NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON

$32,115,000*
CITY OF COPPERAS COVE, TEXAS
(A political subdivision of the State of Texas located in Coryell and Lampasas Counties)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Sealed Bids Due Tuesday, August 5, 2025 at 10:30 AM, CDT

THE SALE

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Copperas Cove, Texas (the "City"), is offering for sale its $32,115,000* Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates").

ADDRESS OF BIDS . . . Signed sealed bids, plainly marked "Bid for Certificates," should be addressed to "Mayor and City Council, City of Copperas Cove, Texas," and delivered to Garry Kimball, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, prior to 10:30 AM, CDT, on the date of the sale. All bids must be submitted on the Official Bid Form, without alteration or interlineation.

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Notice of Sale and Bidding Instructions, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale and Bidding Instructions shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale and Bidding Instructions shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under "Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and Bidding Instructions and the Official Bid Form.

BIDS BY TELEPHONE . . . Bidders must submit SIGNED Official Bid Forms to Garry Kimball, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, and submit their bid by telephone on the date of the sale.

Telephone bids will be accepted at (512) 275-7300, between 10:00 AM and 10:30 AM, CDT.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the above deadlines.

Specialized Public Finance Inc. assumes no responsibility or liability with respect to any irregularities associated with the submission of bids if the telephone option is exercised.

PLACE AND TIME OF BID OPENING . . . The bids for the Certificates will be publicly opened and read at the City Council meeting at 508 South Second Street, Copperas Cove, Texas at 6:00 PM, CDT on Tuesday, August 5, 2025.

SIGNED OFFICIAL BID FORM . . . The bidder whose bid is the winning bid in accordance with this Notice of Sale will be notified immediately and must submit via email a Signed Official Bid Form in connection with the sale, by 11:00 AM CDT on the date of the sale to Monica Melvin, Specialized Public Finance Inc. at monica@spfmuni.com.

AWARD OF THE CERTIFICATES . . . The City Council will take action to award the Certificates (or reject all bids) at a meeting scheduled to convene at 6:00 PM, CDT, on the date of the sale, and adopt an ordinance authorizing the Certificates and approving the Official Statement (the "Ordinance").

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*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts."

THE CERTIFICATES

DESCRIPTION . . . The Certificates will be dated August 26, 2025 (the "Dated Date"). Interest will accrue from the date of initial delivery and will be due on February 15, 2026, and each August 15 and February 15 thereafter until the earlier of maturity or prior redemption. The Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity. The Certificates will mature on August 15 in each year as follows:

MATURITY SCHEDULE*

Maturity (August 15)	Principal Amount	Maturity (August 15)	Principal Amount
2026	$ 1,165,000	2036	$ 1,425,000
2027	1,380,000	2037	1,495,000
2028	1,450,000	2038	1,565,000
2029	1,515,000	2039	1,640,000
2030	1,580,000	2040	1,720,000
2031	1,650,000	2041	1,800,000
2032	1,720,000	2042	1,890,000
2033	1,245,000	2043	1,975,000
2034	1,300,000	2044	2,065,000
2035	1,365,000	2045	2,170,000

*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts."

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES . . . Bidders may provide that all of the Certificates be issued with serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates (the "Term Certificates").

If the successful bidder designates principal amounts to be combined into a Term Certificate, such Term Certificate will be subject to mandatory sinking fund redemption commencing on August 15 of the first year which has been combined to form such Term Certificate and continuing on August 15 in each year thereafter until the stated maturity date of the Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table under the caption "MATURITY SCHEDULE" above. Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par plus accrued interest to the redemption date and will be selected by lot from among the Certificates then subject to such mandatory sinking fund redemption.

At least forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot, or by any other customary method that results in random selection, a principal amount of Term Certificates equal to the aggregate principal amount of such Term Certificates to be redeemed, shall call such Term Certificates for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in the Ordinance.

The principal amount of the Term Certificates for a stated maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Certificates of like stated maturity which, at least forty-five (45) days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above under "MATURITY SCHEDULE – Optional Redemption" and not previously credited against a mandatory redemption requirement.

The final Official Statement will incorporate the mandatory redemption provisions for the Certificates in the event the successful bidder elects to convert serial maturities into a Term Certificate.

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance authorizing the issuance of the Certificates to be adopted by the City Council. See "THE CERTIFICATES – Authority for Issuance" in the Official Statement.

BOOK-ENTRY-ONLY SYSTEM . . . The City intends to utilize the book-entry-only system of The Depository Trust Company ("DTC"). See "THE CERTIFICATES – Book-Entry-Only System" in the Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be BOKF, NA, Dallas, Texas. See "THE CERTIFICATES – Paying Agent/Registrar" in the Official Statement.

SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City, payable from (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and (ii) a limited pledge (not to exceed $1,000) of surplus revenues of the City's Waterworks and Sewer System, all as provided in the Ordinance. See "THE CERTIFICATES – Security and Source of Payment" in the Official Statement.

Further details regarding the Certificates are set forth in the Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . **The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than 101% of their par value and not more than 110% of their par value.** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2.5% in rate. The maximum coupon rate shall not exceed 5.25%. **For Certificates having stated maturities on and after August 15, 2035, no reoffering yield producing a dollar price less than 97.5% for any individual maturity will be accepted.** The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Certificates of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS FOR AWARD . . . Subject to the City's right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Certificates will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the "Purchaser") making a bid that conforms to the specifications herein and which produces the lowest true interest cost rate to the City (the "True Interest Cost"). The True Interest Cost rate is that rate which, when used to compute the total present value as of the date of initial delivery of all debt service payments on the Certificates on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Certificates plus any premium bid, if any. In the event of a bidder's error in interest cost rate calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Purchaser will be required to provide the City with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

POST BID MODIFICATION OF PRINCIPAL AMOUNTS . . . After selecting the winning bid, the aggregate principal amount of the Certificates and the principal amortization schedule may be adjusted as determined by the City and its Financial Advisor in $5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Certificates by more than 15% from the amount set forth herein. The dollar amount bid for the Certificates by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Certificates finally determined to be issued. The City will use its best efforts to communicate to the winning bidder any such adjustment within three (3) hours after the opening of bids. The Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Certificates as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount of par amount of the Certificates from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustment of the aggregate principal amount of the Certificates and/or the maturity schedule for the Certificates made by the City or its Financial Advisor shall be subsequent to the award of the Certificates to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – Basis of Award" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

OBLIGATION OF THE CITY TO RECEIVE INFORMATION FROM WINNING BIDDER . . . Pursuant to Texas Government Code, Section 2252.908 (the "Interested Party Disclosure Act"), unless a bidder represents and verifies that the bidder is a publicly traded business entity, or a wholly owned subsidiary of a publicly traded business entity (an "Exempt Entity"), the City may not award the Certificates to a bidder unless the bidder submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC") at the time the bidder submits its Official Bid Form.

In the event that the bidder's bid for the Certificates conforms to the specifications herein and is the best bid received, the City, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid and the winning bidder must promptly file the materials described below. The apparent winning bidder and each syndicate member listed on the Official Bid Form must have submitted either (1) a completed Disclosure Form, as described below, or (2) a written representation that it is an Exempt Entity, not later than one hour after the deadline for the submission of bids in order for City to complete the formal award. If the apparent winning bidder and each syndicate member listed on the Official Bid Form fails to file the Disclosure Form or written representation that it is an Exempt Entity within the time period described in the previous sentence, the City reserves the right to notify the apparent winning bidder that their bid has been rejected and award the sale to the next lowest bidder.

WRITTEN REPRESENTATION REGARDING EXEMPTION . . . If a bidder is claiming an exemption from the filing requirement under Section 2252.908(c)(4), such bidder must deliver to the City and its bond counsel a written representation that states that such bidder is publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity and identify the publicly traded business entity that allows them to utilize the exception.

ESTABLISHING THE ISSUE PRICE FOR THE CERTIFICATES

GENERAL . . . In order to provide the City with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the excludability of interest on the Certificates from gross income for federal income tax purposes, the winning bidder will be required to complete, execute, and deliver to the City or to the Financial Advisor, at least five business days before the delivery date of the Certificates, a certification as to the Certificates' "issue price" (the "Issue Price Certificate") substantially in one of the forms and to the effect attached hereto or accompanying this Notice of Sale. In the event the winning bidder will not reoffer any maturity of the Certificates for sale to the Public (as defined herein) by the delivery date of the Certificates, the Issue Price Certificate may be modified in a manner approved by the City and Bracewell LLP, Austin, Texas, as Bond Counsel for the City ("Bond Counsel"). Each bidder, by submitting its bid, agrees to complete, execute, and timely deliver prior to delivery of the Certificates the appropriate Issue Price Certificate, if its bid is accepted by the City. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts as are necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

DEFINED TERMS . . . For purposes of this section of this Notice of Sale:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

(iii) "Related Party" means any two or more persons who are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(iv) "Sale Date" means the date that the Certificates are awarded by the City to the winning bidder.

All actions to be taken by the City under this Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the City by the Financial Advisor, and any notice or report to be provided to the City may be provided to the Financial Advisor. The City will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Certificates, as specified in the bid.

THREE BID REQUIREMENT . . . The City intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) for purposes of establishing the issue price of municipal bonds, which requires, among other things, that the City receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the "Three Bid Requirement"). In the event that the Three Bid Requirement is not satisfied, Treasury Regulations permit the issue price for any maturity of the Certificates to be determined based upon either (i) the first price at which 10% of such maturity is sold to the Public (the "10% Test") or (ii) if the requirements of the "Hold-the-Offering-Price Rule" described below are met, the initial offering price to the Public as of the Sale Date. For purposes hereof, if different interest rates apply within a maturity, each separate CUSIP number will be treated separately.

In the event that the Three Bid Requirement is satisfied, the sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein. In the event that the Three Bid Requirement is not satisfied, the City will notify the prospective winning bidder to that effect, and the prospective winning bidder will advise the City any maturity of the Certificates that satisfies the 10% Test. For any maturity of the Certificates that does not meet the 10% Test, it is the City's intention to apply the "Hold-the-Offering-Price Rule" to any maturity of the Certificates, as described below.

HOLD-THE-OFFERING-PRICE RULE . . . If the "Hold-the-Offering-Price Rule" is applied to any maturity of the Certificates (each, a "Held Maturity"), the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Certificates, that each Underwriter will neither offer nor sell any Held Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of the following:

(1) the close of the fifth business day after the Sale Date; or
(2) the date on which the Underwriters have satisfied the 10% Test with respect to that Held Maturity at a price that is no higher than the initial offering price to the Public.

The winning bidder shall promptly advise the City when the Underwriters have satisfied the 10% Test with respect to each Held Maturity at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth business day after the Sale Date. On or after the sixth business day after the Sale Date, if requested by the City, the winning bidder will confirm that the Underwriters have complied with the Hold-the-Offering-Price-Rule. If at any time the winning bidder becomes aware of any noncompliance by an Underwriter with respect to the Hold-the-Offering-Price Rule, the winning bidder will promptly report such noncompliance to the City.

ADDITIONAL REQUIREMENTS . . . By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Certificates of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Certificates to the Public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the Public the unsold Certificates of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

ADDITIONAL CONDITIONS OF AWARD

DISCLOSURE OF INTERESTED PARTY FORM . . . Pursuant to Texas Government Code, Section 2252.908 (the "Interested Party Disclosure Act"), unless a bidder is exempt from the filing requirements of Section 2252.908, the City may not award the Certificates to a bidder unless the bidder submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC") at the time the bidder submits its Official Bid Form. Publicly traded business entities (including wholly owned subsidiaries of a publicly traded business entity) are not required to file Form 1295 as provided in Section 2252.908(c)(4).

In the event that the bidder's bid for the Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid and the winning bidder must promptly file the materials described below. The apparent the winning bidder and each syndicate member listed on the Official Bid Form must have submitted either (1) a completed Disclosure Form, as described below, or (2) a written representation that it is exempt from the requirement to file the Disclosure Form pursuant to Section 2252.908(c)(4), not later than one hour after the deadline for the submission of bids in order for the City to complete the formal award. If the apparent the winning bidder and each syndicate member listed on the Official Bid Form fails to file the Disclosure Form or the written representation regarding the exemption from the filing requirement within the time period described in the previous sentence, the City reserves the right to notify the apparent winning bidder that their bid has been rejected and award the sale to the next highest ranked bidder.

If a bidder is claiming an exception to the filing requirement under Section 2252.908(c)(4), the written representation that the bidder is not required to file a Disclosure Form must state that it is publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity and identify the publicly traded business entity that allows the bidder to utilize the exception.

The Disclosure Form can be found at https://www.ethics.state.tx.us/forms/1295.pdf, and reference should be made to the following information in order to complete it: (a) item 2 – Name of entity ("City of Copperas Cove, Texas"), (b) item 3 – the identification number ("Cove 2025 CO"), and (c) item 3 – description of the goods or services assigned to this contract by the entity ("Purchase of Certificates").

If completing the Disclosure Form, the Bidder must (i) complete the Disclosure Form electronically at the TEC's "electronic portal," and (ii) print, sign and deliver to the City a copy of the Disclosure Form that is generated by the TEC's "electronic portal."

The completed Disclosure Form or the written representation regarding the exemption from the Disclosure Form filing requirements must be delivered electronically to the City, at rhaverlah@copperascovetx.gov and Bond Counsel, at glenn.opel@bracewell.com **no later than one hour after the deadline for the submission of bids on the Sale Date.**

Time will be of the essence in submitting the completed Disclosure Form or written representation regarding the exemption from the filing requirements to the City, and no bid will be accepted by the City unless a completed Disclosure Form is received on time.

Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form or written representation, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form or the written representation. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form or written representation promptly upon notification from the City that its bid is the conditional winning bid.

GOOD FAITH DEPOSIT . . . The winning bidder will be required to provide a deposit in the amount of $642,300 to the City as bid security by 5:00 PM, CDT on August 5, 2025. The bid security may be provided to the City (i) via wire transfer (the City or its financial advisor, Specialized Public Finance Inc., will provide wire instructions to the winning bidder), or (ii) in the form of a certified or cashier's check made payable to the order of City in the amount of the deposit set forth above. If wire option is used, the wire will be retained by the City and: (a) will be applied, without allowance for interest, against the purchase price when the Certificates are delivered to and paid for by such winning bidder or (b) will be retained by the City if the winning bidder defaults with respect to the terms of its bid or does not provide the "Standing Letter" (as defined below) in a form acceptable to the Texas Office of the Attorney General, or (c) will be returned to the winning bidder if the Certificates are not issued by the City for any reason which does not constitute a default by the winning bidder. See "ADDITIONAL CONDITIONS OF AWARD – Verifications of Statutory Representations and Covenants" and "– Representations Regarding Texas Attorney General Standing Letter and Bringdown Verifications." If check option is used, the check will be returned upon closing.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS . . . By submission of a bid for the Certificates, each bidder makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code (the "Government Code"), as heretofore amended (the "Covered Verifications"). As used herein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If the bidder's bid is accepted, then liability for breach of any Covered Verification during the term of the contract for purchase and sale of the Certificates created thereby (the "Agreement") shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Notice of Sale, notwithstanding anything herein or therein to the contrary.

Not a Sanctioned Company . . . Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153, Government Code, or Section 2270.0201, Government Code. The foregoing representation excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

No Boycott of Israel . . . Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Agreement. As used in the foregoing verification, "Boycott Israel" has the meaning provided in Section 808.001, Government Code.

No Discrimination Against Firearm Entities . . . Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

No Boycott of Energy Companies . . . Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

REPRESENTATION REGARDING TEXAS ATTORNEY GENERAL STANDING LETTER AND BRINGDOWN VERIFICATION

By submission of a bid for the Certificates, each bidder represents and verifies that it is aware of the Office of the Texas Attorney General's (the "Texas Attorney General") All Bond Counsel Letter, dated November 1, 2023, that is available on the website of the Texas Office of the Texas Attorney General using the following link:

https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-01-2023.pdf and the Texas Attorney General's supplemental All Bond Counsel Letter, dated November 16, 2023, that is available on the website of the Texas Attorney General using the following link:

https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-06-2023.pdf

Each bidder represents and verifies that the bidder has (i) on file a standing letter ("Standing Letter") acceptable to the Texas Attorney General addressing the representations and verifications described under the heading "VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS," and (ii) will, upon request of the City or Bond Counsel on behalf of the City, provide the City and Bond Counsel with a copy of its Standing Letter. Each bidder further represents and verifies that its Standing Letter remains in effect as of the date of the Agreement and that the Texas Attorney General has not notified the bidder that a determination has been made that the bidder boycotts energy companies or has a policy that discriminates against firearm entities or firearm trade associations under the laws of the State of Texas. Upon request of the City or Bond Counsel on the City's behalf, each bidder shall provide additional written certifications to the City and Bond Counsel (which may be by email) to the effect that the Texas Attorney General may continue to rely on the Standing Letter and the statutory representations and covenants contained in the Agreement through the closing date (currently scheduled for August 26, 2025) (the "Bringdown Verification"). The City reserves the right, and each bidder hereby expressly authorizes the City, to provide such Bringdown Verification to the Texas Attorney General.

IMPACT OF BIDDING SYNDICATE ON AWARD . . . For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate members would be for informational purposes only.

DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Certificates, but neither the failure to print or type such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Purchaser at the time the Certificates are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Certificates shall be paid by the City.

DELIVERY OF CERTIFICATES . . . Delivery will be accomplished by the issuance of one Initial Certificate either in typed or printed form, in the aggregate principal amount of $32,115,000*, payable in stated installments to the Purchaser, signed by the Mayor and City Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Certificate, it shall be immediately cancelled and one definitive Certificate for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's book-entry-only system. Delivery will be at the designated office of the Paying Agent/Registrar. Payment for the Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six business days' notice of the time fixed for delivery of the Certificates. It is anticipated that delivery of the Certificates can be made on or about August 26, 2025, and it is understood and agreed that the Purchaser will accept delivery and make payment for the Certificates by 10:00 AM, CDT, on August 26, 2025, or thereafter on the date the Certificates are tendered for delivery, up to and including September 9, 2025. If for any reason the City is unable to make delivery on or before September 9, 2025, the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates.

