmajor governmental funds	\$ 1,998,260	\$ 40
Total general fund	1,998,260	40
Nonmajor governmental funds		
General fund	40	-
Nonmajor governmental funds	-	1,998,260
Total nonmajor governmental funds	40	1,998,260
Water and sewer enterprise funds		
Nonmajor fund enterprise fund	1,482,781	-
Total water and sewer enterprise funds	1,482,781	-
Nonmajor fund enterprise fund		
Water and sewer enterprise funds	-	1,482,781
Total nonmajor enterprise funds	-	1,482,781
Total	\$ 3,481,081	\$ 3,481,081

Balances resulted from the time lag between the date that transactions are recorded in the accounting system and payments between funds are made, and are not representative of any specific transaction.

Transfers during the year ended September 30, 2020, were:

	Transfers In	Transfers Out
Governmental funds		
General fund	\$ 1,729,715	\$ -
Debt service fund	-	42,416
Nonmajor governmental funds	-	179,848
Total governmental funds	1,729,715	222,264
Enterprise funds		
Water and sewer fund	667,231	1,317,977
Solid waste fund	-	899,121
Nonmajor golf course fund	42,416	-
Total enterprise funds	709,647	2,217,098
Total transfers	\$ 2,439,362	\$ 2,439,362

Transfers in to the General Fund and Water and Sewer Fund are all administrative. Transfers in to the Nonmajor Enterprise Fund are to fund debt payments. All transfers are in accordance with budgetary authorizations.

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

G. Long-term Debt

A summary of long-term debt transactions for the year ended September 30, 2020, is as follows:

	Balance September 30, 2019	Additions	Deletions	Balance September 30, 2020	Due Within One Year
Governmental activities					
General obligation bonds	\$ 15,451,500	\$ 5,776,500	\$ 7,033,000	\$ 14,195,000	\$1,522,500
Certificates of obligation	20,821,842	2,485,000	1,512,584	21,794,258	1,821,836
Unamortized bond premium	1,204,368	199,467	141,367	1,262,468	-
Total bonds payable	37,477,710	8,460,967	8,686,951	37,251,726	3,344,336
Compensated absences	771,438	574,684	501,655	844,467	337,787
Pension	7,780,718	4,848,529	7,693,385	4,935,862	-
OPEB	1,279,214	244,876	139,861	1,384,229	-
Governmental activities long-term debt	\$ 47,309,080	\$14,129,056	\$17,021,852	\$ 44,416,284	\$3,682,123
Business-type activities					
General obligation bonds	\$ 10,758,500	\$ 2,523,500	\$ 4,267,000	\$ 9,015,000	\$1,877,500
Certificates of obligation	31,083,158	5,720,000	1,817,416	34,985,742	2,213,164
Unamortized bond premium	1,837,665	378,266	157,717	2,058,214	-
Unamortized bond discount	(23,650)	-	(1,314)	(22,336)	-
Total bonds payable	43,655,673	8,621,766	6,240,819	46,036,620	4,090,664
Estimated landfill post closure care costs	569,590	-	122,405	447,185	-
Compensated absences	121,175	152,750	102,739	171,186	68,474
Pension	2,253,658	1,720,404	2,729,841	1,244,221	-
OPEB	393,797	118,672	38,349	474,120	-
Business-type activities long-term debt	\$ 46,993,893	\$10,613,592	\$ 9,234,153	\$ 48,373,332	\$4,159,138
Discretely presented component unit					
Revenue bonds	\$ 1,465,000	\$ -	\$ 100,000	\$ 1,365,000	\$ 100,000
Compensated absences	2,159	6,062	-	8,221	-
Pension	187,067	-	-	187,067	-
OPEB	2,728	-	-	2,728	-
Discretely presented component unit	\$ 1,656,954	\$ 6,062	\$ 100,000	\$ 1,563,016	\$ 100,000

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

For the liability for the net pension liability and OPEB, the General Fund normally liquidates approximately 77%; the Water and Sewer Fund normally liquidates approximately 13%; and the Solid Waste Fund normally liquidates approximately 7%. The remaining portion is liquidated by nonmajor funds and the discretely presented component unit.