CONDITIONS TO DELIVERY . . . The obligation of the Purchaser to take up and pay for the Certificates is subject to the Purchaser's receipt of (a) the legal opinion of Bracewell LLP, Austin, Texas, Bond Counsel for the City ("Bond Counsel") and (b) the no-litigation certificate, all as further described in the Official Statement. In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the excludability of interest on the Certificates from the gross income for federal tax law purposes, the Purchaser will be required to complete, execute, and deliver the Issue Price Certificate to the City as described above under "CONDITIONS OF SALE – Establishment of Issue Price for the Certificates." In the event the successful bidder will not reoffer the Certificates for sale, such certificate may be modified in a manner approved by the City. In no event will the City fail to deliver the Certificates as a result of the Purchaser's inability to sell a substantial amount of the Certificates at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate not later than the close of business on the business day following the award of the bid, if its bid is accepted by the City. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

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*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts."

LEGAL OPINION . . . The Certificates are offered for delivery when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Certificates is subject to the receipt by the Purchaser of an opinion of Bond Counsel to the effect that the Certificates are valid and binding obligations of the City and that the interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Official Statement.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the City to deliver the Certificates and of the Purchaser to accept delivery of and pay for the Certificates are subject to the condition that at the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the condition of the City from those set forth in or described by the Preliminary Official Statement as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Certificates to the Purchaser, the City will deliver to the Purchaser a certificate, as of the same date, to the effect that no litigation is pending or, to the certifying officials' knowledge, threatened against the City, to restrain or enjoin the issuance or delivery of the Certificates, the levy or the collection of the ad valorem taxes pledged to pay the principal of and interest on the Certificates, or the pledge thereof, or in any way contesting or affecting the validity of the Certificates, the Ordinance, the powers of the City or contesting the authorization of the Certificates or the Ordinance.

CERTIFICATION OF OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Initial Certificate, the City will execute and deliver to the Purchaser a certificate in the form set forth in the Official Statement.

RULE G-32 REQUIREMENTS . . . It is the responsibility of the Purchaser to comply with the Municipal Securities Rulemaking Board's Rule G-32 within the required time frame. The Purchaser must send two copies of the Official Statement along with two complete Form G-32's to the appropriate address.

GENERAL

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc. may **NOT** submit a bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Purchaser represents that the sale of the Certificates in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Certificates in accordance with the securities law of the states in which the Certificates are offered or sold. The City agrees to cooperate with the Purchaser, at the Purchaser's written request and sole expense, in registering the Certificates or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to qualify as a foreign corporation or execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Certificates, but is merely notice of the sale of the Certificates. The offer to sell the Certificates is being made by means of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Certificates.

ISSUANCE OF ADDITIONAL DEBT . . . The City does not anticipate issuing additional ad valorem tax supported debt within the next six months.

MUNICIPAL BOND RATING . . . The Certificates and outstanding tax supported debt of the City have been rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement. The City also has various issues outstanding which are rated by S&P by virtue of insurance issued by various commercial insurance companies.

THE PRELIMINARY OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15C2-12 . . . The City has prepared the accompanying Preliminary Official Statement and, for the limited purpose of complying with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), deems such Preliminary Official Statement to be final as of its date within the meaning of the Rule for the purpose of review prior to bidding. To the knowledge and belief of the City, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

The City will furnish to the Purchaser, acting through a designated senior representative, in accordance with instructions received from the Purchaser, within seven business days from the sale date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Certificates. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Purchaser. The Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Certificates.

CONTINUING DISCLOSURE UNDERTAKING . . . The City will agree in the Ordinance to provide certain periodic information and notices of material events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the undertaking described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . . During the last five years, the City has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Certificates, approve the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Certificates by the Purchaser.

/s/ DAN YANCEY
Mayor, City of Copperas Cove, Texas

ATTEST:

/s/ LISA WILSON
City Secretary, City of Copperas Cove, Texas

July 24, 2025

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OFFICIAL BID FORM

Honorable Mayor and City Council
City of Copperas Cove, Texas
914 S. Main Street
Copperas Cove, Texas 76522

August 5, 2025

Members of the City Council:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated July 24, 2025, of $32,115,000* City of Copperas Cove, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025, both of which constitute a part hereof.

For your legally issued Certificates, as described in said Notice of Sale and Bidding Instructions and Official Statement, we will pay you a price of $_________________________, representing approximately ____________% of the par value for Certificates maturing and bearing interest as follows:

Maturity (August 15)	Principal Amount*	Interest Rate	Maturity (August 15)	Principal Amount*	Interest Rate
2026	$ 1,165,000	%	2036	$ 1,425,000	%
2027	1,380,000	%	2037	1,495,000	%
2028	1,450,000	%	2038	1,565,000	%
2029	1,515,000	%	2039	1,640,000	%
2030	1,580,000	%	2040	1,720,000	%
2031	1,650,000	%	2041	1,800,000	%
2032	1,720,000	%	2042	1,890,000	%
2033	1,245,000	%	2043	1,975,000	%
2034	1,300,000	%	2044	2,065,000	%
2035	1,365,000	%	2045	2,170,000	%

Of the principal maturities set forth in the table above, term certificates have been created as indicated in the following table (which may include multiple term certificates, one term certificate or no term certificate if none is indicated). For those years which have been combined into a term certificate, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term certificate maturity date shall mature in such year. The term certificates created are as follows:

Term Certificate Maturing August 15	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		$	%
		$	%
		$	%
		$	%
		$	%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST ______________________%

The Initial Certificate shall be registered in the name of ______________________, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

____
*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts."

A wire transfer or a cashiers or certified check to the City in the amount of $642,300 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Certificates in accordance with the terms and conditions set forth in the Notice of Sale or fail or refuse to provide the Standing Letter (as defined below) in a form acceptable to the Texas Office of the Attorney General, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us.

We agree to accept delivery of the Certificates utilizing the book-entry-only system through DTC and make payment for the Initial Certificate in immediately available funds in the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 AM, CDT, on August 26, 2025, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Certificates to complete the DTC Eligibility Questionnaire.

In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Certificates to a bidder unless the winning bidder either: (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"), or (ii) certifies below that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

Unless the bidder certifies that it is exempt from filing a Disclosure Form with the City, upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Disclosure Form through the TEC's electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed and sent by email to the City at rhaverlah@copperascovetx.gov and Bond Counsel at glenn.opel@bracewell.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

The bidder (mark one): (i) agrees to timely make a filing of a completed Disclosure Form with the City [____] or (ii) hereby certifies that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity [___]. If the bid is accepted by the City, this bid shall thereupon become a contract of purchase for the City under the terms contained in this Official Bid Form and in the Notice of Sale and Bidding Instructions. We hereby acknowledge that we have received and read the Notice of Sale and Bidding Instructions and Preliminary Official Statement referred to above.

Through submittal of this executed Official Bid Form, the undersigned makes the Covered Verifications provided in the Notice of Sale and Bidding Instructions under the heading "ADDITIONAL CONDITIONS OF AWARD – VERIFICATION OF STATUTORY REPRESENTATIONS AND COVENANTS" and "— REPRESENTATION REGARDING TEXAS ATTORNEY GENERAL STANDING LETTER AND BRINGDOWN VERIFICATION."

By submitting this bid, the Purchaser understands and agrees that the liability of the Purchaser for breach of any of the Covered Verifications shall survive until barred by the statute of limitations and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or the Notice of Sale and Bidding Instructions. Additionally, the Purchaser acknowledges and agrees that the City reserves and retains all rights and remedies at law and in equity for pursuit and recovery of damages, if any, relating to the Covered Verifications.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

____
Name of Purchaser or Manager

____
Authorized Representative

____
Phone Number

____
Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Copperas Cove, Texas, this the 5th day of August, 2025.

ATTEST:

City Secretary City of Copperas Cove, Texas	Mayor City of Copperas Cove, Texas

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ISSUE PRICE CERTIFICATE
[THREE BID REQUIREMENT SATISFIED]

I, the undersigned officer of ___________________ (the "Purchaser"), acting on behalf of itself and any underwriting syndicate, make this certification in connection with the $32,115,000* Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") issued by the City of Copperas Cove, Texas (the "City").

1. I hereby certify as follows in good faith as of the date hereof:

(a) I am the duly chosen, qualified and acting officer of the Purchaser for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Purchaser and any underwriting syndicate. I am the officer of the Purchaser charged, along with other officers of the Purchaser and any underwriting syndicate, with responsibility for the Certificates.

(b) The reasonably expected initial offering prices of the Certificates to the Public by the Purchaser as of the Sale Date are the prices set forth on the inside cover of the Official Statement prepared in connection with the Certificates (the "Initial Offering Prices"). The Initial Offering Prices are the applicable prices for the Certificates used by the Purchaser in formulating its bid to purchase the Certificates. Attached hereto as Attachment I is a true and correct copy of the bid provided by the Purchaser to purchase the Certificates.

(c) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(d) The bid submitted by the Purchaser constituted a firm offer to purchase the Certificates.

(e) The aggregate of the Initial Offering Prices of all maturities of the Certificates is $________________________. The Certificates were sold with pre-issuance accrued interest in the amount of $______________________. The sum of these two amounts is $_____________________________.

(f) Please choose the appropriate statement:
(___) The Purchaser will not purchase bond insurance for the Certificates.

(___) The Purchaser will purchase bond insurance from ____________ (the "Insurer") for a fee/premium of $__________________ (the "Fee"). The Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Certificates and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. The Purchaser represents that the present value of the Fee for each obligation constituting the Certificates to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Certificates. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. In determining present value for this purpose, the yield of the Certificates (determined with regard to the payment of the guarantee fee) has been used as the discount rate. No portion of the Fee is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such Fee that has not been earned. The Purchaser will also be responsible for payment of any rating fees on the Certificates, if and as required by the Insurer to be obtained in connection with the purchase of insurance.

2. For purposes of this Issue Price Certificate, the following definitions apply:

(a) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(b) "Related Party" means any two or more persons who are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(c) "Sale Date" means the first day on which there is a binding contract in writing for the sale or exchange of the Certificates. The Sale Date of the Certificates is ___________, 2025.

____
*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts."

(d) "Underwriter" means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Bracewell LLP in connection with rendering its opinion that the interest on the Certificates is excludable from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the City from time to time relating to the Certificates.

EXECUTED as of this _______ day of _____________, 2025.

[NAME OF PURCHASER OR MANAGER OF PURCHASING SYNDICATE]

By:____

Name:____

Title:____

ISSUE PRICE CERTIFICATE
[THREE BID REQUIREMENT NOT SATISFIED – HOLD-THE-OFFERING-PRICE RULE]

I, the undersigned officer of ___________________ (the "Purchaser"), acting on behalf of itself and any underwriting syndicate, make this certification in connection with the $32,115,000* Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") issued by the City of Copperas Cove, Texas (the "City").

1. I hereby certify as follows in good faith as of the date hereof:

(a) I am the duly chosen, qualified and acting officer of the Purchaser for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Purchaser and any underwriting syndicate. I am the officer of the Purchaser charged, along with other officers of the Purchaser and any underwriting syndicate, with responsibility for the Certificates.

(b) For the Certificates maturing in _____________________________, the first price at which at least 10% of each maturity was sold to the Public is the price for each such maturity set forth on the inside cover of the Official Statement prepared in connection with the Certificates (each, an "Actual Sales Price").

(c) For the Certificates maturing in _____________________________ (each, a "Held Maturity"), the Purchaser on or before the Sale Date offered for purchase each such maturity to the Public at the applicable initial offering price set forth on the inside cover of the Official Statement prepared in connection with the Certificates (each, an "Initial Offering Price"). A copy of the pricing wire evidencing the Initial Offering Prices is attached hereto as Attachment I. In connection with the offering of the Certificates, the Purchaser and each member of any underwriting syndicate agreed in writing that (i) during the Hold Period, it would neither offer nor sell any Held Maturity to any person at a price higher than the applicable Initial Offering Price (the "Hold-the-Offering-Price Rule") and (ii) any selling group agreement would contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement would contain the agreement of each broker-dealer who is a party to the retail distribution agreement, that, during the Hold Period, such party would comply with the Hold-the-Offering-Price Rule. In accordance with such agreements, no Underwriter offered or sold any of the Held Maturities at a price higher than the applicable Initial Offering Price for such Held Maturity during the Hold Period.

(d) The aggregate of the Actual Sales Prices and the Initial Offering Prices is $___________________________. The Certificates were sold with pre-issuance accrued interest in the amount of $______________________________. The sum of these two amounts is $________________________________.

(e) Please choose the appropriate statement:

(___) The Purchaser will not purchase bond insurance for the Certificates.
(___) The Purchaser will purchase bond insurance from __________________________ (the "Insurer") for a fee/premium of $__________________ (the "Fee"). The Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Certificates and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. The Purchaser represents that the present value of the Fee for each obligation constituting the Certificates to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Certificates. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. In determining present value for this purpose, the yield of the Certificates (determined with regard to the payment of the guarantee fee) has been used as the discount rate. No portion of the Fee is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such Fee that has not been earned. The Purchaser will also be responsible for payment of any rating fees on the Certificates, if and as required by the Insurer to be obtained in connection with the purchase of insurance.

2. For purposes of this Issue Price Certificate, the following definitions apply:

(a) "Hold Period" means, with respect to a Held Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the Underwriters have sold at least 10% of such Held Maturity to the Public at a price no higher than the applicable Initial Offering Price.

(b) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

____
*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts."

(c) “Related Party” means any two or more persons who are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(d) “Sale Date” means the first day on which there is a binding contract in writing for the sale or exchange of the Certificates. The Sale Date of the Certificates is ___________________________, 2025.

(e) “Underwriter” means (i) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser’s interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Bracewell LLP in connection with rendering its opinion that the interest on the Certificates is excludable from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the City from time to time relating to the Certificates.

EXECUTED as of this _______ day of _____________, 2025.

[NAME OF PURCHASER OR MANAGER OF PURCHASING SYNDICATE]

By:____

Name:____

Title:____

PRELIMINARY OFFICIAL STATEMENT
Dated July 24, 2025

Rating:
S&P: "AA"
(See "OTHER INFORMATION – Rating" herein)

NEW ISSUE – Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

$32,115,000*
CITY OF COPPERAS COVE, TEXAS
(A political subdivision of the State of Texas located in Coryell and Lampasas Counties)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: August 26, 2025 **Due: August 15, as shown on page 2**
Interest Accrues from the Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the $32,115,000* City of Copperas Cove, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the Date of Initial Delivery, will be payable on February 15 and August 15 of each year until maturity or prior redemption commencing February 15, 2026, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES – Book-Entry-Only System"). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Copperas Cove, Texas (the "City") on August 5, 2025. The Certificates are direct obligations of the City payable from (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge (not to exceed $1,000) of surplus revenues of the City's Waterworks and Sewer System, all as provided in the Ordinance (see "THE CERTIFICATES – Authority for Issuance" and "THE CERTIFICATES – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of (a)(i) acquiring, constructing and improving City water and sewer facilities, and the acquisition of land and rights-of-way in connection therewith; (ii) acquiring, constructing and improving City solid waste facilities, and the acquisition of land and rights-of-way in connection therewith; (iii) constructing and improving City parks and recreational facilities, including, without limitation, City golf course facilities; (iv) acquiring, constructing, and improving City drainage facilities, and the acquisition of land and rights-of-way in connection therewith (v) constructing and improving City streets and sidewalks; (vi) acquiring, constructing and improving City police facilities, and the acquisition of land and rights-of-way in connection therewith; (vii) renovating and improving City street and drainage office facilities and the acquisition of land and rights-of-way in connection therewith; (viii) acquiring vehicles for City water and sewer, solid waste, police, fire and emergency medical services, code compliance, parks and recreation, drainage, golf course and street maintenance purposes; (ix) acquiring equipment for City street improvement and maintenance, parks and recreation, water and sewer, library, drainage, police and fire and emergency medical services purposes; and (x) acquiring communications, computer and electronic equipment for City administrative, police, and golf course purposes; (collectively, the "Project"); and (b) professional services of engineers, attorneys, financial advisors and other professionals in connection with the Project and the costs of issuance of the Certificates (see "THE CERTIFICATES – Purpose").

CUSIP PREFIX: 217597
MATURITY SCHEDULE
See Page 2 Hereof

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser of the Certificates (the "Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Austin, Texas (see "APPENDIX C – Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for initial delivery through DTC on August 26, 2025 (the "Date of Initial Delivery").

BIDS DUE ON TUESDAY, AUGUST 5, 2025, AT 10:30 AM, CDT

*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the Notice of Sale and Bidding Instructions.

MATURITY SCHEDULE*

Maturity (8/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers[(1)]
2026	$ 1,165,000			
2027	1,380,000			
2028	1,450,000			
2029	1,515,000			
2030	1,580,000			
2031	1,650,000			
2032	1,720,000			
2033	1,245,000			
2034	1,300,000			
2035	1,365,000			
2036	1,425,000			
2037	1,495,000			
2038	1,565,000			
2039	1,640,000			
2040	1,720,000			
2041	1,800,000			
2042	1,890,000			
2043	1,975,000			
2044	2,065,000			
2045	2,170,000			

(Interest accrues from the Date of Intial Delivery)

____

*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the Notice of Sale and Bidding Instructions.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of The American Bankers Association and are included solely for convenience of the registered owners of the Certificates. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP Numbers set forth herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE CERTIFICATES – Optional Redemption"). Additionally, the Certificates may be subject to mandatory redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as Term Certificates.

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For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes an "official statement" of the City with respect to the Certificates that has been "deemed final" by the City as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.

No dealer, broker, salesman or other person has been authorized to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Certificates in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinion or that they will be realized.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE CITY, THE PURCHASERS, NOR ITS FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

The cover page hereof, this page and appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

TABLE OF CONTENTS

APPENDICES

The cover page hereof, this page, and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY	The City of Copperas Cove, Texas (the "City"), is a political subdivision and municipal corporation located in Coryell and Lampasas Counties operating under the laws of the State and its home-rule charter approved by the voters in 1979. The City operates under the council/manager form of government in which the Mayor and seven Councilmembers are elected for staggered three-year terms. Policy making and supervisory functions are the responsibility of, and are vested in, the City Council. The City Council delegates the responsibility of daily operations of the City to the City Manager who is the chief executive of the City. The City is approximately 17 square miles in area (see "INTRODUCTION – Description of the City").
THE CERTIFICATES	The Certificates are being issued as $32,115,000* Combination Tax and Revenue Certificates of Obligation, Series 2025. The Certificates are issued as serial Certificates maturing on August 15 in the years 2026 through 2045 unless the Purchaser elects to aggregate two or more consecutive maturities as Term Certificates (see "THE CERTIFICATES – Description of the Certificates").
PAYMENT OF INTEREST	Interest on the Certificates accrues from the Date of Initial Delivery, and will be payable on February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES – Description of the Certificates").
AUTHORITY FOR ISSUANCE	The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council of the City on August 5, 2025 (see "THE CERTIFICATES – Authority for Issuance").
SECURITY	The Certificates constitute direct obligations of the City, payable from (i) the levy and collection of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge (not to exceed $1,000) of surplus revenues of the City's Waterworks and Sewer System, all as provided in the Ordinance (see "THE CERTIFICATES – Security and Source of Payment").
REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE CERTIFICATES – Optional Redemption"). Additionally, the Certificates may be subject to mandatory redemption in the event the Purchasers elect to aggregate two or more consecutive maturities as Term Certificates.
TAX EXEMPTION	In the opinion of Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.
RATING	The Certificates and the outstanding tax supported debt of the City have been rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement. The City also has various issues outstanding which are insured by various commercial insurance companies (see "OTHER INFORMATION – Rating").

*Preliminary, subject to change.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for the purposes of (a)(i) acquiring, constructing and improving City water and sewer facilities, and the acquisition of land and rights-of-way in connection therewith; (ii) acquiring, constructing and improving City solid waste facilities, and the acquisition of land and rights-of-way in connection therewith; (iii) constructing and improving City parks and recreational facilities, including, without limitation, City golf course facilities; (iv) acquiring, constructing, and improving City drainage facilities, and the acquisition of land and rights-of-way in connection therewith (v) constructing and improving City streets and sidewalks; (vi) acquiring, constructing and improving City police facilities, and the acquisition of land and rights-of-way in connection therewith; (vii) renovating and improving City street and drainage office facilities and the acquisition of land and rights-of-way in connection therewith; (viii) acquiring vehicles for City water and sewer, solid waste, police, fire and emergency medical services, code compliance, parks and recreation, drainage, golf course and street maintenance purposes; (ix) acquiring equipment for City street improvement and maintenance, parks and recreation, water and sewer, library, drainage, police and fire and emergency medical services purposes; and (x) acquiring communications, computer and electronic equipment for City administrative, police, and golf course purposes; (collectively, the "Project"); and (b) professional services of engineers, attorneys, financial advisors and other professionals in connection with the Project and the costs of issuance of the Certificates (see "THE CERTIFICATES – Purpose").

BOOK-ENTRY-ONLY SYSTEM........... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of and interest on the Certificatess will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES – Book-Entry-Only System").

PAYMENT RECORD .... The City has never defaulted in the payment of its outstanding debt obligations.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population(1)	Taxable Assessed Valuation(2)	Per Capita Taxable Assessed Valuation	Funded Tax Debt(3)	Per Capita Funded Tax Debt	Ratio Funded Debt to Taxable Assessed Valuation	% of Total Tax Collections
2021	36,615	$ 1,453,427,734	$ 39,695	$ 82,075,000	$ 2,242	5.65%	99.78%
2022	37,225	1,613,472,631	43,344	84,260,000	2,264	5.22%	99.70%
2023	38,211	1,957,131,411	51,219	85,610,000	2,240	4.37%	99.73%
2024	39,627	2,302,086,215	58,094	87,400,000	2,206	3.80%	99.26%
2025	39,627	2,423,321,855	61,153	111,545,000 (4)	2,815 (4)	4.60% (4)	98.19% (5)

(1) Source: The City's Annual Financial Report.
(2) Valuations shown are certified taxable assessed values reported by the Coryell and Lampasas County Appraisal Districts to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(3) Includes self-supporting debt. See Table 1 for more information on self-supporting debt.
(4) Projected; includes the Certificates. Preliminary, subject to change.
(5) Partial collections as of June 30, 2025.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires
Dan Yancey Mayor	November 2027
Vonya Hart Mayor Pro Tem	November 2026
Christina Strohfus Councilmember	November 2027
Rita Hogan Councilmember	November 2027
Shawn Alzona Councilmember	November 2025
John Hale Councilmember	November 2025
Dale Treadway Councilmember	November 2025
Jack Smith Councilmember	November 2026

CITY OFFICIALS

Name	Position
Ryan Haverlah	City Manager
Ariana Beckman	Director of Budget
Velia Key	Finance Director
Lisa Wilson	City Secretary

CONSULTANTS AND ADVISORS

Auditors .... Pattillo, Brown & Hill, L.L.P.
Waco, Texas

Bond Counsel .... Bracewell LLP
Austin, Texas

Financial Advisor .... Specialized Public Finance Inc.
Austin, Texas

For additional information regarding the City, please contact:

Ryan Haverlah City Manager City of Copperas Cove 914 South Main Street, Suite D Copperas Cove, Texas 76522 (254) 547-4221 (254) 547-4301 Fax	or	Garry Kimball Managing Director Specialized Public Finance Inc. 248 Addie Roy Road Suite B-103 Austin, Texas 78746 (512) 275-7300 (512) 275-7305 Fax

OFFICIAL STATEMENT
RELATING TO

$32,115,000*
CITY OF COPPERAS COVE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement, which includes the cover page and Appendices hereto, provides certain information regarding the issuance of $32,115,000* City of Copperas Cove, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"). The Certificates are being issued pursuant to an ordinance (the "Ordinance") to be adopted by the City Council on August 5, 2025. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc., Austin, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Certificates will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA System). See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State") located in Coryell and Lampasas Counties, duly organized and existing under the laws of the State and the City's Home Rule Charter. The City first adopted its Home Rule Charter in 1979. The City operates under the council/manager form of government with a City Council compromised of the Mayor and seven Councilmembers. The term of office is three years with the terms of Mayor and the Councilmembers expiring annually in staggered succession. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police, EMS and fire protection), highways and streets, water and sanitary sewer utilities, library, public improvements, planning and zoning, and general administrative services. The City's 2020 Census population was 35,307. The City covers approximately 17.1 square miles. For more information regarding the City, see "APPENDIX A – General Information Regarding the City."

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated August 26, 2025, and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2026. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein ("Book-Entry-Only-System"). **No physical delivery of the Certificates will be made to the owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance to be adopted by the City Council.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City, payable from (i) the levy and collection of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge (not to exceed $1,000) of surplus revenues of the City's Waterworks and Sewer System, all as provided in the Ordinance.

TAX RATE LIMITATION . . . Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities to $2.50 per $100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State of Texas will permit $1.50 of the $2.50 maximum tax rate for all tax-supported debt calculated at 90% tax collections.

*Preliminary, subject to change.

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

Additionally, the Certificates may be subject to mandatory redemption in the event the Purchasers elect to aggregate two or more consecutive maturities as Term Certificates.

NOTICE OF REDEMPTION… Not less than thirty (30) days prior to a redemption date for the Certificates, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the Owners of the Certificates to be redeemed at the address of the Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

In the Ordinance, the City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificates subject to conditional redemption and such redemption has been rescinded will remain Outstanding, and the rescission of such redemption will not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND SUBJECT, IN THE CASE OF AN OPTIONAL REDEMPTION, TO ANY RIGHTS OR CONDITIONS RESERVED BY THE CITY IN THE NOTICE, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the City so long as a book-entry-only system is used for the Certificates, will send any notice of redemption or other notices with respect to the Certificates to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificates held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Certificates and such redemption will not be conducted by the City or the Paying/Agent Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Certificates for redemption.

DEFEASANCE . . . The Ordinance provide that the Certificates may be defeased, discharged or refunded in any manner permitted by applicable law. Under current State law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Certificates to maturity or redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Certificates; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Certificates. If any of such Certificates are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

Under current State law, upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid for purposes of applying any debt limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City:

(i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of reserveation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered to the owners thereof.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to the owners thereof.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Purchaser take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Purchasers.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid. Any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, firstclass, postage prepaid, to the new registered owner or his designee. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. Neither the City nor the Paying Agent/Registrar will be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate. See "THE CERTIFICATES – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of (a)(i) acquiring, constructing and improving City water and sewer facilities, and the acquisition of land and rights-of-way in connection therewith; (ii) acquiring, constructing and improving City solid waste facilities, and the acquisition of land and rights-of-way in connection therewith; (iii) constructing and improving City parks and recreational facilities, including, without limitation, City golf course facilities; (iv) acquiring, constructing, and improving City drainage facilities, and the acquisition of land and rights-of-way in connection therewith (v) constructing and improving City streets and sidewalks; (vi) acquiring, constructing and improving City police facilities, and the acquisition of land and rights-of-way in connection therewith; (vii) renovating and improving City street and drainage office facilities and the acquisition of land and rights-of-way in connection therewith; (viii) acquiring vehicles for City water and sewer, solid waste, police, fire and emergency medical services, code compliance, parks and recreation, drainage, golf course and street maintenance purposes; (ix) acquiring equipment for City street improvement and maintenance, parks and recreation, water and sewer, library, drainage, police and fire and emergency medical services purposes; and (x) acquiring communications, computer and electronic equipment for City administrative, police, and golf course purposes; (collectively, the "Project"); and (b) professional services of engineers, attorneys, financial advisors and other professionals in connection with the Project and the costs of issuance of the Certificates.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied approximately as follows:

Sources:	
Principal	$
[Net] Reoffering Premium	
Total Sources	$
Uses:	
Deposit to Construction Fund	$
Deposit to Interest and Sinking Fund	
Bidders Discount	
Costs of Issuance	
Total Uses	$

CERTIFICATEHOLDERS' REMEDIES

The Ordinance provides that each of the following occurrences or events will be an Event of Default under the Ordinance: (i) the failure to make payment of the principal of or interest on any of the Certificates when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement, or obligation of the City, which default materially and adversely affects the rights of the owners of the Certificates, including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of sixty (60) days after notice of such default is given by any owner of the Certificates to the City.

Upon the happening of any Event of Default, any owner of the Certificates or an authorized representative thereof, including but not limited to a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the owners of the Certificates under the Ordinance by mandamus or other suit, action or special proceeding in equity or at law in any court of competent jurisdiction for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the owners of the Certificates hereunder or any combination of such remedies. All such proceedings shall be instituted and maintained for the equal benefit of all owners of the Certificates then outstanding.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of bond counsel will note that all opinions with respect to the rights of the registered owners of the Certificates are subject to the applicable provisions of federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

AMENDMENTS TO THE ORDINANCE

In the Ordinance, the City has reserved the right, without the consent of or notice to the owners, from time to time and at any time to amend the Ordinance in any manner not detrimental to the interests of the owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of the owners of a majority in aggregate principal amount of the related Certificates then outstanding, amend, add to or rescind any of the provisions of the Ordinance; provided, that, without the consent of the owners of all related Certificates then outstanding, no such amendment, addition, or rescission shall:

(a) affect the rights of the owners of less than all of the related Certificates then outstanding;
(b) make any change in the maturities of the related Certificates;
(c) reduce the rate of interest borne by any of the related Certificates;
(d) reduce the amount of the principal payable on the related Certificates;
(e) modify the terms of payment of principal of or interest on the related Certificates or impose any conditions with respect to such payment; or
(f) change the minimum percentage of the principal amount of related Certificates necessary for consent to such amendment.

Certificates owned or held by or for the account of or for the benefit of the City shall not be deemed to be outstanding for the purpose of amending the Ordinance.

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TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Coryell County Appraisal District and the Lampasas Appraisal District (collectively, the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2025 tax year, the maximum property value was increased to $5,160,000.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "TAX INFORMATION – City and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each city in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. House Bill 9 approved by the 89th Texas Legislature, increases exemption for tangible personal property used in the "production of income" from the current $2,500 to $125,000. This legislation is effective September 1, 2025, but is contingent on the passage of a Constitutional amendment at the November 2025 State-wide Constitutional election.

Freeport and Goods-In-Transit Exemptions . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Temporary Exemption for Qualified Property Damaged by a Disaster . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas legislature amended Section 11.35 of the Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

Other Exempt Property . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment." During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "TAX INFORMATION – City Application of Tax Code" for descriptions of the City's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – City Application of Tax Code" herein.

City and Taxpayer Remedies . . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $61.3 million for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "TAX INFORMATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES . . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate," an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, up to 20% attorney's collection fee is added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 5% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

2025 Regular and Special Legislative Session . . . The regular session of the 89th Texas Legislature (the "2025 Legislative Session") convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called a special session to begin on July 21, 2025. The initial agenda for the special session includes the following items: : (i) legislation to reduce the property tax burden on Texans and legislation to impose spending limits on entities authorized to impose property taxes, (ii) flood warning systems, (iii) flood emergency communications, (iv) relief funding for hill country floods, (v) natural disaster preparation and recovery, (vi) replacement of STAAR testing, (vii) protecting children from hemp-derived products, (viii) regulation of products derived from hemp, (ix) protecting unborn children, (x) banning taxpayer-funded lobbying, (xi) protecting victims of human trafficking, (xii) protecting police personnel records, (xiii) protecting women's privacy in sex-segregated spaces, (xiv) constitutional amendment allowing the Texas Attorney General to prosecute state election crimes, (xv) congressional redistricting, (xvi) title theft and deed fraud, (xvii) impact fees for builders who include water conservation and efficiency measures, (xviii) the operation and administration of the judicial branch of state government. The City can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time. The Governor may add additional items to the call at any time.

During the 2025 Legislative Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures for issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 2025 Legislative Session and cannot make any representations regarding the full impact of the legislation approved during the 2025 Legislative Session at this time. Further, the City can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

City Application of Tax Code . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $5,000.

The City has not granted an additional exemption of up to 20% of the market value of residence homesteads; minimum exemption of $5,000.

The City grants a local option freeze on taxes for persons 65 years of age or older or disabled persons.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the Coryell County Tax Assessor-Collector collects taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City has taken action to tax freeport property.

The City does collect a one-quarter cent sales tax for economic development.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has implemented the tax freeze on the residence homestead of the disabled or persons 65 years of age or older, as approved by the City's voters at an election held on May 12, 2007. The tax freeze, which applies to property that currently accounts for approximately 9.7% of the City's taxable property value, may impact future property tax rates for the City.

TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/25 Market Valuation Established by Coryell and Lampasas County Appraisal Districts		
(excluding totally exempt property and exempt agricultural use value)		$ 3,139,934,271
Less Exemptions/Reductions		716,612,416
2024/25 Taxable Assessed Valuation		$ 2,423,321,855
Debt Payable from Ad Valorem Taxes (as of 6/1/2025)		
General Obligation Debt	$ 87,400,000	
The Certificates[(1)]	32,115,000	
Debt Payable from Ad Valorem Taxes		$ 119,515,000
Less: Self-Supporting Debt [(1)(2)]		(75,075,000)
Net Debt Payable from Ad Valorem Taxes		$ 44,440,000
Interest and Sinking Fund (as of 6/1/2025)		$ 6,346,767
Ratio Net Tax Supported Debt to Taxable Assessed Valuation		1.83%

2025 Estimated Population - 39,627
Per Capita Taxable Assessed Valuation - $61,153
Per Capita Net Debt Payable from Ad Valorem Taxes - $1,121

(1) Preliminary, subject to change.
(2) Includes portions of the City's outstanding bonded indebtedness that are paid from Waterworks and Sewer System, Drainage Utility System, Solid Waste System, Golf Course and Hotel Occupancy revenues. Also, includes the portion of debt service on bonds which are considered self-supporting through contract revenues received by the City from the Texas Department of Transportation pursuant to the terms of a certain Texas Department of Transportation Agreement. Preliminary, subject to change.

TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End Of Year[(3)]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2021	36,615	$ 1,453,427,734	$ 39,695	$ 82,075,000	5.65%	$ 2,242
2022	37,225	1,613,472,631	43,344	84,260,000	5.22%	2,264
2023	38,211	1,957,131,411	51,219	85,610,000	4.37%	2,240
2024	39,627	2,302,086,215	58,094	87,400,000	3.80%	2,206
2025	39,627	2,423,321,855	61,153	111,545,000 [(4)]	4.60% [(4)]	2,815 [(4)]

(1) Source: The City's Annual Financial Report.
(2) Valuations shown are certified taxable assessed values reported by the Coryell and Lampasas County Appraisal Districts to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal Districts update records.
(3) Includes self-supported debt. See Table 1 for more information on self-supporting ad valorem debt.
(4) Projected; includes the Certificates. Preliminary, subject to change.

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TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	$ 0.7865	$ 0.4971	$ 0.2894	$ 11,199,107	98.74%	99.78%
2022	0.7601	0.4828	0.2773	11,857,970	99.42%	99.70%
2023	0.7210	0.4117	0.3093	13,585,131	99.35%	99.73%
2024	0.6427	0.3832	0.2595	14,563,666	99.26%	99.26%
2025	0.6610	0.4472	0.2139	15,267,268	98.19% (1)	98.19% (1)

(1) Partial collections as of June 30, 2025.

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Oncor Electric Delivery Co. LLC	$ 21,515,200	0.89%
Five Hills Ltd.	13,461,490	0.56%
Willow Square LLC	13,300,000	0.55%
HEB Grocery Co. LP	12,796,920	0.53%
Wal-Mart Real Estate	12,550,000	0.52%
Colonial Plaza Partnership	8,385,216	0.35%
Yerby Five Hills I LLC etal	8,300,060	0.34%
PS LPT Properties Investors	8,168,550	0.34%
ATMOS Energy/Mid-Tex Distribution	6,827,220	0.28%
Wal-Mart Properties Stores East	6,666,590	0.28%
	$ 111,971,246	4.62%

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE CERTIFICATES – Tax Rate Limitation").