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 that will be sufficient to pay the principal and interest as they become due.

Bonds payable at September 30, 2020, include the following individual issues:

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Outstanding
Governmental activities					
General obligation bonds					
2006 refunding	3.78	03/09/06	08/15/21	\$ 996,000	\$ 124,000
2007 refunding	3.94	05/31/07	09/30/23	1,408,500	856,500
2012 refunding	.25-3.00	04/15/12	08/15/23	972,000	258,000
2013 various purposes	.35-2.625	01/15/13	08/15/33	4,685,000	3,435,000
2015 refunding	1.97	12/15/15	08/15/25	775,000	495,000
2016 refunding	2.00-4.00	08/15/16	08/15/34	3,655,000	3,250,000
2020 refunding	1.26	05/21/20	08/15/35	5,776,500	5,776,500
Tax/revenue certificates of obligation					
2007 various purposes	3.94	05/31/07	09/30/27	5,300,000	2,915,000
2013 PPFCO	2.00	12/12/13	09/30/25	630,000	285,000
2014 various purposes	2.00	02/15/14	09/30/39	2,321,036	1,330,000
2015 various purposes	3.00	08/01/15	08/15/40	3,055,000	2,685,000
2016 various purposes	2.00-4.00	08/15/16	08/15/23	360,000	242,384
2016 various purposes	2.00-4.00	08/15/16	08/15/36	240,000	126,874
2017 various purposes	3.00	07/17/17	08/15/37	5,210,000	4,350,000
2018 various purposes	4.00-5.00	07/17/18	08/15/38	3,055,000	2,690,000
2019 various purposes	2.00-5.00	07/16/19	08/15/39	4,950,000	4,685,000
2020 various purposes	2.00-4.00	08/04/20	08/15/40	2,485,000	2,485,000
Total				\$ 45,874,036	\$ 35,989,258

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Outstanding
Business-type activities					
General obligation bonds					
2006 refunding	3.78	03/09/06	08/15/21	3,984,000	496,000
2007 refunding	3.94	05/31/07	09/30/23	3,286,500	1,998,500
2012 refunding	0.25-3.00	04/15/12	08/15/23	4,973,000	2,022,000
2015 refunding	1.97	12/15/15	08/15/25	400,000	260,000
2016 refunding	2.00-4.00	08/15/16	08/15/27	2,680,000	1,715,000
2020 refunding	1.26	05/21/20	08/15/35	2,523,500	2,523,500
Tax/revenue certificates of obligation					
2005 various purposes	3.63	11/10/05	08/15/25	3,050,000	1,010,000
2014 various purposes	2.0-3.5	02/15/14	09/30/39	7,178,964	5,640,000
2015 various purposes	3.00	08/01/15	08/15/40	5,045,000	4,355,000
2016 various purposes	3.00-4.00	08/15/16	08/15/36	7,825,000	6,085,742
2017 various purposes	3.00	07/17/17	08/15/37	4,420,000	3,640,000
2018 various purposes	4.00-5.00	07/17/18	08/15/38	6,490,000	5,905,000
2019 various purposes	2.00-5.00	07/16/19	08/15/39	2,740,000	2,630,000
2020 various purposes	2.00-4.00	08/04/20	08/15/40	5,720,000	5,720,000
Total				\$ 60,315,964	\$ 44,000,742

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. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

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

Years Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 1,522,500	\$ 332,952	\$ 1,877,500	\$ 267,693
2022	1,306,000	299,008	1,404,000	206,904
2023	1,397,000	265,935	1,393,000	158,874
2024	1,062,500	231,695	562,500	111,392
2025	1,082,500	210,479	572,500	94,676
2026-2030	5,380,000	688,453	1,595,000	284,840
2031-2035	2,444,500	178,176	1,395,500	135,897
2036-2040	-	-	215,000	13,000
Total	\$ 14,195,000	\$ 2,206,698	\$ 9,015,000	\$ 1,273,276