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TABLE 5 – ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	Total G.O. Tax Debt	Estimated % Applicable	City's Overlapping G.O. Tax Debt as of 5/31/2025
City of Copperas Cove	$ 44,440,000 (1)	100.00%	$ 44,440,000 (1)
Copperas Cove ISD	1,805,000	80.44%	1,451,942
Coryell County	5,080,000	50.51%	2,565,908
Lampasas County	13,950,000	4.22%	588,690
Bell County (2)	114,965,000	0.00%	-
Lampasas ISD	18,789,977	4.30%	807,969
Total Direct and Overlapping Net Funded Debt			$ 49,854,509
Ratio of Direct and Overlapping Net Funded Debt to Taxable Assessed Valuation			2.06%
Per Capita Direct and Overlapping Net Funded Debt			$ 1,258

(1) Includes the Certificates and excludes the self-supporting debt. Preliminary, subject to change.
(2) A portion of the City falls into the Fort Hood Reservation located in Bell County and has no taxable value.

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DEBT INFORMATION

TABLE 6 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Total Outstanding Debt			The Certificates[1]			Less: Self-Supported Debt Service[2]	Total Tax-Supported Debt Service
	Principal	Interest	Total	Principal	Interest	Total		
2025	$ 7,970,000	$ 3,175,945	$ 11,145,945	$ -	$ -	$ -	$ 5,794,074	$ 5,351,871
2026	7,935,000	2,895,123	10,830,123	1,165,000	1,664,494	2,829,494	7,651,012	6,008,605
2027	7,745,000	2,608,680	10,353,680	1,380,000	1,433,188	2,813,188	7,351,110	5,815,757
2028	6,795,000	2,313,397	9,108,397	1,450,000	1,373,200	2,823,200	7,094,806	4,836,790
2029	5,840,000	2,056,130	7,896,130	1,515,000	1,310,138	2,825,138	6,833,420	3,887,847
2030	5,715,000	1,829,240	7,544,240	1,580,000	1,244,238	2,824,238	6,630,675	3,737,802
2031	5,420,000	1,613,848	7,033,848	1,650,000	1,175,500	2,825,500	6,314,248	3,545,100
2032	4,460,000	1,418,945	5,878,945	1,720,000	1,103,625	2,823,625	5,468,162	3,234,407
2033	4,580,000	1,267,418	5,847,418	1,245,000	1,028,613	2,273,613	5,206,441	2,914,589
2034	4,430,000	1,111,323	5,541,323	1,300,000	969,475	2,269,475	5,228,348	2,582,450
2035	4,245,000	958,573	5,203,573	1,365,000	907,725	2,272,725	5,219,606	2,256,693
2036	4,090,000	817,264	4,907,264	1,425,000	842,888	2,267,888	4,922,809	2,252,343
2037	4,165,000	671,071	4,836,071	1,495,000	775,200	2,270,200	4,862,299	2,243,973
2038	3,710,000	524,481	4,234,481	1,565,000	704,188	2,269,188	4,623,081	1,880,588
2039	3,295,000	388,831	3,683,831	1,640,000	629,850	2,269,850	4,228,706	1,724,975
2040	2,475,000	268,088	2,743,088	1,720,000	551,950	2,271,950	3,621,494	1,393,544
2041	1,765,000	176,088	1,941,088	1,800,000	470,250	2,270,250	3,070,800	1,140,538
2042	1,480,000	109,900	1,589,900	1,890,000	384,750	2,274,750	2,863,575	1,001,075
2043	865,000	51,400	916,400	1,975,000	294,975	2,269,975	2,622,550	563,825
2044	420,000	16,800	436,800	2,065,000	201,163	2,266,163	2,291,125	411,838
2045	-	-	-	2,170,000	103,075	2,273,075	2,053,100	219,975
	$ 87,400,000	$ 24,272,542	$ 111,672,542	$ 32,115,000	$ 17,168,482	$ 49,283,482	$ 103,951,441	$ 57,004,583

(1) Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.
(2) Includes portions of the City's outstanding bonded indebtedness that are paid from Waterworks and Sewer System, Drainage Utility System, Solid Waste System, Golf Course and Hotel Occupancy revenues. Also, includes the portion of debt service on bonds which are considered self-supporting through contract revenues received by the City from the Texas Department of Transportation pursuant to the terms of a certain Texas Department of Transportation Agreement. Preliminary, subject to change.

TABLE 7 – INTEREST AND SINKING FUND BUDGET PROJECTION

Estimated Debt Service Requirements, Fiscal Year Ending 9-30-2025[1]		$ 5,351,871
Interest and Sinking Fund, 9-30-2024	$ 2,061,276	
Interest and Sinking Fund Tax Levy at 98% Collection	5,079,816	7,141,092
Estimated Balance, 9-30-2025		$ 1,789,221

(1) Excludes the self-supporting debt. Preliminary, subject to change.

TABLE 8 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Streets	11/04/2008	$ 8,025,000	$ 7,995,000	$ -	$ 30,000
Fire Station	11/05/2013	6,000,000	-	-	6,000,000
Animal Care	11/02/2021	4,075,000	4,075,000	-	-
		$ 18,100,000	$12,070,000	$ -	$ 6,030,000

The City may also incur non-voted debts payable from or secured by its collection of taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations, and leases for various purposes.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . After the issuance of the Certificates, the City does not anticipate the issuance of additional tax-supported debt within the next six months.

OTHER OBLIGATIONS . . . The City has no unfunded obligations as of June 1, 2025.

Pension Fund . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. For more detailed information concerning the retirement plan, see "APPENDIX B – Excerpts from the City's Annual Financial Report."

Other Post-Employment Benefits . . . In addition to the contributions made to TMRS, the City provides other post-employment benefits to its retirees and dependents. For more detailed information, see Note C in "APPENDIX B – Excerpts from the City's Annual Financial Report."

FINANCIAL INFORMATION

Table 9 – General Fund Revenues and Expenditure History

	Fiscal Years Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Taxes	$ 14,986,103	$ 14,278,210	$ 13,763,799	$ 13,000,458	$ 12,297,715
Licenses	62,624	58,319	55,783	58,485	50,553
Permits	452,283	519,667	503,201	405,011	369,340
City Services Provided	2,191,464	1,968,809	1,958,354	1,633,240	1,449,808
Fines	543,227	350,279	432,741	489,610	441,952
Miscellaneous	1,690,978	1,239,754	1,029,400	1,345,409	1,319,415
Intergovernmental	1,910,978	773,501	654,036	5,810	4,642
Investment Income	661,934	463,092	61,630	19,558	76,318
Total Revenues	$ 22,499,591	$ 19,651,631	$ 18,458,944	$ 16,957,581	$ 16,009,743
Expenditures:					
General Government	$ 4,293,607	$ 3,843,412	$ 3,590,654	$ 3,486,108	$ 3,144,467
Community Services	2,596,291	2,302,416	2,194,087	2,482,341	1,898,204
Fleet and Facility Services	392,312	353,947	302,404	305,312	294,903
Highway and Streets	257,961	287,746	788,576	707,828	549,593
Public Safety	13,955,693	12,499,109	12,181,485	11,611,112	9,234,874
Capital Outlay/Debt Service	1,512,602	893,760	96,071	199,843	63,833
Total Expenditures	$ 23,008,466	$ 20,180,390	$ 19,153,277	$ 18,792,544	$ 15,185,874
Excess (Deficiency) of Revenues Over Expenditures	$ (508,875)	$ (528,759)	$ (694,333)	$ (1,834,963)	$ 823,869
Transfers In	$ 1,942,827	$ 1,766,918	$ 1,755,737	$ 1,755,737	$ 1,729,715
Other Sources	248,670	683,757	75,046	603,143	55,440
Transfers Out	(5,019)	(9,838)	(17,555)	(12,920)	-
Total Transfers	$ 2,186,478	$ 2,440,837	$ 1,813,228	$ 2,345,960	$ 1,785,155
Net Increase (Decrease)	$ 1,677,603	$ 1,912,078	$ 1,118,895	$ 510,997	$ 2,609,024
Beginning Fund Balance	14,539,665	12,627,587	11,508,692	10,997,695	8,388,671
Ending Fund Balance	$ 16,217,268	$ 14,539,665	$ 12,627,587	$ 11,508,692	$ 10,997,695

Source: City's audited financial statements.

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TABLE 10 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1.0% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the debt obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, which remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	Total Collected[1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2021	$ 4,395,241	39.25%	$ 0.3024	$ 120
2022	5,263,246	44.86%	0.3262	141
2023	5,931,463	43.66%	0.3031	155
2024	5,011,884	34.41%	0.2177	126
2025	6,409,585 [2]	41.98%	0.2645	162

(1) Excludes amounts collected for economic development and roadway maintenance.
(2) Partial collections through June 30, 2025.

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem property taxes, if approved by a majority of the voters in a local option election. Subject to the approval of a majority of the voters in a local option election, State law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic development, municipal street maintenance and repair, and sports and community venues.

The City imposes an additional 0.25% sales and use tax for economic development.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

THE SYSTEM

WATERWORKS SYSTEM

The City owns and operates its water distribution and supply systems and purchases its water supply from the Bell County Water Control and Improvement District No. 1. The water supply is received in ground storage tanks located throughout the system on hilltops which surround the City, which function as elevated tanks because of the static head differential with the developed areas of the City. The City's waterworks system is comprised of 15 storage/pump facilities with a present combined permitted capacity of 13.8 MGD. The system consists of approximately 230 miles of water mains.

TABLE 11 – WATER RATES (EFFECTIVE OCTOBER 1, 2024)

Inside the City Limits:

Meter Size	Monthly Flow Minimum Fee
3/4" meter	$ 26.05
1" meter	$ 36.71
1½" meter	$ 54.47
2" meter	$ 80.52
3" meter	$ 213.14
4" meter	$ 333.91
6" meter	$ 566.00
Contractor	$ 26.05
Bulk	$ 26.05

Customer Type	Rate/1,000 gal
Residential	$ 5.21
Commercial	$ 6.25
Sprinkler	$ 4.56
Bulk Water	$ 9.34
Contractor	$ 7.79

TABLE 12 – TOP TEN WATER CUSTOMERS

Customer	Gallons Billed
Central Texas College	52,408,520
Topsey Water District	24,169,939
Cedar Grove Mobile Home Park	9,687,635
CCISD	8,701,560
Housing Authority	7,087,443
Clear Creek Meadow Apartments	6,123,094
Willow Creek Apartments LLC	5,544,060
Mister Car Wash	5,039,177
Copperas Cove LTC Partners Inc.	4,923,283
Wells Laundry	4,322,718
	128,007,429

WASTEWATER SYSTEM

The City currently owns and operates three wastewater treatment facilities with a present combined permitted capacity of 9.0 MGD. The system consists of approximately 392 miles of collection lines with 15 lift stations.

Storm water is collected in an entirely separate gravity fed storm sewer system and is completely segregated from the wastewater system. The storm sewer system is operated and maintained by the City's Department of Public Works.

Maintenance and inspection of the City's wastewater system is accomplished by maintenance personnel employed by the City's Wastewater Treatment Department.

TABLE 13 – MONTHLY SEWER RATES (AS OF OCTOBER 1, 2024)

Sewer minimum rate (all customers)	$ 21.22
Rate per 1,000 Gallons of Water	$ 5.15
6" Sewer Tap	$800.00
Sewer Tap larger than 6"	6" tap fee + additional time and materials

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TABLE 14 – TOP TEN SEWER CUSTOMERS

Customer	Gallons Billed
Cedar Grove Mobile Home Park	12,559,289
Housing Authority	5,152,474
Mister Car Wash	5,039,177
Clear Creek Meadow Apartments	5,126,548
Copperas Cove LTC Partners Inc.	4,923,283
Willow Creek Apartments	4,826,035
Wells Laundry	4,322,718
Go Car Wash TX319	3,922,674
Cove Village Apartments	3,316,688
Soonkyo Park	2,538,664
	51,727,550

TABLE 15 – WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Years Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Waterworks and Sewer System	$ 16,995,516	$ 16,187,137	$ 15,552,673	$ 13,727,514	$ 12,916,179
Miscellaneous	2,995	44,657	99,808	98,702	14,275
Total	$ 16,998,511	$ 16,231,794	$ 15,652,481	$ 13,826,216	$ 12,930,454
Expenses:					
Waterworks and Sewer System(1)	$ 14,033,865	$ 9,455,482	$ 7,194,034	$ 7,430,658	$ 7,023,305
Net Available for Debt Service	$ 2,964,646	$ 6,776,312	$ 8,458,447	$ 6,395,558	$ 5,907,149
Water Customers	14,598	15,686	14,672	14,508	14,552
Sewer Customers	13,907	14,419	13,074	13,882	13,097

(1) Excludes depreciation expense.

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INVESTMENTS

The City may invest its investable funds (including certificate proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

AUTHORIZED INVESTMENTS . . . Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the City Council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, certificate proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of certificate proceeds invested under such contract.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service, if the City Council authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The City may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by ordinance, order or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the treasurer, chief financial officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding certificate proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of certificate proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding certificate proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 16 – CURRENT INVESTMENTS

As of June 30, 2025, the City's investable funds (unaudited) were invested in the following categories:

Investments	Market Value	% of Total
Cadence Bank	$ 37,506,465	53.17%
CDARs	5,000,000	7.09%
TexSTAR	555,373	0.79%
TexPool	27,477,060	38.95%
	$ 70,538,898	100.00%

As of such date, 100% of the City's investment portfolio will mature within one year. The market value of the investment portfolio was approximately 100% of its purchase price. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

TAX EXEMPTION . . . In the opinion of Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, (the "Code") and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Certificates, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Certificates from gross income for federal income tax purposes and, in addition, will rely on representations by the City, and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the City, and such parties, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Certificates could become includable in gross income from the date of delivery of the Oblgiations, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Certificates or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of, interest on, or acquisition, ownership or disposition of the Certificates. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Certificates from gross income for federal income tax purposes.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of result and is not binding on the Service; rather, such opinion represents Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinion. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local bonds is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited those noted below. Therefore, prospective purchasers of the Certificates should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Certificates, is included in a corporation's "adjusted financial statement income," ownership of the Certificates could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Certificates.

Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM . . . If the issue price of a maturity of the Certificates exceeds the stated redemption price payable at maturity of such Certificates, such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Certificate in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Certificate in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Certificate by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of premium on a Premium Certificate that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined using the yield to maturity on the Premium Certificate based on the initial offering price of such Premium Certificate.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Certificate and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Certificate.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . If the issue price of a maturity of the Certificates is less than the stated redemption price payable at maturity of such Certificates (the "OID Certificates"). In such case, the difference between (i) the amount payable at the maturity of each OID Certificate, and (ii) the initial offering price to the public of such OID Certificate constitutes original issue discount with respect to such OID Certificate in the hands of any owner who has purchased such OID Certificate in the initial public offering of the Certificates. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Certificate equal to that portion of the amount of such original issue discount allocable to the period that such OID Certificate continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Certificates under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Certificate was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Certificates for contemporaneous sale to the public and (ii) all of the OID Certificates have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the page 2 of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the OID Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Certificate accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Certificate.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such OID Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Certificates.

TAX LEGISLATIVE CHANGES . . . Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via its Electronic Municipal Market Access system at www.emma.msrb.org.

As used in this section, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in Securities and Exchange Commission Rule 15c2-12 (the "Rule")) has been provided to the MSRB consistent with the Rule.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Oficial Statement under Tables numbered 1 through 4 and 6 through 16 and in APPENDIX B. The City will update and provide this information within 6 months after the end of each fiscal year ending in or after 2025.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide notice that audited financial statements are not available and shall provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

NOTICE OF CERTAIN EVENTS . . . The City shall provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner and not more than 10 business days after the occurrence of the event:

(i) principal and interest payment delinquencies;
(ii) nonpayment related defaults, if material;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
(vii) modifications to rights of Owners, if material;
(viii) bond calls, if material and tender offers;
(ix) defeasance;
(x) release, substitution, or sale of property securing repayment of the Certificates, if material;
(xi) rating changes;

(xii) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

(xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties

For these purposes, (a) any event described in clause (xii) in the preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in clauses (xv) and (xvi) in the preceding paragraph and the definition of "Financial Obligation" in this section to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with its agreement by the required time.

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only to the MSRB. All documents provided by the City to the MSRB described above under "Annual Reports" and "Notice of Certain Events" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria VA 22314, and its telephone number is (703) 797-6600.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

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LEGAL MATTERS

Legal Opinions . . . The City will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates are valid and legally binding obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under existing law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

OTHER INFORMATION

Rating . . . The Certificates and the outstanding tax supported debt of the City have been rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement. The City also has various issues outstanding which are insured by various commercial insurance companies. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective views of such organizations and the City makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or more of such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Certificates.

Litigation . . . . It is the opinion of the City's staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

Registration and Qualification of Obligations for Sale . . . The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

Authenticity of Financial Data and Other Information . . . The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Financial Advisor . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Forward-Looking Statements . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Initial Purchaser . . . After requesting competitive bids for the Certificates, the City accepted the bid of _______________________ (the "Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of approximately _________% of par. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Miscellaneous . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Ordinance authorizing the issuance of the Certificates will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

Certification of Official Statement . . . At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

This Official Statement will be approved by the City Council of the City for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

Mayor
City of Copperas Cove, Texas

ATTEST:

City Secretary
City of Copperas Cove, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY . . . The City of Copperas Cove is a residential city that has experienced rapid growth and benefited economically from its proximity to Fort Hood, the largest United States military base. The City's 2020 Census population was 35,307, an increase of 8.31% from 2000. The City estimates the current population to be approximately 38,211. Many of Fort Hood's military and civilian personnel reside in the City. The City's economy is primarily service-oriented, tied closely to the operations at Fort Hood. The City is also located on the main east-west line of the Santa Fe Railroad. Small scale manufacturers produce window blinds, industrial electronics, cabinets, van windows and concrete.

COUNTY CHARACTERISTICS . . . Coryell and Lampasas Counties were created in 1854 from Bell County. The central Texas county of Coryell was named after local pioneer, James Coryell, and is a part of the Killeen-Temple metropolitan statistical area. The Texas Almanac designates livestock, grains, hay and pecans as principal sources of agricultural income.

The City of Gatesville is the county seat of Coryell County and has a population of 16,500. The City of Lampasas is the county seat of Lampasas County. The economy is diversified by agribusiness, military business, boat and trailer manufacturing, canvas products, clothing and plastic medical products. Fort Hood, home of the 2nd Armored Division, the 1st Calvary Division, 13th Corps Support Command (COSCOM), 3rd Signal Brigade, 4th Calvary Brigade (Aviation), 44th Air Defense Artillery Brigade, 89th Military Police Brigade, 504th Military Intelligence Brigade, 1st Training Support Battalion-291st Aviation, 3rd Personnel Group, 13th Finance Group and other units, covers 335 square miles in Bell and Coryell Counties.

LABOR MARKET PROFILE

Coryell County		
	May 2025	May 2024
Total Civilian Labor Force	27,024	26,655
Total Employment	25,760	25,554
Total Unemployment	1,264	1,101
Percent Unemployed	4.7%	4.1%

State of Texas		
	May 2025	May 2024
Total Civilian Labor Force	15,826,370	15,501,676
Total Employment	15,194,230	14,913,510
Total Unemployment	632,140	588,166
Percent Unemployed	4.0%	3.8%

Source: Texas Employment Commission, Austin, Texas

MAJOR AREA EMPLOYERS

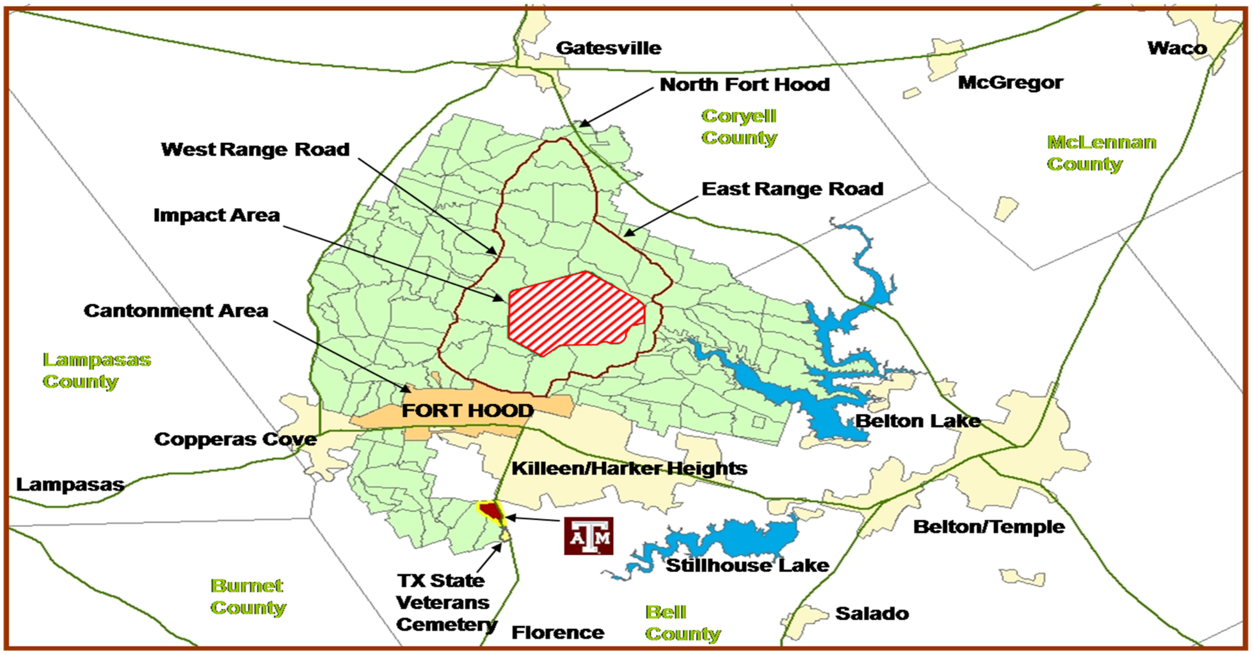
Name	# of Employees
Fort Cavazos-Military	34,375
Fort Cavazos-Civilian	13,372
Copperas Cove ISD	1,662
GC Services	634
H.E.B. Grocery Store	410
City of Copperas Cove	313
Wal-Mart Supercenter	294
Hill Country Nursing & Rehab.	106
Copperas Cove Nursing & Rehab.	81
Cinergy Movie Theater	62

CURRENT DEVELOPMENTS . . . Development within the City includes the House Creek North Phase III development consisting of 320 lots, Summers Place development located on Summers Road adjoining the south side of House Creek North with 64 lots, Skyline Flats single family development along west Big Divide south of Grimes Crossing with 300 lots and the single family development of Walker Place Phase 7, Section 2 located off west US 190 and consisting of 115 lots. The City also created a Tax Increment Reinvestment Zone (TIRZ), which is planned to include approximately 470 single family homes, 20 acres of multi-family, and commercial development along US 190.

The largest transportation project in Copperas Cove, referred to as the Reliever Route, continues to move forward. The current project cost estimate is slightly over $52 million. Contracts and payment for the right-of-way acquisition process were executed with the Texas Department of Transportation in February 2006 as required for the FM 2657 Widening Project which will serve as an access entrance to the Reliever Route from US Highway 190 on the west side of the City. The current funding availability for construction has been moved up from the year 2015 to 2010.

MILITARY FACILITIES – FORT HOOD

GENERAL . . . Fort Hood is the Army's premier armored force installation and strategic power projection platform. In 2001, Fort Hood was authorized 41,000 Soldiers. Since the inception of the Global War on Terrorism, Fort Hood has increased and maintained a current assigned strength of over 49,000 Soldiers – with a peak in assigned troop strength of 55,800 Soldiers in March 2008. One out of every 10 active duty Soldiers in the Army is assigned to Fort Hood. Located 60 miles north of Austin and 50 miles south of Waco, the fort occupies 335 square miles (almost 215,000 acres) of Bell and Coryell Counties. There are more than 136,000 acres of maneuver area on post with 62,605 acres identified for live fire impact. With 2 airfields and 6 Air Strips, Fort Hood has more than 770 miles of paved roads and 471 miles of tank trails. There are currently 7,238 active buildings on post with more than 33.14 million square feet of floor space.



Supported Population – approximately 425,000

- Post Population - ***95,000***:
  - Military, On Post Family Members, Civilian Employees, Contractors, Other Employees.
- Off Post Family Members – ***89,933***
- Retirees, Survivors & Family Members is ***246,000***

ECONOMIC IMPACT . . . Seven surrounding cities (with a regional population of 335,000) are partnered with and provide substantial quality of life support to Fort Hood. Almost 98 percent of the 49,000-plus Soldiers assigned – and their family members – live within 10 miles of the installation. These Soldiers are complemented by more than 18,850 civilian employees at the Central Texas post, making Fort Hood the largest single site employer in the state and directly inserting nearly $6 billion annually into the Texas economy. As of 2008, the direct economic impact of Fort Hood on the Texas economy was $4.4 billion dollars, with a total statewide impact of $10.8 billion dollars.

Mission of III Corps and Fort Hood

Prepare Soldiers and Units for Combat and Take Care of Soldiers, Families, and Civilians at the "Great Place"

Since 2005, Fort Hood has deployed 135,738 Soldiers in support of Operation Iraqi Freedom (OIF) & Operation Enduring Freedom (OEF).

Tactical Units Assigned to Fort Hood	Tenant Units Assigned to Fort Hood
III Corps Headquarters	1st Army Division West Headquarters
1st Cavalry Division	Operational Test Command
13th Sustainment Command (E)	U.S. Army Garrison Ft Hood
3rd Armored Cavalry Regiment	MEDCOM
15th Sustainment Brigade	407th AFSB & CTSF
4th Sustainment Brigade	57th SIG BN (E)/62nd SIG BN (E)
1st Medical Brigade	69th Air Defense Artillery BDE
41st Fires Brigade	120th TSB
36th Engineer Brigade	15th MI BN
89th MP Brigade	21st CAV BDE
504th Battlefield Surveillance BDE	48th Chemical BDE
13th Finance Management Center	11th CID BN
4th Combat Aviation Brigade	166th AVN BDE

RESERVE COMPONENT (RC) MOBILIZATION . . . Fort Hood is one of the Army's six Enduring Mobilization Training Centers (EMTC) for Army National Guard and Army Reserve. It serves as the home of First Army Division West Headquarters and three of its Training Support Brigades. North Fort Hood serves as Fort Hood's principal location for all Reserve Component post-mobilization training. The primary mission sets trained at Fort Hood in support of overseas contingency operations are: aviation operations, transportation operations, and Division and Brigade level Command and Control operations. The Directorate of Plans, Training, Mobilization, and Security (DPTMS) has overall responsibility for mobilization on Fort Hood. The Mobilization Division of DPTMS manages the execution of installation support with the Hood Mobilization Brigade providing Command and Administrative Control of mobilizing units. Since October 2001, 44,676 Soldiers have mobilized through Fort Hood with over 15,000 soldiers being from Texas.

The ability of Fort Hood to sustain this extremely high volume of mobilized Soldiers is due in large part to newly expanded facilities on the north side of Post. North Fort Hood provides facilities and resources which support an overall capacity of 2,636 mobilizing troops. Facilities and services which support both mobilization and non-mobilization training at NFH include; billeting, dining facilities, troop medical services, vehicle maintenance, supply and services support, fuel operations, airfield (2) support, Fitness Center, and many other critical support services.

CAPACITY UTILIZATION . . . The Army has consistently recognized the unique ability of Fort Hood and Central Texas to house, support and sustain 50,000 Soldiers and their Families in whatever formations today's and tomorrow's forces will find themselves. The Government Accounting Office (GAO) also supports the Army's contention that on a per capita basis, Soldier training at Fort Hood continues to be more economically accomplished than at any other major Army installation. Fort Hood is fully capable to support current and future Army, joint and combined force mission requirements.

- The post's largest single on-post training segment is called the Western Maneuver Area (WMA) which stretches 20 miles from north to south and from the western boundary of the installation eastward to the live fire impact area. The WMA easily accommodates a full-up, modern, digitally equipped heavy battalion task force exercising in multiple scenarios over several weeks at a time.
- Direct access to Lake Belton provides training in all phases of water obstacle and river crossing operations, from small unit to division level.
- The Army's largest Battle Command Training Center is located at Fort Hood.
- The largest combat aviation training area in the free world, comprised of 15,900 square miles, begins on Fort Hood and continues west from Bell and Coryell Counties to Runnels and Tom Green Counties. This allows U.S. and allied military helicopter crews to train in a realistic environment that affords the distances and depths required in combat aviation operations.

COMMUNITY PARTNERSHIPS . . . Fort Hood's ability to preserve its world-class training capability requires fostering productive partnerships with our surrounding communities that address the preservation of Economic, Environmental, and Land Initiatives within surrounding communities. The Central Texas Sustainable Communities Partnership, a regional alliance for the long term sustainability of our Central Texas Community, was started at the Earth Fest celebration in April 2009. This alliance has direct involvement by the cities of Killeen, Harker Heights, Copperas Cove, and Gatesville, with Fort Hood as the 5th partner. The primary purpose of this partnership is to foster long term sustained economic growth, improve quality of life for the region, and improve the environmental quality of the region. Since 1998, assisted by The Nature Conservancy, the Texas Parks and Wildlife Department, Texas Agrilife Research (Institute for Renewable Natural Resources), and the State of Texas Fort Hood has made substantial progress in restoring the state's populations of the Black Capped Vireo and the Golden Cheeked Warbler after both faced extinction. Fort Hood has identified 800 sites with possible sensitive cultural ties to early Native Americans or western settlers who occupied the area prior to the 1942 founding of Fort Hood. The installation is working with the Texas State Historical Preservation Office under the Alternative Procedures Program to identify the sites which are historically significant. In late 2008, Fort Hood partnered with Gatesville to begin the collection and treatment of sanitary sewage from the ever-growing North Fort Hood cantonment area, replacing a very old and labor-intensive lagoon system that had been operated by the Installation for many years.

CAPITAL INVESTMENT . . . The Army has consistently demonstrated its commitment to long term infrastructure improvements at Fort Hood. These include new or renovated barracks, state of the art command and control facilities, the 21st century Krueger Soldier Development & Education Center, the one-stop Copeland Soldier Service Center, an aggressive range modernization program and modern installation support facilities.

Ft. Hood Capital Investment	
2006	$60M
2007	$79M
2008	$182M
2009	$1.044B
2010	$43M

HEALTH INFRASTRUCTURE . . . Fort Hood's Carl R. Darnall Army Medical Center (CRDAMC) is a teaching hospital affiliated with Scott & White Memorial Hospital, the Dept. of Veterans Affairs (VA) Central Texas Health Care System in Temple, and with Texas A&M University Health Science Center College of Medicine in Bryan-College Station. CRDAMC has residency programs in Emergency Medicine and Family Practice, and combined graduate medical programs in obstetrics and gynecology, pediatrics and medicine with Wilford Hall Air Force and Brooke Army Medical Centers in San Antonio. Darnall serves more than 172,000 military beneficiaries in a 40 mile radius of Fort Hood.

The Fort Hood leadership, in conjunction with federal assistance, is moving forward this year with the construction of a new Carl R. Darnall Army Medical Center on Fort Hood with an estimated cost of 1 billion dollars. There is no question the need exists. CRDAMC lacks specialists to provide comprehensive care and refers patients to local civilian hospitals for advanced diagnostics and healthcare. Recent and future projects to expand medical services to our military community include:

- Construction of a Traumatic Brain Injury Center
- A 46,000 Square foot Women's Health Clinic Addition
- Renovation of three Dental Clinics
- Construction of West and North Fort Hood Primary Care Clinics
- Intensive Outpatient Addiction Treatment Facility

MCA CONSTRUCTION . . . Military Construction Army (MCA) is the primary funding program to reduce large square foot deficits while improving facility conditions. Fort Hood has nine MCA projects for a total of $161M under construction, and 12 projects for a total of $1.13B under design that will reduce our deficits in the critical facilities by 1.15M square feet, or approximately 22 percent. These projects are scheduled for completion between Fiscal Year 2010 and Fiscal Year 2017. Fort Hood currently has 6 Child Development Centers, one Youth Center, and one Kids On Site Center scheduled to be constructed between FY10 and FY13. Fort Hood is scheduled to activate two Thermal High Altitude Aerial Defense (THAAD) Battery's in FY13 and FY14. Additionally, one Unmanned Aerial System (UAS) Company is scheduled to activate in FY11 and a second anticipated in FY13.

WARRIORS IN TRANSITION . . . Fort Hood's Warriors in Transition Unit (WTU) provides Soldiers and their families with a receptive, hassle-free and supportive environment where they can focus on their primary mission of healing. To further enhance the investment in infrastructure for the personnel assigned to the unit, Fort Hood has begun construction of a 320-person barracks facility, a Soldier and Family Assistance Center, and two administrative buildings. Ft. Hood is pursuing the construction of a Warrior Transition Brigade Physical Fitness Center, which will provide a more private and conducive atmosphere for the warriors faced with physical challenges, and a WTU Dining Facility, to provide the Soldiers with a closer, more centralized location for meals. The total cost for the Physical Fitness Center is estimated at $12.6 million, and $17.5 million for the WTU Dining Facility. Both are unfunded for the current year.

ARMY FAMILY COVENANT (AFC) . . . The Fort Hood leadership is committed to providing Soldiers and their families a strong and supportive environment where they can thrive. These efforts include:

- AFC has injected over $3.622 million to increase Soldier and Family Services
- Increased Army Community Services Staff by 41 people
- Discounting full/part day child care fees by 20%
- Provide "Free" registration to all Child, Youth and School Services eligible youth
- Implementing the Survivor Outreach Services program which provides support services to survivors of loved ones who have died while on Active Duty.

SOLDIER AND FAMILY HOUSING . . . Fort Hood has 96 barracks that house approximately 14,880 Soldiers and 6,408 family quarters that house about 30 percent of the active duty population. The family quarters are managed through Actus Lend Lease, the Residential Community Initiative (RCI) housing partner. Under this program more than 4,500 sets of quarters have been renovated and 1,186 new units have been built with 212 (eventually 232) built with new "green" energy efficient materials. The RCI Partnership has provided the absolute highest quality of housing for our Soldiers and their families on post with a noticeable difference in quality of maintenance compared to previously worn and outdated housing provided by Army Installations. Fort Hood understands the community impact of On Post housing, and is committed to keeping our volume the same to avoid any negative economic impacts to the local housing market.

PRIVATIZATION OF ARMY LODGING (PAL) . . . PAL, an Army-wide program, was established as a means of revitalizing on-post transient housing facilities. The program is a natural extension of the success achieved in the privatization of Family housing through the Residential Communities Initiative (RCI). Fort Hood's partners for PAL are Actus Lend Lease and the InterContinental

Hotels Group. The Keith L. Ware Hall transient lodging facility is currently being renovated to Holiday Inn Express standards and will be completed within the year. One 139-room Candlewood Suites hotel will be built on Fort Hood at Battalion Ave. and 37th Street during Phase II, years 6-8 following the 15 August 2009 closing. This public/private initiative will provide a significant improvement in quality and service and a unique "off-post" atmosphere to these buildings.

SECOND RUNWAY . . . A second runway at Robert Gray Army Air Field (RGAAF) – as part of the Killeen Fort Hood Regional Airport (KFHRA) Master Plan – would provide safety and redundancy, additional opportunities for airfield operations, and facilitate future joint training and basing options for military personnel to train airfield operations. It would also significantly enhance commercial aviation capabilities for the airport. KFHRA currently receives 42 flights daily and manifested more than 200,000 passengers last year. The 1st step to developing the 2nd runway would be the construction of the 4,000 ft. Assault Landing Strip (ALS) on West Fort Hood that has been approved by the City of Killeen 2nd Runway Task Force to be built using Army troop construction personnel. After the ALS is finished, construction will move forward on the completion of a second runway at RGAAF that would support civilian and military commercial airliners. Both projects have a total estimated cost of $230 million that is unfunded.