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

Tax and Revenue Certificates of Obligation

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

Years Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 1,821,836	\$ 739,596	\$ 2,213,164	\$ 1,171,260
2022	1,746,836	670,848	2,238,164	1,088,227
2023	1,811,838	606,310	2,288,162	1,017,511
2024	1,806,042	539,778	2,258,958	937,396
2025	1,721,042	473,588	2,183,958	858,575
2026-2030	5,327,294	1,592,051	9,332,706	3,263,490
2031-2035	4,240,315	910,351	8,129,685	1,776,544
2036-2040	3,319,055	274,151	6,340,945	539,246
Total	\$ 21,794,258	\$ 5,806,673	\$ 34,985,742	\$ 10,652,249

During the year ended September 30, 2020, the City issued Combination Tax and General Obligation Refunding Bonds Series 2020, in the amount of \$16,505,000, maturing in 2035 and 2040, with an interest ranging from 1.26% to 4%. The proceeds from the bonds will be used to refund previously issued bonds at more favorable terms. It will also be used to pay for professional services in connection with the issuance of the Certificates.

Note 3. 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 that 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. The Pool agrees to handle all liability, property, and workers' compensation claims and provides any defense as necessary.

The Pool makes available to the City loss control services to assist the City in following a plan of loss control that may result in reduced losses. The City agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the Pool. The City also carries commercial insurance on all other risks of loss, including employee health and accident insurance. The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool or insurance coverage for any of the past three years.

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

B. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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 has active governmental and water and sewer construction projects as of September 30, 2020. Remaining commitments with contractors at September 30, 2020 totaled, \$557,642 and \$1,605,031 for governmental and water and sewer funds, respectively.

C. Defined Benefit Pension Policies

Plan Descriptions. The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS. Employees of CCEDC also participate in the City's TMRS plan, however management has determined that due to the relative immateriality of the CCEDC's portion of the net pension liability, amounts allocable to CCEDC have not been excluded from these disclosures.

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in over seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has approved an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, the City provides, on an annually repeating (automatic) basis, cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

A summary of plan provisions for the City are as follows:

Employee deposit rate	6.0%
Matching ratio (City to Employee)	2 to 1
Years required for vesting	Five
Service retirement eligibility	20 years to any age, five years at age 60 and above
Updated service credit	100% repeating
Annuity increase to retirees	70% of CPI, repeating

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	239
Inactive employees entitled to but not yet receiving benefits	248
Active employees	266
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	753
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Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.26% and 12.16% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$1,478,524 and equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

- Inflation rate: 2.5% per annum
- Payroll growth rate: 3.00% per annum
- Investment rate of return: 6.75% net of expenses

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a three year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.55%
International equity	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	4.15%
Real return	10.0%	4.15%
Real estate	10.0%	4.75%
Absolute return	10.0%	4.00%
Private equity	5.0%	7.75%
Total	100.0%	

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2018	\$ 63,305,388	\$ 53,083,954	\$ 10,221,434
Charges for the year			
Service cost	1,750,675	-	1,750,675
Interest	4,233,954	-	4,233,954
Difference between expected and actual experience	294,712	-	294,712
Changes in assumptions	241,828	-	241,828
Contributions, employer	-	1,478,524	(1,478,524)
Contributions, employee	-	741,288	(741,288)
Net investment income	-	8,203,406	(8,203,406)
Benefit payments, including refunds of employee contributions	(2,910,966)	(2,910,966)	-
Administrative expense	-	(46,371)	46,371
Other changes	-	(1,395)	1,395
Balance at December 31, 2019	\$ 66,915,591	\$ 60,548,440	\$ 6,367,151

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 16,360,116	\$ 6,367,151	\$ (1,734,957)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2020, the City recognized pension expense of \$1,674,917.