TEXAS A&M UNIVERSITY-CENTRAL TEXAS . . . Fort Hood and Texas A&M share the vision to establish an upper level college on 672 acres of Fort Hood land that has transferred to the Texas A&M University System (TAMUS). TAMUS is establishing a stand-alone university named Texas A&M University-Central Texas-and will reimburse Fort Hood for the cost of the land by providing classroom space as in-kind consideration. By establishing Texas A&M-CT, Soldiers and Family Members will be able to earn their academic degrees from a nationally recognized university offering programs tailored to the local population needs. In-state tuition rates would apply to Soldiers and Family Members, even when the sponsor leaves the state. In May 2009 the Texas Legislature authorized the Texas A&M University System to issue Tuition Revenue Bonds (TRB) for up to $25M to begin construction of a Central Texas campus.

TEXAS HIGHWAYS & BYWAYS . . . State officials have been extremely gracious and patient in the funding of our major roadway projects. These projects have strengthened the strategic projection capability of forces from Fort Hood to and through Gulf Coast seaports. The Texas Department of Transportation (TXDOT) has embarked on a $161.7 million dollar initiative to widen Highway 195 from Fort Hood to Georgetown. Scheduled for completion by 2020, this expansion will provide an uninterrupted four lane divided highway from Fort Hood to IH-35 and on to the ports. The State of Texas also committed more than $39.1 million in local highway infrastructure construction, which has nominally improved regional mobility by improving traffic flow on and off-post. The money has funded projects such as: Hwy. 195 extension and Access Control Point was completed December 2009, Tank Destroyer Rd. improvements from Clarke Rd. to FM 116, Hwy. 190 dedicated military vehicle overpass to be completed Fall of 2010, Hwy. 201 & Mohawk Ave. intersection improvements to be completed Fall of 2010. Even with these enormous improvements our largest problem is now congestion at the intersection of our main entrance and Hwy 190. Traffic continues to be Fort Hood's largest issue in terms of effect on quality of life, safety, and community relations.

INDEPENDENT SCHOOL DISTRICTS (ISDS) . . . On post, Fort Hood has 9 schools: 2 middle schools and 7 elementary with a total enrollment of almost 5,916 students and a total operating budget of more than $37 million. DFMWR coordinates the Adopt-A-School (AAS) program through the Child, Youth & School (CYS) Services, School Liaison Office (SLO). AAS contributes military resources and services to schools in order to nurture the intellectual, emotional, social, and physical growth of children in the greater Fort Hood area, to increase public awareness of the Army's mission and to foster good relations. AAS's focus is on providing Soldier resources to teach, coach, mentor, and inspire students.

INSTALLATION NEEDS . . . Fort Hood is especially grateful for the cooperation, support, and influence the community, state, regional and federal partners have given to address our infrastructure and expansion shortfalls. Our success as the premier deployment platform for the Army is in large part due to the capabilities that our training lands, infrastructure, and personnel offer Soldiers that are training to fight overseas. That capability can be directly linked to our monetary augmentation and political support of programs by state and federal legislative assistance. The Future of Fort Hood is constantly being molded by the requirements that we are presented with as a leading training installation in the Army. Because of the growth and expansion of our infrastructure to support these future requirements our Garrison has developed a deliberate process to rank potential projects that would improve our capabilities. This process is the Installation Planning Board, and takes into consideration the opinions of our Soldiers, commanders, Soldier's families, the community, and our immediate needs as an installation. A list of projects is developed according to how money should be allocated in an order of merit. This will provide everyone on post a look into how we see our infrastructure projects developing, and a clear picture of how outside funding sources can be applied using an analytical approach. This planning process allows us to gain a strategic perspective into how we want to develop our infrastructure and improve the installation. Through this process we have also identified potential issues that need the attention once more of our state and federal partners to bring to fruition. The following initiatives are where Fort Hood sees an opportunity for state and federal agencies to influence our installation and the community for the better:

CONGESTION ON HWY. 190 (MAIN GATE TO FM 2410) . . . Solving this one issue would immediately improve the lives of hundreds of thousands in our surrounding area. In early 2010, over 80 percent of assigned Soldiers were physically at Fort Hood for the first time since the Global War on Terrorism began. Expansion and repaving of roads into Copperas Cove were completed during 2009, but funding has not been approved to address the largest congestion issue from the Fort Hood main gate east to FM 2410 (where traffic counts exceed 90,000 per day.). Any citizen in the area can tell you that the congestion is "big city" and our civilians, military, and families waste millions of hours waiting in unnecessary lines of traffic due to unnecessary congestion. The traffic volume at Fort Hood has surpassed the capacity of our local roadways and is a serious issue for our regions quality of life, safety, and workforce utilization.

TEXAS A&M CENTRAL TEXAS . . . The influence of a major university would no doubt change the dynamics of our local economy and workforce. The university would bring jobs, students, opportunities for higher education, research and development opportunities in the defense and health care/bioscience clusters, and revenue to Fort Hood and the Community. The university's construction has recently broken ground, and the plans are moving forward. This monumental addition to our area and a unique opportunity to raise the education level in our surrounding communities carries large financial and political hurdles. Supporting this project is the right thing to do to enhance quality of life, improve the workforce, and generate needed dollars.

CENTEX SUSTAINABILITY PARTNERSHIP . . . This partnership is the newest advancement in a regional alliance aimed at improving our local areas economic and environmental progress. Five local cities and Fort Hood have teamed up to improve the Quality of Life, implement better environmental practices, and develop a sustainable regional community. All participants realize the symbiotic relationship necessary to properly support the future growth our community will experience. This regional partnership is in its infancy and conducted its first major step in solidifying a useful entity by holding a Centex Sustainability Conference in Jan 2010 with participation by local governments, community citizens, and sustainability experts. Any monetary and legislative help that could be offered from state or federal agencies could act as a catalyst to create a Regional agency that could have some serious influence on the improvement in our local area.

CONCLUSION . . . Fort Hood will remain a model Army installation, with outstanding infrastructure, ranges and power projection capabilities. On a per capita basis, Soldier training is accomplished more economically at Fort Hood than at any other Army installation. The Army has consistently recognized the unique ability of Fort Hood and Central Texas to house, support and sustain upwards of 50,000 Soldiers and their families in whatever formations today's and tomorrow's forces might find themselves. Lastly, we would like to thank our state and federal political leaders who fight to preserve our Soldiers world class training capabilities at Fort Hood.

APPENDIX B

EXCERPTS FROM THE
CITY OF COPPERAS COVE, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2024

The information contained in this APPENDIX consists of excerpts from the City of Copperas Cove, Texas Annual Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

PATTILLO, BROWN & HILL, L.L.P.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 as of September 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the General Fund and City-Wide Grants Fund, and pension and OPEB information 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.

Supplementary 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 combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2025, 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 solely 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 the effectiveness of 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 7, 2025

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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As management of the City of Copperas Cove, Texas (the City), 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, 2024.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City, on a government-wide basis, exceeded its liabilities and deferred inflows as of September 30, 2024 by $106,514,750 (net position). Of this amount, $19,431,400 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $13,758,962. Most of the increase is due to property taxes, sales taxes, and water and sewer charges for services.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $37,987,516 (made up of $16,217,268 in the General Fund, $2,061,276 in Debt Service Fund, $39 in City-Wide Grants Fund, and $19,708,933 other governmental funds), an increase of $3,673,447 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $15,764,505 or 69% of total current fiscal year General Fund expenditures and is available for spending at the City's discretion.

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 the City's assets, deferred outflows and inflows of resources, and liabilities, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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 time of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 the water and sewer system, solid waste, and a golf course.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation. Financial information for this component unit is reported discretely in the government-wide financial statements.

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 the City's near-term financing requirements.

Because the focus of 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 government 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 21 individual governmental funds. 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, Debt Service Fund, and the City-Wide Grants Fund, all of which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and certain budgetary schedules in this report. The basic governmental fund financial statements can be found immediately following this management's discussion and analysis.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, and City-Wide Grants Fund and several of the non-major governmental funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

Proprietary funds – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, solid waste, and golf course activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding pension and OPEB benefits to its employees and the budgetary schedule of the General Fund and major special revenue funds.

The combining statements and other budgetary schedules referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by $106,514,750 at the close of the most recent fiscal year.

A portion of the City's net position, $78,994,134 or 74% of total net position, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to 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.

An additional portion of the City's net position, $8,089,216 or 8% of total net position, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $19,431,400, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report position balances in all categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

CITY OF COPPERAS COVE'S NET POSITION
Government-Wide

	Governmental Activities 2024	Governmental Activities 2023	Business-Type Activities 2024	Business-Type Activities 2023	Total 2024	Total 2023
Current and other assets	$ 41,262,126	$ 40,306,681	$ 35,625,625	$ 32,921,936	$ 76,887,751	$ 73,228,617
Capital assets	63,076,448	56,957,721	76,794,300	72,320,057	139,870,748	129,277,778
Total assets	104,338,574	97,264,402	112,419,925	105,241,993	216,758,499	202,506,395
Total deferred outflows of resources	3,864,751	6,383,541	1,238,083	1,851,490	5,102,834	8,235,031
Long-term liabilities	54,842,956	55,793,054	52,745,599	52,333,111	107,588,555	108,126,165
Other liabilities	2,787,956	5,597,052	3,749,169	3,216,686	6,537,125	8,813,738
Total liabilities	57,630,912	61,390,106	56,494,768	55,549,797	114,125,680	116,939,903
Total deferred inflows of resources	969,724	858,268	251,179	187,467	1,220,903	1,045,735
Net position:						
Net investment in capital assets	33,085,445	28,403,373	45,908,689	39,681,547	78,994,134	68,084,920
Restricted	8,089,216	6,250,698	-	-	8,089,216	6,411,137
Unrestricted	8,428,028	6,745,498	11,003,372	11,674,672	19,431,400	18,259,731
Total net position	$ 49,602,689	$ 41,399,569	$ 56,912,061	$ 51,356,219	$ 106,514,750	$ 92,755,788

CITY OF COPPERAS COVE'S CHANGES IN NET POSITION
Government-Wide

	Governmental Activities 2024	Governmental Activities 2023	Business-Type Activities 2024	Business-Type Activities 2023	Total 2024	Total 2023
Revenues:						
Program revenues:						
Charges for services	$ 4,975,606	$ 4,194,496	$ 24,957,494	$ 22,933,584	$ 29,933,100	$ 27,128,080
Operating grants & contributions	2,786,980	5,526,988	-	-	2,786,980	5,526,988
General revenues:						
Property taxes	14,836,379	13,602,651	-	-	14,836,379	13,602,651
Sales taxes	6,263,539	5,931,463	-	-	6,263,539	5,931,463
Franchise taxes	1,429,618	1,481,337	-	-	1,429,618	1,481,337
Other taxes	310,083	365,482	-	-	310,083	365,482
Investment earnings	1,681,150	1,259,040	1,403,913	1,078,554	3,085,063	2,337,594
Miscellaneous	2,327,069	2,003,132	321,207	429,001	2,648,276	2,432,133
Gain on disposal of assets	155,693	557,996	-	-	155,693	557,996
Total revenues	34,766,117	34,922,585	26,682,614	24,441,139	61,448,731	59,363,724
Expenses:						
General government	5,041,990	4,508,763	-	-	5,041,990	4,508,763
Community services	3,153,359	2,702,624	-	-	3,153,359	2,702,624
Fleet and facility maintenance	398,992	371,524	-	-	398,992	371,524
Highways and streets	2,124,434	2,455,490	-	-	2,124,434	2,455,490
Public safety	16,041,938	14,585,056	-	-	16,041,938	14,585,056
Interest on long-term debt	1,367,609	1,412,826	-	-	1,367,609	1,412,826
Water and sewer	-	-	13,417,478	12,688,808	13,417,478	12,688,808
Solid waste	-	-	5,575,022	5,362,323	5,575,022	5,362,323
Golf course	-	-	568,947	430,700	568,947	430,700
Total expenses	28,128,322	26,036,283	19,561,447	18,481,831	47,689,769	44,518,114
Increase in net position before transfers	6,637,795	8,886,302	7,121,167	5,959,308	13,758,962	14,845,610
Transfers	1,565,325	1,454,543	(1,565,325)	(1,454,543)	-	-
Change in net position	8,203,120	10,340,845	5,555,842	4,504,765	13,758,962	14,845,610
Net position - beginning of year	41,399,569	31,058,724	51,356,219	46,851,454	92,755,788	77,910,178
Net position - end of year	$ 49,602,689	$ 41,399,569	$ 56,912,061	$ 51,356,219	$ 106,514,750	$ 92,755,788

The following key elements influenced the changes in net position from the prior year:

Revenues for FY 2023-2024 increased by 4%, or $2,085,007 in comparison to the prior year. The increase is primarily due to increases in property taxes, sales taxes, charges for services, and investment income. Property taxes and sales taxes increased $1,565,804 from prior year due to increased assessed value and growth in the City. Water and sewer charges for services increased $2,023,910 over the prior year due to the growth within the City and increased usage of services. Operating grants and contributions decreased by $2,740,008 due to recognition of less ARPA grant revenue for the COVID-19 response compared to the prior fiscal year.

<u>Governmental Activities</u>

Governmental activities increased the City's net position by $8,203,120. The following factors contributed to this change:

- Property and sales taxes increased by $1,565,804, or 7%, primarily due to increases in the City's property tax base and economic development within the City.

- Operating grants and contributions decreased by $2,740,008, or 50%, primarily due to recognition of less ARPA grant revenue for the COVID-19 response compared to the prior fiscal year.

- Total governmental activity expenses increased by $2,092,039, or 8%, during the year primarily due to the overall growth that the City has experienced. The largest functional areas affected by this growth were general government ($533,227) and public safety ($1,456,882).

<u>Business-Type Activities</u>

Business-type activities increased the City's net position by $5,555,842. The following factors contributed to this change:

- Operating revenue increased by $1,916,116, or 8%, from the previous year due to an increases in utility rates and usage.

- Investment income increased by $325,359, or 30%, from the previous year due to an increase in the federal funds rate.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $37,987,516, an increase of $3,673,447 from the prior year. Most of the increase is due to continued growth and the City's 2024 debt issuance in the amount of $9.195 million. Of the current combined ending fund balance, $223,952 is nonspendable due to prepaids and inventory, $21,990,058 is restricted for tourism, drainage, municipal court, economic development, emergency management, city services, debt service, and capital projects, $9,001 is assigned, and $15,764,505 is unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $15,764,505. Total unassigned fund balance represents 69% of total General Fund expenditures. The increase in fund balance of $1,677,603 is primarily due to the intergovernmental revenue recorded to the General Fund related to the ARPA grant.

The Debt Service Fund has a total fund balance of $2,061,276; most of which is restricted for payment of debt service. The increase in fund balance of $1,450,559 is primarily due to increases in property tax revenue during the year.

The City-Wide Grants Fund has a total fund balance of $39. Because the fund accounts for mostly reimbursement-based grants, the fund balance is generally expected to be minimal and fluctuate near zero over time. Total revenues of $875,640 related primarily to the recognition of grant funding under the American Rescue Plan Act.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to $9,138,577. The increase in total net position of the Water and Sewer Fund was $4,437,779. Unrestricted net position for the Solid Waste Fund at the end of the year amounted to $2,917,630. The increase in total net position of the Solid Waste Fund was $933,658. The factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget – During the year amendments were made to decrease revenue by $330,235. Budgeted tax revenues were reduced due to an error resulting in an inverse property tax allocation from the General Fund to the Debt Service Fund. In addition, the tax exemption relief payment from the state for the 100% disabled individuals was lower than anticipated. The estimate was based on the previous three years of payment received. However, the state funding remained the same while lost revenue in other municipalities increased more than in our city.

Budgeted miscellaneous revenues were increased by $1,085,649 due to the reimbursement from the Economic Development Corporation for the Constitution Drive Reconstruction project.

Other budget amendments include increased budgeted expenditures in general government, public safety and capital outlay. Expenditures increased due to several factors, the Constitution Drive Reconstruction and the New Senior Center Projects, were funded and approved by the City Council in the prior year's budget and remained open at the end of the fiscal year. As part of the City's budget practices, funding is carried forward into the new fiscal year if the project is not fully completed. The Fire Department continued to face challenges with vacancies, resulting in increased overtime pay. The Economic Development Incentives, including property tax rebates and sales tax for the existing 380 agreements were higher than anticipated. The payments depend on assessed values and sales tax receipts, which exceeded budget expectations. Lastly, several vehicles needed repairs due to hail damage and accidents.

Final budget compared to actual results – During the year, revenues were $1,647,641 more than estimated and expenditures were $1,592,505 less than budgeted. The majority of the excess revenue relates to the intergovernmental revenue recorded in the General Fund related to the ARPA grant. The majority of expenditure savings were in capital outlay and public safety.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets – The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024 is $138,861,173 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture and fixtures, vehicles, equipment, infrastructure, facilities, and right-to-use equipment.

Major capital asset events during the current fiscal year included the following:

- Capital asset acquisitions in governmental activities totaled $8,531,472. The majority of this activity was funded from bond proceeds and was for streets, parks, and related infrastructure.

- Capital asset additions in business-type activities totaled $7,650,986. The majority of this activity was funded from bond proceeds and was for new water and sewer projects, and purchase of new vehicles.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Government-wide capital assets:						
Land	$ 1,727,860	$ 1,331,355	$ 1,499,933	$ 1,499,933	$ 3,227,793	$ 2,831,288
Buildings	13,934,063	13,786,793	478,092	322,312	14,412,155	14,109,105
Furniture and fixtures	307,297	307,297	-	-	307,297	307,297
Vehicles	8,938,821	7,796,708	9,859,717	8,735,556	18,798,538	16,532,264
Equipment	10,540,068	9,715,886	5,920,904	4,215,408	16,460,972	13,931,294
Infrastructure	37,641,741	21,889,638	71,546,571	58,910,106	109,188,312	80,799,744
Facilities	21,163,149	20,058,027	37,449,194	37,449,194	58,612,343	57,507,221
Right to use equipment	132,467	132,467	41,090	41,090	173,557	173,557
Construction in progress	10,227,868	20,942,408	12,382,392	21,276,109	22,610,260	42,218,517
Total capital assets	104,613,334	95,960,579	139,177,893	132,449,708	243,791,227	228,410,287
Less: accumulated depreciation	(41,536,886)	(39,002,858)	(63,393,168)	(61,242,584)	(104,930,054)	(100,245,442)
Government-wide capital assets, net	$ 63,076,448	$ 56,957,721	$ 75,784,725	$ 71,207,124	$ 138,861,173	$ 128,164,845

Additional information on the City's capital assets can be found in Note IV in the notes to the financial statements.

Long-term liabilities – At the end of the current fiscal year, the City had long-term liabilities outstanding of $107,588,555. The City's debt is backed by the full faith and credit of the City. The City's bond ratings are AA as assigned by Standard & Poor's and Aa3 as assigned by Moody's.

During the current fiscal year, the City issued its Combination Tax and Revenue Certificates of Obligation, Series 2024. The proceeds of the certificates of $10,059,162, including issuance premium, will be used to purchase, construct, and improve new and existing recreation, public safety, and utility vehicles, equipment, and infrastructure.

Total long-term liabilities consisted of the following:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Long-term liabilities:						
General obligation bonds	$ 12,522,000	$ 13,714,500	$ 3,668,000	$ 4,275,500	$ 16,190,000	$ 17,990,000
Certificates of obligation	28,782,706	26,513,748	42,427,294	41,106,252	71,210,000	67,620,000
Bonds premium on issuance	2,626,232	2,355,095	3,052,179	2,900,072	5,678,411	5,255,167
Leases	53,449	80,994	26,205	32,630	79,654	113,624
Compensated absences	1,165,104	1,016,918	227,940	207,781	1,393,044	1,224,699
Landfill closure cost	-	-	284,185	352,214	284,185	352,214
Net pension liability	8,445,881	10,954,493	2,665,987	3,128,180	11,111,868	14,082,673
Total OPEB liability	1,247,584	1,157,306	393,809	330,482	1,641,393	1,487,788
Total long-term liabilities	$ 54,842,956	$ 55,793,054	$ 52,745,599	$ 52,333,111	$ 107,588,555	$ 108,126,165

Additional information on the City's long-term liabilities can be found in Note VI in the notes to the financial statements.

ECONOMIC FACTORS AND FY 2025 BUDGETS AND RATES

In the fiscal year 2025 budget, the tax rate of 66.1043 cents per $100 was approved by the City Council. This is lower than in the prior year, the maintenance and operations (General Fund) tax rate allocation of 44.7185 cents or 68% and the interest & sinking fund (Debt Service) tax rate allocation of 21.3858 cents or 32% to cover all debt service payments. 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 21.56% of the $5 million budgeted is collected from that area alone. Sales tax revenue estimates remain mostly conservative with a 3% increase in the budget. This source of revenue is impacted by the economic cycles and discretionary purchasing power from the consumers. We will evaluate the amount during the preparation of the next budget cycle and propose an increase if deemed necessary.

The City is considered a Texas Military Community and will receive $5 million in grant funds from the Defense Economic Adjustment Assistance Grant Program (DEAAG). The grant funds will be invested in infrastructure projects and other initiatives to support military installations in Texas and project jobs in military communities that may be impacted in any future Base Realignment and Closure (BRAC) process. The City will receive $10.3 million for the construction of an exit ramp to Tank Destroyer Blvd and an entrance ramp from Old Georgetown Road from the U.S. Department of Defense Office of Local Defense Community Cooperation.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's 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, 914 South Main Street, Copperas Cove, Texas 76522. Call 254-547-4221 or visit our website at http://www.copperascovetx.gov.

BASIC
FINANCIAL STATEMENTS

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CITY OF COPPERAS COVE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	$ 37,947,941	$ 31,878,733	$ 69,826,674	$ 6,936,380
Restricted cash and cash equivalents	-	169,206	169,206	-
Receivables, net of allowance	2,476,415	4,115,584	6,591,999	211,448
Internal balances	606,519	(606,519)	-	-
Inventory	89,198	22,478	111,676	-
Prepaids	134,754	46,143	180,897	-
Notes receivable	7,299	1,009,575	1,016,874	-
Capital assets:				
Nondepreciable	11,955,728	13,882,325	25,838,053	349,902
Depreciable, net	51,120,720	61,902,400	113,023,120	18,100
Total Assets	104,338,574	112,419,925	216,758,499	7,515,830
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	159,394	68,468	227,862	-
Pension related	3,530,403	1,114,390	4,644,793	95,275
OPEB related - retiree health	74,462	23,504	97,966	2,010
OPEB related - TMRS SDBF	100,492	31,721	132,213	2,712
Total deferred outflows of resources	3,864,751	1,238,083	5,102,834	99,997
LIABILITIES				
Accounts payable	1,003,037	2,261,273	3,264,310	66,562
Retainage payable	244,164	175,445	419,609	-
Accrued liabilities	465,117	123,504	588,621	22,588
Due to other governments	155,576	-	155,576	-
Unearned revenue	465,100	1,001	466,101	-
Other liabilities	270,512	-	270,512	-
Accrued interest payable	184,450	217,047	401,497	3,604
Customer deposits	-	970,899	970,899	-
Noncurrent liabilities:				
Due within one year	4,297,564	4,107,571	8,405,135	124,261
Due in more than one year	50,545,392	48,638,028	99,183,420	1,075,170
Total liabilities	57,630,912	56,494,768	114,125,680	1,292,185
DEFERRED INFLOWS OF RESOURCES				
Lease related	173,985	-	173,985	-
Pension related	300,497	94,854	395,351	8,110
OPEB related - retiree health	265,338	83,756	349,094	7,161
OPEB related - TMRS SDBF	229,904	72,569	302,473	6,205
Total deferred inflows of resources	969,724	251,179	1,220,903	21,476
NET POSITION				
Net investment in capital assets	33,085,445	45,908,689	78,994,134	368,002
Restricted for:				
Community services	627,082	-	627,082	-
Highways, streets, and drainage	5,019,064	-	5,019,064	-
Public safety	224,423	-	224,423	-
Economic development	224,223	-	224,223	5,934,164
Debt service	1,994,424	-	1,994,424	-
Unrestricted	8,428,028	11,003,372	19,431,400	-
Total net position	$ 49,602,689	$ 56,912,061	$ 106,514,750	$ 6,302,166

The accompanying notes are an integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

STATEMENT OF ACTIVITES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

		Program Revenues	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	$ 5,041,990	$ 630,640	$ 2,747,403
Community services	3,153,359	465,195	-
Fleet and facility services	398,992	-	-
Highways and streets	2,124,434	1,661,402	-
Public safety	16,041,938	2,218,369	39,577
Interest on long-term debt	1,367,609	-	-
Total governmental activities	28,128,322	4,975,606	2,786,980
Business-type activities:			
Water and sewer	13,417,478	17,316,382	-
Solid waste	5,575,022	7,103,349	-
Golf course	568,947	537,763	-
Total business-type activities	19,561,447	24,957,494	-
Total primary government	47,689,769	29,933,100	2,786,980
Component unit:			
Economic development	4,405,021	-	-
Interest on long-term debt	31,968	-	-
Total componnent unit	$ 4,436,989	$ -	$ -

General Revenues:
- Taxes:
  - Ad valorem
  - Sales
  - Franchise
  - Other
- Unrestricted investment earnings
- Miscellaneous
- Gain on disposal of assets

Transfers

Total general revenues and transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
$ (1,663,947)	$ -	$ (1,663,947)	$ -
(2,688,164)	-	(2,688,164)	-
(398,992)	-	(398,992)	-
(463,032)	-	(463,032)	-
(13,783,992)	-	(13,783,992)	-
(1,367,609)	-	(1,367,609)	-
(20,365,736)	-	(20,365,736)	-
-	3,898,904	3,898,904	
-	1,528,327	1,528,327	-
-	(31,184)	(31,184)	-
-	5,396,047	5,396,047	-
(20,365,736)	5,396,047	(14,969,689)	-
			(4,405,021)
			(31,968)
			$ (4,436,989)
14,836,379	-	14,836,379	-
6,263,539	-	6,263,539	1,251,449
1,429,618	-	1,429,618	-
310,083	-	310,083	-
1,681,150	1,403,913	3,085,063	419,315
2,327,069	321,207	2,648,276	4,664
155,693	-	155,693	-
1,565,325	(1,565,325)	-	-
28,568,856	159,795	28,728,651	1,675,428
8,203,120	5,555,842	13,758,962	(2,761,561)
41,399,569	51,356,219	92,755,788	9,063,727
$ 49,602,689	$ 56,912,061	$ 106,514,750	$ 6,302,166

The accompanying notes are an
integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	General	Debt Service	City-Wide Grants
ASSETS			
Cash and cash equivalents	$ 15,713,894	$ 2,048,255	$ 352,212
Receivables, net of allowance:			
Taxes	1,158,623	130,619	-
Ambulance fees	243,740	-	-
Accounts	143,597	-	-
Fines	45,406	-	-
Grants	9,580	-	-
Leases	180,850	-	-
Due from other funds	606,519	-	-
Inventory	89,198	-	-
Prepaid items	122,223	-	-
Notes receivable	-	-	-
Total assets	18,313,630	2,178,874	352,212
LIABILITIES			
Accounts payable	557,361	-	54,597
Retainage payable	-	-	-
Due to other governments	155,576	-	-
Accrued liabilities	440,832	-	40
Unearned revenue	121,841	-	297,536
Other liabilities	270,512	-	-
Total liabilities	1,546,122	-	352,173
DEFERRED INFLOWS OF RESOURCES			
Leases	173,985	-	-
Unavailable revenue:			
Property taxes	155,654	117,598	-
Municipal court fines	45,406	-	-
Ambulance fees	175,195	-	-
Total deferred inflows of resources	550,240	117,598	-
FUND BALANCES			
Nonspendable for:			
Inventories	89,198	-	-
Prepaid items	122,223	-	-
Restricted for:			
Tourism	-	-	-
Drainage	-	-	-
PEG fees	141,390	-	-
Economic development	-	-	-
City services	-	-	-
Public safety	90,990	-	-
Debt service	-	2,061,276	-
Capital projects	-	-	-
Assigned for:			
Parks and recreation	8,962	-	-
Grants	-	-	39
Unassigned	15,764,505	-	-
Total fund balances	16,217,268	2,061,276	39
Total liabilities, deferred inflows of resources, and fund balances	$ 18,313,630	$ 2,178,874	$ 352,212

Nonmajor Governmental Funds	Total Governmental Funds
$ 19,833,580	$ 37,947,941
305,607	1,594,849
-	243,740
255,126	398,723
3,267	48,673
-	9,580
-	180,850
-	606,519
-	89,198
12,531	134,754
7,299	7,299
20,417,410	41,262,126
391,079	1,003,037
244,164	244,164
-	155,576
24,245	465,117
45,723	465,100
-	270,512
705,211	2,603,506
-	173,985
-	273,252
3,266	48,672
-	175,195
3,266	671,104
-	89,198
12,531	134,754
485,692	485,692
2,986,481	2,986,481
-	141,390
224,223	224,223
2,032,583	2,032,583
133,433	224,423
-	2,061,276
13,833,990	13,833,990
-	8,962
-	39
-	15,764,505
19,708,933	37,987,516
$ 20,417,410	$ 41,262,126

The accompanying notes are an
integral part of these financial statements.

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CITY OF COPPERAS COVE, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

Total Fund Balances - Governmental Funds	$ 37,987,516
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	104,613,334
Accumulated depreciation	(41,536,886)
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	(41,304,706)
Unamortizied (premium) discount	(2,626,232)
Deferred charges on refunding	159,394
Accrued interest	(184,450)
Leases	(53,449)
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	(8,445,881)
Deferred outflows related to pensions	3,530,403
Deferred inflows related to pensions	(300,497)
Other postemployment benefits	(1,247,584)
Deferred outflows related to OPEB	174,954
Deferred inflows related to OPEB	(495,242)
Compensated absences	(1,165,104)
Revenues earned but not available at year end are not recognized on the fund statements. These items include:	
Property taxes	273,252
Ambulance fees	175,195
Municipal court fines	48,672
Net Position of Governmental Activities	$ 49,602,689

CITY OF COPPERAS COVE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	Debt Service	City-Wide Grants
REVENUES			
Taxes	$ 14,986,103	$ 6,367,467	$ -
Charges for services	2,191,464	-	-
Intergovernmental	1,910,978	-	875,640
Fines	543,227	-	-
Licenses	62,624	-	-
Permits	452,283	-	-
Investment income	661,934	149,191	-
Miscellaneous	1,690,978	5,558	-
Total revenues	22,499,591	6,522,216	875,640
EXPENDITURES			
Current:			
General government	4,293,607	-	-
Community services	2,596,291	-	-
Fleet and facility services	392,312	-	-
Highways and streets	257,961	-	-
Public safety	13,955,693	-	578,640
Capital outlay	1,482,319	-	297,000
Debt service:			
Principal	27,545	3,583,542	-
Interest and fiscal charges	2,738	1,299,661	-
Bond issuuance costs and fees	-	18,714	-
Total expenditures	23,008,466	4,901,917	875,640
Excess (deficiency) of revenues over (under) expenditures	(508,875)	1,620,299	-
OTHER FINANCING SOURCES (USES)			
Issuance of bonds	-	-	-
Premium on bonds	-	-	-
Sale of capital assets	85,011	-	-
Insurance recoveries	163,659	-	-
Transfers in	1,942,827	-	-
Transfers out	(5,019)	(169,740)	-
Total other financing sources (uses)	2,186,478	(169,740)	-
NET CHANGE IN FUND BALANCES	1,677,603	1,450,559	-
FUND BALANCES - BEGINNING	14,539,665	610,717	39
FUND BALANCES - ENDING	$ 16,217,268	$ 2,061,276	$ 39

Nonmajor Governmental Funds	Total Governmental Funds
$ 1,447,204	$ 22,800,774
1,690,311	3,881,775
362	2,786,980
60,401	603,628
-	62,624
-	452,283
870,025	1,681,150
349,494	2,046,030
4,417,797	34,315,244
-	4,293,607
375,169	2,971,460
-	392,312
1,216,386	1,474,347
27,651	14,561,984
7,040,936	8,820,255
60,000	3,671,087
75,447	1,377,846
111,037	129,751
8,906,626	37,692,649
(4,488,829)	(3,377,405)
4,720,000	4,720,000
439,401	439,401
77,360	162,371
96	163,755
-	1,942,827
(202,743)	(377,502)
5,034,114	7,050,852
545,285	3,673,447
19,163,648	34,314,069
$ 19,708,933	$ 37,987,516

CITY OF COPPERAS COVE, TEXAS

RECONCILIATION OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net Changes in Fund Balances - Governmental Funds	$ 3,673,447
Amounts reported for governmental activities in the statement of activities are	
Governmental funds report capital outlays as expenditures. However, in the statement of activities that cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital outlay	8,927,977
Depreciation expense	(2,802,572)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is reported with governmental activities.	(6,678)
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:	
Issuance of debt	(4,720,000)
Payments on debt	3,671,087
New premiums on current year issuance	(439,401)
Amortization of existing premiums	168,264
Amortization of deferred charges	(15,738)
Change in accrued interest	(12,538)
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:	
Compensated absences	(148,186)
Net pension liability	2,508,612
Deferred outflow - pension	(2,453,348)
Deferred inflow - pension	(300,497)
Other postemployment benefits	(90,278)
Deferred outflows - OPEB	(49,704)
Deferred inflow - OPEB	161,248
Revenues earned but not available at year end are not recognized on the fund statements. The change in these items include:	
Property taxes	38,845
Ambulance fees	117,284
Municipal court fines	(24,704)
Change in Net Position of Governmental Activities	$ 8,203,120

The accompanying notes are an
integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2024

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 23,973,761	$ 7,501,100	$ 403,872	$ 31,878,733
Restricted cash and cash equivalents	46,092	123,114	-	169,206
Accounts receivable, net	2,891,399	1,175,497	1,830	4,068,726
Taxes receivable, net	-	46,858	-	46,858
Due from other funds	403,872	-	-	403,872
Inventory	-	-	22,478	22,478
Prepaids	32,327	11,639	2,177	46,143
Total current assets	27,347,451	8,858,208	430,357	36,636,016
Noncurrent assets:				
Notes receivable	1,009,575	-	-	1,009,575
Capital assets:				
Land	413,469	786,464	300,000	1,499,933
Buildings	345,370	-	132,722	478,092
Vehicles	2,596,126	7,202,324	61,267	9,859,717
Equipment	3,758,252	1,475,848	686,804	5,920,904
Facilities	32,064,184	3,784,765	1,600,245	37,449,194
Right to use equipment	-	-	41,090	41,090
Infrastructure	71,546,571	-	-	71,546,571
Construction in progress	11,395,951	36,321	950,120	12,382,392
Less accumulated depreciation	(54,052,401)	(7,892,665)	(1,448,102)	(63,393,168)
Total noncurrent assets	69,077,097	5,393,057	2,324,146	76,794,300
Total assets	96,424,548	14,251,265	2,754,503	113,430,316
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	68,468	-	-	68,468
Pension related	733,762	360,246	20,382	1,114,390
OPEB related - retiree health	15,477	7,598	429	23,504
OPEB related - TMRS SDBF	20,887	10,254	580	31,721
Total deferred outflows of resources	838,594	378,098	21,391	1,238,083

CITY OF COPPERAS COVE, TEXAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2024