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 200,253	\$ (200,417)
Difference between projected and actual investment earnings	-	(1,853,366)
Differences in assumptions	164,319	-
Contributions subsequent to the measurement date	1,132,275	-
Total	\$ 1,496,847	\$ (2,053,783)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,132,275 will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2020. Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in pension expenses as follows:

For the Years Ended September 30,	
2021	\$ (532,654)
2022	(405,347)
2023	172,837
2024	(924,047)
Total	\$ (1,689,211)

D. Other Post-Employment Benefits (OPEB)

Post-Employment Healthcare Plan

Plan Description and Benefits Provided

In addition to the pension benefits described in the previous note, the City established a medical insurance benefit plan for retirees. The City administers this single-employer defined benefits medical plan (the Retiree Medical Plan). The Retiree Medical Plan does not issue a publicly available financial report. Eligible retirees will be provided medical insurance benefits at a set premium rate based on City service at the time of retirement. Eligible retirees may also cover their eligible dependents. Retirees are responsible for paying the premiums. A retiree is defined as someone who is receiving lifetime monthly Texas City retirement pension benefit payments and who retired directly from active employment with the City of Copperas Cove. The City will stop insurance coverage on the retiree and dependent on the last day of the month when one of the following occurs:

1. The retiree reaches age 65; or
2. The retiree fails to submit the required set premium rate

No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

City of Copperas Cove, Texas
 Notes to the Basic Financial Statements

The following employees were covered by the benefit terms as of December 31, 2019.

Retirees or beneficiaries	7
Inactive employees, nonretired members	-
Active members	241
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	248
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Total OPEB Liability

The City's total OPEB healthcare liability of \$730,126 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Individual entry age
Discount rate	2.75%
Inflation	2.5% per year
Salary increases	3.5% to 11.5%, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the TMRS.
Mortality	For healthy retirees, the gender-distinct RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health care trend rates	Initial rate of 7.2% declining to an ultimate rate of 4.25% after 15 years

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

Changes in the OPEB Liability

Balance at September 30, 2019	\$	679,338
Changes for the year		
Service cost		25,352
Interest		24,884
Change of benefit terms		-
Difference between expected and actual experience		(3,174)
Changes of assumptions		46,307
Benefit payments		(42,581)
		<hr/>
Net changes		50,788
		<hr/>
Balance on September 30, 2020	\$	730,126
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Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate for each period. In fiscal year 2020, amounts reflect a decrease in the discount rate from the beginning of the year from 3.71% to 2.75%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
	<hr/>	<hr/>	<hr/>
Total OPEB liability	\$ 798,544	\$ 730,126	\$ 667,962

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates, as well as what the County's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

	1% Decrease in Healthcare Cost Rate	Healthcare Cost Rate	1% Increase in Healthcare Cost Rate
	<hr/>	<hr/>	<hr/>
Total OPEB liability	\$ 642,923	\$ 730,126	\$ 835,188

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

OPEB Expense and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense	September 30, 2020
Service cost	\$ 25,352
Interest	24,884
Change of benefit terms	-
OPEB administrative expense	-
Recognition of the current year outflow (inflow)	5,026
Amortization of prior year outflow (inflow)	(8,647)
Net changes	\$ 46,615

As of September 30, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ -	\$ 85,734
Changes in actuarial assumptions	65,484	-
Contributions subsequent to the measurement date	38,951	-
Total	\$ 104,435	\$ 85,734

Contributions subsequent to the measurement date totaling \$38,951 will be expensed in the City's year ending September 30, 2020. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year Ending September 30,	
2021	\$ (3,621)
2022	(3,621)
2023	(3,621)
2024	(3,621)
2025	(3,621)
Thereafter	(2,145)
	\$ (20,250)

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

Life Insurance Benefits

Plan Description and Benefits Provided

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. It is considered to be a single-employer plan. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year, to be effective the following January 1.

Inactive employees currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	-
Active employees	241
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	248
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Contributions

Valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employee's entire careers. The City's contributions to the TMRS SDBF for the year ended September 30, 2020 were \$8,078 which equated the required contributions.

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The City's total OPEB liability in the December 31, 2019 valuation was determined using the following actuarial assumptions:

Actuarial cost method	Individual entry age
Discount rate	2.75%
Inflation	2.5% per year
Salary increases	3.5% to 11.5%, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the TMRS.
Mortality	For healthy retirees, the gender-distinct RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health care trend rates	Initial rate of 7.2% declining to an ultimate rate of 4.25% after 15 years

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance at December 31, 2018	\$ 996,401
Changes for the year	
Service cost	29,652
Interest	37,333
Change of benefit terms	-
Difference between expected and actuarial experience	(90,787)
Changes of assumptions	168,238
Benefit payments	(9,884)
Net changes	134,552
Balance of December 31, 2019	\$ 1,130,953

Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees. Changes in assumptions are a result of the change in municipal bond index rate from the previous year.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB liability	\$ 1,352,801	\$ 1,130,953	\$ 955,421

City of Copperas Cove, Texas
Notes to the Basic Financial Statements

OPEB Expense and Related Deferred Outflows or Resources and Deferred Inflows of Resources
For the year ended September 30, 2020, the City recognized expense of \$67,004.

At September 30, 2020, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ -	\$ (79,389)
Changes in actuarial assumptions	162,981	(41,846)
Contributions subsequent to the measurement date	7,511	-
	<u> </u>	<u> </u>
Total	<u>\$ 170,492</u>	<u>\$ (121,235)</u>

The City reported \$7,511 as deferred outflows related to OPEB resulting from contributions subsequent to the measurement date, which will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	
<u> </u>	
2021	\$ 16,126
2022	13,768
2023	1,749
2024	10,103
	<u> </u>
	<u>\$ 41,746</u>

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 on 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 post closure of municipal solid waste landfills.

The regulations require that once the landfill is closed, the owner/operator is responsible for maintaining the final cover, monitoring groundwater and methane gas, and continuing leachate management for 30 years.

City of Copperas Cove, Texas

Notes to the Basic Financial Statements

The total current cost of 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 remaining postclosure care costs for changes due to inflation or deflation, technology, or applicable laws or regulations.

Estimated postclosure care costs as of September 30, 2020 are \$447,185. It is estimated that the landfill requires 10 years of postclosure care as of September 30, 2020.

F. Grant and Public Loans

The City enters into economic development agreements designed to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic strength of the City. This program rebate property and sales taxes and are authorized under Chapter 380 of the Texas Local Government Code.

The City has entered into an agreement that shall refund 25% of the Ad Valorem Tax Revenues increase on the Project Assessed Taxable Value over the 2011 Ad Valorem Tax Base Line Year calculated annually until a total of \$25,000,000 in money is paid from a combination of Sales Tax Revenues and Ad Valorem Tax Revenues.

<u>Year of Term</u>	<u>City's Performance Requirements</u>
1-25	25% of Ad Valorem Tax
1-5	35% of one cent Sales Tax Revenues
6-10	40% of one cent Sales Tax Revenues
11-25	60% of one cent Sales Tax Revenues

In addition, the City entered into a Public Loan in fiscal year 2016, in the amount of \$3,000,000. The public loan balance shall be fully repaid on the ninth anniversary.

Note 4. Restatement of Fund Balance

During fiscal year 2020, the City identified errors in accumulated depreciation and depreciation expense related to fiscal year 2019. The errors included recognizing additional depreciation expense in 2019 for golf course facility that related to future periods, impacting ending net position for that period. The City corrected the balance by restating beginning net position related to the golf course as follows:

	<u>Nonmajor Golf Course</u>
Net position at the beginning of the year, as previously reported	\$ (742,096)
Errors in depreciation expense	330,027
	<u> </u>
Net position at the beginning of the year, as restated	<u><u>\$ (412,069)</u></u>

City of Copperas Cove, Texas
Required Supplementary Information

City of Copperas Cove, Texas

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Changes

In Fund Balance – Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 11,959,259	\$ 11,939,137	\$ 12,297,715	\$ 358,578
Charges for services	1,561,310	1,444,721	1,449,808	5,087
Intergovernmental	3,812	3,812	4,642	830
Fines	514,169	498,361	441,952	(56,409)
Licenses	46,130	44,830	50,553	5,723
Permits	217,750	249,010	369,340	120,330
Investment income	110,607	97,163	76,318	(20,845)
Miscellaneous	1,400,738	1,364,951	1,319,415	(45,536)
Total revenues	15,813,775	15,641,985	16,009,743	367,758
EXPENDITURES				
Current				
General government	2,879,715	2,881,615	3,087,230	(205,615)
Community services	2,000,245	2,000,245	1,785,844	214,401
Fleet and facility services	288,334	288,334	294,903	(6,569)
Highways and streets	608,987	608,987	547,593	61,394
Public safety	11,155,231	11,155,231	9,273,331	1,881,900
Total expenditures	16,932,512	16,934,412	14,988,901	1,945,511
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,118,737)	(1,292,427)	1,020,842	2,313,269
OTHER FINANCING SOURCES (USES)				
Transfers in	1,523,091	1,523,189	1,729,715	206,526
Transfers out	-	-	-	-
Sale of capital assets	20,000	52,913	23,499	(29,414)
Insurance recoveries	17,000	17,000	31,941	14,941
Total other financing sources (uses)	1,560,091	1,593,102	1,785,155	192,053
NET CHANGE IN FUND BALANCE	\$ 441,354	\$ 300,675	2,805,997	\$ 2,505,322
Fund balance, beginning of year			8,388,671	
Current year encumbrances			86,605	
Prior year encumbrances			(283,578)	
FUND BALANCE, end of year			\$ 10,997,695	

City of Copperas Cove, Texas
Required Supplementary Information
Texas Municipal Retirement System
Schedule of Changes in Net Pension Liability
and Related Ratios*

	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
Total pension liability						
Service cost	\$ 1,750,675	\$ 1,643,247	\$ 1,634,469	\$ 1,622,451	\$ 1,495,238	\$ 1,410,662
Interest (on the total pension liability)	4,233,954	4,051,570	3,879,541	3,689,620	3,637,340	3,470,336
Difference between expected and actual experience	294,712	(306,882)	(523,669)	(298,002)	(622,765)	(578,465)
Changes of assumptions	241,828	-	-	-	121,574	-
Benefit payments, including refunds of employee contributions	(2,910,966)	(2,568,367)	(2,323,947)	(2,088,899)	(1,903,036)	(2,015,046)
Net change in total pension liability	3,610,203	2,819,568	2,666,394	2,925,170	2,728,351	2,287,487
Total pension liability, beginning of year	63,305,388	60,485,820	57,819,426	54,894,256	52,165,905	49,878,418
Total pension liability, end of year (a)	\$ 66,915,591	\$ 63,305,388	\$ 60,485,820	\$ 57,819,426	\$ 54,894,256	\$ 52,165,905
Plan fiduciary net position						
Contributions, employer	\$ 1,478,524	\$ 1,423,101	\$ 1,411,274	\$ 1,407,493	\$ 1,351,607	\$ 1,352,470
Contributions, employee	741,288	693,280	686,752	686,026	643,113	640,477
Net investment income	8,203,406	(1,653,672)	6,752,596	3,086,727	67,231	2,468,151
Benefit payments, including refunds of employee contributions	(2,910,966)	(2,568,367)	(2,323,947)	(2,088,899)	(1,903,036)	(2,015,046)
Administrative expense	(46,371)	(31,970)	(35,004)	(34,864)	(40,950)	(25,768)
Other	(1,395)	(1,670)	(1,774)	(1,878)	(2,023)	(2,119)
Net change in plan fiduciary net position	7,464,486	(2,139,298)	6,489,897	3,054,605	115,942	2,418,165
Plan fiduciary net position, beginning of year	53,083,954	55,223,252	48,733,355	45,678,750	45,562,808	43,144,643
Plan fiduciary net position, end of year (b)	\$ 60,548,440	\$ 53,083,954	\$ 55,223,252	\$ 48,733,355	\$ 45,678,750	\$ 45,562,808
Net pension liability, end of year (a) - (b)	\$ 6,367,151	\$ 10,221,434	\$ 5,262,568	\$ 9,086,071	\$ 9,215,506	\$ 6,603,097
Plan fiduciary net position as a percentage of total pension liability	90.48%	83.85%	91.30%	84.29%	83.21%	87.34%
Covered payroll	\$ 12,354,799	\$ 11,539,659	\$ 11,445,864	\$ 11,433,764	\$ 10,718,552	\$ 10,674,610
Net pension liability as a percentage of covered payroll	51.54%	88.58%	45.98%	79.47%	85.98%	61.86%

*This schedule will present information for ten years as that information becomes available.

City of Copperas Cove, Texas
 Required Supplementary Information
 Texas Municipal Retirement System
 Schedule of Contributions*

Fiscal year	2020	2019	2018	2017	2016	2015
Actuarial determined contribution	\$ 1,561,651	\$ 1,466,586	\$ 1,441,457	\$ 1,413,827	\$ 1,360,243	\$ 1,306,426
Contributions in relation to the actuarially determined contribution	1,561,651	1,466,586	1,441,457	1,413,827	1,360,243	1,306,426
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,765,315	\$ 11,966,485	\$ 11,606,767	\$ 11,433,764	\$ 10,718,552	\$ 10,456,668
Contributions as a percentage of covered payroll	12.23%	12.26%	12.42%	12.37%	12.69%	12.49%

Notes to the Schedule of Contributions

Valuation date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal
 Amortization method Level percentage of payroll, closed
 Remaining amortization period 26
 Asset valuation method 10-Year smoothed market; 15% soft corridor
 Inflation 2.50%
 Salary increases 3.50% to 10.5% including inflation
 Investment rate of return 6.75%
 Retirement age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
 Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information:

Notes There were no benefit changes during the year.

*This schedule will present information for ten years as that information becomes available.

City of Copperas Cove, Texas

Required Supplementary Information

Schedule of Changes in OPEB Liability and Related Ratios*

Post-employment Healthcare Plan – Schedule of Changes in the OPEB Liability and Related Ratios

	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
Total OPEB liability			
Service cost	\$ 25,352	\$ 29,054	\$ 25,855
Interest	24,884	25,093	26,792
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(3,174)	(105,580)	(2,913)
Changes of assumptions	46,307	3,357	32,750
Benefit payments	(42,581)	(32,291)	(26,129)
Net changes in total OPEB liability	50,788	(80,367)	56,355
Total OPEB liability - beginning	679,338	759,705	703,350
Total OPEB liability - ending	\$ 730,126	\$ 679,338	\$ 759,705
Covered payroll	\$ 12,120,270	\$ 11,563,143	\$ 11,448,852
Total OPEB liability as a percentage of covered payroll	6.02%	5.88%	6.64%

Life Insurance Benefits – Schedule of Changes in OPEB Liability and Related Ratios

	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
Total OPEB liability			
Service cost	\$ 29,652	\$ 33,465	\$ 28,615
Interest	37,333	34,250	33,891
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(90,787)	(14,170)	-
Changes of assumptions	168,238	(71,110)	81,827
Benefit payments	(9,884)	(8,078)	(9,157)
Net changes in total OPEB liability	134,552	(25,643)	135,176
Total OPEB liability - beginning	996,401	1,022,044	886,868
Total OPEB liability - ending	\$ 1,130,953	\$ 996,401	\$ 1,022,044
Covered payroll	\$ 12,354,799	\$ 11,539,659	\$ 11,445,864
Total OPEB liability as a percentage of covered payroll	9.15%	8.63%	8.93%

*These schedules will present information for ten years as that information becomes available.

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City of Copperas Cove, Texas

Notes to the Required Supplementary Information

September 30, 2020

Budgets

Budgets are adopted on a basis generally consistent with Generally Accepted Accounting Principles with a few exceptions, primarily budgeting current expenditures and capital outlay together by function and using encumbrances as discussed below. Annual appropriated budgets are adopted for the General, most Special Revenue (except for the Texas Community Development Loan Fund, the FEMA Grant Fund and the City Wide Grants Fund), Debt Service, and Proprietary Funds. Project-length financial plans are adopted for all Capital Projects Funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts, and other commitments for the expenditure or resources are recorded to reserve that portion of the applicable appropriation – is utilized in governmental funds. However, encumbrances are considered to be expenditures under the City's 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 30, the City Council holds a 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, most Special Revenue, Debt Service, and Proprietary Funds. Formal annual budgetary integration is not employed for the Texas Community Development Loan Fund, the FEMA Grant Fund, and the City Wide Grants Fund 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, with the modifications discussed earlier. 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 budgets approved by the City Council.
7. The legal level of control (the level at which expenditures may not legally exceed budget appropriation) established by the Charter is the department.

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City of Copperas Cove, Texas

Combining Statements and Budget Comparisons as Supplementary Information

The supplementary information includes financial statements and schedules not required by the Governmental Accounting 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 by Fund Type
 September 30, 2020

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 3,934,742	\$ 10,545,010	\$ 14,479,752
Receivables (net of allowance)			
Taxes	123,943	-	123,943
Accounts	554,284	-	554,284
Fines	4,930	-	4,930
Grants	2,325,439	-	2,325,439
Due from other funds	40	-	40
Prepaid items	-	-	-
Notes receivable	44,469	-	44,469
TOTAL ASSETS	\$ 6,987,847	\$ 10,545,010	\$ 17,532,857
LIABILITIES			
Accounts payable	\$ 469,511	\$ 56,054	\$ 525,565
Due to other funds	1,998,260	-	1,998,260
Accrued liabilities	15,434	-	15,434
Unearned revenue	419,545	-	419,545
Total liabilities	2,902,750	56,054	2,958,804
DEFERRED INFLOWS OF RESOURCES			
Municipal court fines	4,930	-	4,930
Total deferred inflows of resources	4,930	-	4,930
FUND BALANCES			
Nonspendable	-	-	-
Restricted	4,080,167	10,488,956	14,569,123
Total fund balances	4,080,167	10,488,956	14,569,123
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,987,847	\$ 10,545,010	\$ 17,532,857

City of Copperas Cove, Texas

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances by Fund Type
For the Fiscal Year Ended September 30, 2020

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 647,203	\$ -	\$ 647,203
Charges for services	986,308	-	986,308
Intergovernmental	2,704,726	-	2,704,726
Fines	32,615	-	32,615
Investment income	19,009	89,651	108,660
Miscellaneous income	1,986	-	1,986
	<hr/>	<hr/>	<hr/>
Total revenues	4,391,847	89,651	4,481,498
EXPENDITURES			
Current			
Community services	129,744	-	129,744
Highways and streets	901,491	-	901,491
Public safety	1,886,620	-	1,886,620
Capital outlay	904,398	3,659,727	4,564,125
Debt service			
Principal retirement	4,000	-	4,000
Interest and fiscal charges	550	48,315	48,865
	<hr/>	<hr/>	<hr/>
Total expenditures	3,826,803	3,708,042	7,534,845
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	565,044	(3,618,391)	(3,053,347)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	4,458	-	4,458
Issuance of bonds	-	2,485,000	2,485,000
Premium on bonds	-	199,467	199,467
Transfers in	-	-	-
Transfers out	(179,848)	-	(179,848)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(175,390)	2,684,467	2,509,077
NET CHANGE IN FUND BALANCES	389,654	(933,924)	(544,270)
Fund balances, beginning of year	3,690,513	11,422,880	15,113,393
	<hr/>	<hr/>	<hr/>
FUND BALANCES, end of year	<u>\$ 4,080,167</u>	<u>\$ 10,488,956</u>	<u>\$ 14,569,123</u>