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total
LIABILITIES				
Current liabilities:				
Accounts payable	1,739,962	502,472	18,839	2,261,273
Accrued liabilities	81,170	40,707	1,627	123,504
Due to other funds	-	-	1,010,391	1,010,391
Unearned revenue	-	236	765	1,001
Customer deposits	970,899	-	-	970,899
Retainage payable	175,445	-	-	175,445
Accrued interest	182,172	28,738	6,137	217,047
Long-term debt	3,156,398	772,488	166,350	4,095,236
Total OPEB liability - RHP	2,581	1,267	72	3,920
Total OPEB liability - SDBF	5,541	2,720	154	8,415
Total current liabilities	6,314,168	1,348,628	1,204,335	8,867,131
Noncurrent liabilities:				
Long-term debt	39,421,250	4,604,149	1,280,983	45,306,382
Net pension liability	1,755,401	861,825	48,761	2,665,987
Total OPEB liability - RHP	75,406	37,021	2,094	114,521
Total OPEB liability - SDBF	175,773	86,297	4,883	266,953
Landfill closure costs	-	284,185	-	284,185
Total noncurrent liabilities	41,427,830	5,873,477	1,336,721	48,638,028
Total liabilities	47,741,998	7,222,105	2,541,056	57,505,159
DEFERRED INFLOWS OF RESOURCES				
Pension related	62,456	30,663	1,735	94,854
OPEB related - retiree health	55,148	27,076	1,532	83,756
OPEB related - TMRS SDBF	47,783	23,459	1,327	72,569
Total deferred inflows of resources	165,387	81,198	4,594	251,179
NET POSITION				
Net investment in capital assets	40,217,180	4,408,430	1,283,079	45,908,689
Unrestricted	9,138,577	2,917,630	(1,052,835)	11,003,372
Total net position	$ 49,355,757	$ 7,326,060	$ 230,244	$ 56,912,061

CITY OF COPPERAS COVE, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total
OPERATING REVENUES				
Charges for services	$ 17,316,382	$ 7,103,349	$ 537,763	$ 24,957,494
Miscellaneous	221,117	81,144	18,946	321,207
Total operating revenues	17,537,499	7,184,493	556,709	25,278,701
OPERATING EXPENSES				
Personnel services	3,860,095	1,907,855	115,261	5,883,211
Supplies and materials	3,332,716	430,813	67,723	3,831,252
Services and charges	1,934,068	2,037,056	145,248	4,116,372
Maintenance and repairs	776,817	359,399	56,279	1,192,495
Depreciation	2,254,302	675,739	119,879	3,049,920
Total operating expenses	12,157,998	5,410,862	504,390	18,073,250
Operating income	5,379,501	1,773,631	52,319	7,205,451
NON-OPERATING REVENUES (EXPENSES)				
Investment income	1,062,795	319,234	21,884	1,403,913
Loss on asset disposal	-	-	(23,466)	(23,466)
Interest and fiscal charges	(1,174,027)	(150,575)	(39,089)	(1,363,691)
Bond issuance costs	(85,453)	(13,585)	(2,002)	(101,040)
Total non-operating revenues (expenses)	(196,685)	155,074	(42,673)	(84,284)
Income before transfers	5,182,816	1,928,705	9,646	7,121,167
TRANSFERS				
Transfers in	399,674	-	174,759	574,433
Transfers out	(1,144,711)	(995,047)	-	(2,139,758)
Total transfers	(745,037)	(995,047)	174,759	(1,565,325)
CHANGE IN NET POSITION	4,437,779	933,658	184,405	5,555,842
NET POSITION - BEGINNING	44,917,978	6,392,402	45,839	51,356,219
NET POSITION - ENDING	$ 49,355,757	$ 7,326,060	$ 230,244	$ 56,912,061

The accompanying notes are an
integral part of these financial statements.

CITY OF COPPERAS COVE, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-type Activities			
	Water and Sewer	Solid Waste	Nonmajor Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 17,097,154	$ 7,017,404	$ 556,949	$ 24,671,507
Cash payment to suppliers	(5,361,744)	(2,698,792)	(272,415)	(8,332,951)
Cash payments to employees	(3,630,129)	(1,826,120)	(102,384)	(5,558,633)
Net cash provided by operating activities	8,105,281	2,492,492	182,150	10,779,923
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from other funds	399,674	-	490,714	890,388
Cash paid to other funds	(1,548,583)	(995,047)	-	(2,543,630)
Net cash provided (used) by noncapital financing activities	(1,148,909)	(995,047)	490,714	(1,653,242)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	4,899,761	2,827,070	107,109	7,833,940
Principal paid on long-term debt	(3,767,883)	(600,000)	(116,078)	(4,483,961)
Interest and fiscal charges paid	(1,534,431)	(2,298,857)	(91,897)	(3,925,185)
Acquisition of property and equipment	(6,271,510)	(1,679,898)	(190,010)	(8,141,418)
Net cash used by capital and related financing activities	(6,674,063)	(1,751,685)	(290,876)	(8,716,624)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	1,062,795	319,234	21,884	1,403,913
Payments on notes receivable	103,358	-	-	103,358
Net cash provided by investing activities	1,166,153	319,234	21,884	1,507,271
Net increase in cash and cash equivalents	1,448,462	64,994	403,872	1,917,328
Cash and cash equivalents at beginning of year	22,571,391	7,559,220	-	30,130,611
Cash and cash equivalents at end of year	24,019,853	7,624,214	403,872	32,047,939
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	5,379,501	1,773,631	52,319	7,205,451
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,254,302	675,739	119,879	3,049,920
Decrease (increase) in accounts receivable	(503,236)	(161,181)	240	(664,177)
Decrease (increase) in taxes receivable	-	(5,908)	-	(5,908)
Decrease (increase) in inventory	-	-	(988)	(988)
Decrease (increase) in prepaid	(14,932)	(10,262)	(2,177)	(27,371)
Decrease (increase) in deferred outflows	379,290	221,350	2,625	603,265
Increase (decrease) in accounts payable	696,789	138,738	-	835,527
Increase (decrease) in accrued liabilities	34,493	22,886	(912)	56,467
Increase (decrease) in net pension liability	(272,701)	(195,876)	6,384	(462,193)
Increase (decrease) in total OPEB liability	45,038	15,563	2,726	63,327
Increase (decrease) in customer deposits	62,891	-	-	62,891
Increase (decrease) in deferred inflows	43,846	17,812	2,054	63,712
Net cash provided by operating activities	$ 8,105,281	$ 2,492,492	$ 182,150	$ 10,779,923

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Copperas Cove have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. 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.

A. Reporting Entity

The City is a municipal corporation governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component unit for which the City is considered to be financially accountable.

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. CCEDC is primarily funded by an apportionment of the City's sales tax revenues, and its annual budget is approved by the City Council. Additionally, the City Council appoints all members of CCEDC's Board of Directors. However, the Board is not substantively the same as the City Council. Therefore, CCEDC has been included as a discretely presented component unit in the government-wide financial statements. Separate financial statements for the discretely presented component unit may be obtained by contacting the CCEDC located at 207 S. 3rd Street, Suite 200, Copperas Cove, Texas, 76522.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely significantly on fees and charges for support. Likewise, the *primary government* is reported separately from a certain legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate 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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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 by the provider have been met.

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

Property taxes, sales taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund.

The ***Debt Service Fund*** accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

The ***City-Wide Grants Fund*** is used to account for the receipt and expenditure of federal, state, and local grant funds received by the City.

The City reports the following nonmajor fund types:

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 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:

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.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are general and administrative fees, street rental fees and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 proprietary funds are charges to customers for sales and services. The proprietary funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for 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.

D. <u>Deposits and Investments</u>

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the City.

Investments for the City are generally reported at fair value, except for the position in investment pools and nonparticipating certificates of deposit. The City's investments in pools are reported at net asset value per share, which approximates fair value even though it is calculated using the amortized cost method. Nonparticipating certificates of deposit are reported at amortized cost.

E. <u>Short-Term Interfund Receivables/Payables</u>

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. Short-term interfund loans are classified as "interfund receivables/payables."

F. <u>Inventories and Prepaid Items</u>

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. <u>Restricted Assets</u>

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

H. <u>Deferred Outflows/Inflows of Resources</u>

In addition to assets, the statement of net 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 assets 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 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 contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in expected and actual economic experience for the City's pension – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial assumptions – These changes are 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 net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets 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:

- The City recognizes deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.

- Difference in expected and actual economic experience for the City's pension – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

- The City has one type of item that arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, municipal court fines, and ambulance fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and right to use equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, as well as in the proprietary fund statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Asset Type	Number of Years
Buildings	25
Facilities/Infrastructure	25-40
Vehicles	7
Equipment	7
Furniture and Fixtures	7
Right to use equipment	5-10

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned unused vacation and sick pay benefits. All vacation and sick pay are 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 resignation and retirements.

K. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when 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.

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payables are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Leases

The City has entered into various lease agreements as either lessee and lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lessee. The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor. The City is a lessor in an arrangement allowing the placement of a cellular tower on City property. In both the government-wide financial statements and the governmental fund financial statements, the City initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

M. Net Position and Fund Balance

In the government-wide and proprietary fund financial statements, the City reports restrictions of net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Net investment in capital assets represents the City's investment in the book value of capital assets, less any unspent proceeds from capital-related debt issuances. Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balance categorized as follows:

Nonspendable fund balance includes amounts that are either (a)not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined and approved by passage of a formal resolution of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally. In accordance with the City Charter, an amount equal to twenty percent of total general fund expenditures has been identified as committed for a contingency reserve.

Assigned fund balance includes amounts intended to be used by the City for specific purposes. Pursuant to Ordinance 2011-50, the City Council designated the City Manager or his/her designee as the official authorized person to assign fund balance. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. The City's financial goal is to achieve and maintain an unassigned fund balance in the general fund equal to twenty-five percent of budgeted expenditures but may be reduced down to ten percent in unusual financial circumstances with a corrective five-year plan to restore the fund balance back to twenty-five percent.

Unassigned fund balance is the residual classification of the general fund and includes all amounts not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

N. <u>Revenues and Expenditures/Expenses</u>

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

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.

Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the financial statements are depreciation expense, which is based on the estimated useful lives of the underlying depreciable assets, the allowance for doubtful accounts receivable, and the net pension liability and total OPEB liability and the related expenses, which are based on various actuarial assumptions.

II. DEPOSITS AND INVESTMENTS

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal bonds, managed public fund investment pools, and certificates of deposit.

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as TexPool, and Texas Short-term Reserve Fund ("TexStar") such as through which political subdivisions and other entities may invest public funds.

TexPool and TexStar have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The City's cash and investments are classified as: cash and cash equivalents and restricted cash. The cash and cash equivalents include cash on hand and deposits with financial institutions. The restricted cash and investments are assets restricted for specific use.

The City's investments for the year ended September 30, 2024, were as follows:

	Carrying Value	Weighted Average Maturity (days)	Credit Rating
Primary Government			
Investment pools:			
TexPool	$ 38,846,509	26	AAAm
TexStar	537,301	24	AAAm
Total Primary Government	$ 39,383,810		
Component Unit			
Investment pools:			
TexPool	$ 6,308,346	26	AAAm
Total Component Unit	6,308,346		
Total Reporting Entity	$ 45,692,156		

As of September 30, 2024, all of the City's deposits were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Credit risk – In conformance with the City's investment policy, the City has limited credit risk by investing in only the safest type of securities as allowed by the Public Funds Investment Act, using approved brokers and with different investment pools.

Interest rate risk – The City, in compliance with its investment policy, invests in short-term securities to protect market valuation from unanticipated rate movements. In addition, the City will not directly invest in securities maturing more than five years from the date of purchase.

Concentration of credit risk – The City uses four local government investment pools and brokered certificates of deposit to diversify risk.

Custodial credit risk – The City requires all bank deposits to be collateralized at a level not less than 102% of the total deposits. On September 30, 2024, the carrying value of the City's bank deposits was entirely covered by federal depository insurance or by collateral held by the agent in the City's name.

On September 30, 2024, the carrying value of CCEDC's (a discretely presented component unit) bank deposits was entirely covered by federal depository insurances or by collateral held by the agency in CCEDC's name.

III. RECEIVABLES

The City's receivables as of September 30, 2024, consisted of the following:

	Governmental Activities			
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Taxes	$ 1,158,623	$ 130,619	$ 305,607	$ 1,594,849
Ambulance	2,275,125	-	-	2,275,125
Accounts	143,672	-	304,903	448,575
Fines	908,131	-	65,321	973,452
Grants	9,580	-	-	9,580
Leases	180,850	-	-	180,850
Notes	-	-	7,299	7,299
Gross receivables	4,675,981	130,619	683,130	5,489,730
Less: allowance for uncollectible accounts	(2,894,185)	-	(111,831)	(3,006,016)
Net receivables	$ 1,781,796	$ 130,619	$ 571,299	$ 2,483,714

	Business-type Activities			
	Water and Sewer Fund	Solid Waste Fund	Golf Course Fund	Total
Utilities	$ 3,343,636	$ 1,525,489	$ -	$ 4,869,125
Accounts	-	-	1,830	1,830
Notes	1,009,575	-	-	1,009,575
Gross receivables	4,353,211	1,525,489	1,830	5,880,530
Less: allowance for uncollectible accounts	(452,237)	(303,134)	-	(755,371)
Net receivables	$ 3,900,974	$ 1,222,355	$ 1,830	$ 5,125,159

Lease Receivable

On October 1, 2021, the City entered into multiple leases as lessor for the placement of cellular antennas on City property by multiple telecommunications companies. The lessees are required to make monthly payments ranging from $600 to $1,150. Additionally, on October 1, 2021, the City entered into a lease as lessor for the use of City land by one of these telecommunications companies. The lessee is required to make annual payments ranging from $7,770 to $8,995.

A summary of the City's lease receivables as of September 30, 2024, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Receivable	Interest Current Year	Amounts Receivable 9/30/24	Amounts Receivable Within One Year
Right to Use:						
Antenna facilities	4%	2022	$ 99,902	$ 3,675	$ 63,426	$ 18,860
Land	4%	2022	139,798	442	117,424	7,741
Totals				$ 4,117	$ 180,850	$ 26,601

IV. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,331,355	$ 396,505	$ -	$ 1,727,860
Construction in progress	20,942,408	3,504,917	(14,219,457)	10,227,868
Total capital assets not being depreciated	22,273,763	3,901,422	(14,219,457)	11,955,728
Capital assets being depreciated:				
Buildings	13,786,793	224,050	(76,780)	13,934,063
Furniture and fixtures	307,297	-	-	307,297
Vehicles	7,796,708	1,199,933	(57,820)	8,938,821
Equipment	9,715,886	964,804	(140,622)	10,540,068
Infrastructure	21,889,638	15,752,103	-	37,641,741
Facilities	20,058,027	1,105,122	-	21,163,149
Right to use equipment	132,467	-	-	132,467
Total assets being depreciated	73,686,816	19,246,012	(275,222)	92,657,606
Less accumulated depreciation for:				
Buildings	(8,205,539)	(390,840)	70,102	(8,526,277)
Furniture and fixtures	(307,240)	-	-	(307,240)
Vehicles	(6,641,144)	(360,171)	57,820	(6,943,495)
Equipment	(5,941,767)	(835,777)	140,622	(6,636,922)
Infrastructure	(7,866,833)	(548,633)	-	(8,415,466)
Facilities	(9,986,259)	(640,482)	-	(10,626,741)
Right to use equipment	(54,076)	(26,669)	-	(80,745)
Total accumulated depreciation	(39,002,858)	(2,802,572)	268,544	(41,536,886)
Total capital assets being depreciated, net	34,683,958	16,443,440	(6,678)	51,120,720
Governmental activities capital assets, net	$ 56,957,721	$ 20,344,862	$ (14,226,135)	$ 63,076,448

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,499,933	$ -	$ -	$ 1,499,933
Construction in progress	21,276,109	3,742,748	(12,636,465)	12,382,392
Total capital assets, not being depreciated	22,776,042	3,742,748	(12,636,465)	13,882,325
Capital assets being depreciated:				
Buildings	322,312	155,780	-	478,092
Vehicles	8,735,556	1,463,987	(339,826)	9,859,717
Equipment	4,215,408	2,288,471	(582,975)	5,920,904
Infrastructure	58,910,106	12,636,465	-	71,546,571
Facilities	37,449,194	-	-	37,449,194
Right to use equipment	41,090	-	-	41,090
Total assets being depreciated	109,673,666	16,544,703	(922,801)	125,295,568
Less accumulated depreciation for:				
Buildings	(317,154)	(2,157)	-	(319,311)
Vehicles	(6,315,310)	(656,813)	339,826	(6,632,297)
Equipment	(2,735,336)	(412,804)	559,510	(2,588,630)
Infrastructure	(32,059,476)	(1,098,798)	-	(33,158,274)
Facilities	(19,806,911)	(872,275)	-	(20,679,186)
Right to use equipment	(8,397)	(7,073)	-	(15,470)
Total accumulated depreciation	(61,242,584)	(3,049,920)	899,336	(63,393,168)
Total capital assets being depreciated, net	48,431,082	13,494,783	(23,465)	61,902,400
Business-type activities capital assets, net	$ 71,207,124	$ 17,237,531	$ (12,659,930)	$ 75,784,725

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Component unit				
Capital assets, not being depreciated:				
Land	$ 349,902	$ -	$ -	$ 349,902
Total capital assets, not being depreciated	349,902	-	-	349,902
Capital assets being depreciated:				
Equipment	89,542	3,400	-	92,942
Total assets being depreciated	89,542	3,400	-	92,942
Less accumulated depreciation for:				
Equipment	(70,560)	(4,282)	-	(74,842)
Total accumulated depreciation	(70,560)	(4,282)	-	(74,842)
Total capital assets being depreciated, net	18,982	(882)	-	18,100
Component unit capital assets, net	$ 368,884	$ (882)	$ -	$ 368,002

Depreciation expense for the year ended September 30, 2024, was charged to functions/programs of the primary government as follows:

Governmental activities:		
General Government	$	799,533
Public Safety		1,232,411
Community Service		140,398
Highways and street		630,230
Total	$	2,802,572
Business-type activities:		
Water and Sewer	$	2,254,302
Solid Waste		675,739
Golf Course		119,879
Total	$	3,049,920
Component unit:		
Economic Development	$	4,282
Total	$	4,282

V. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The outstanding balances between funds result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund payables at the end of the fiscal year were as follows:

Payable Fund	Receivable Fund	Amount	Purpose
Nonmajor enterprise	General	$ 606,519	Administrative
Nonmajor enterprise	Water and Sewer	403,872	Administrative
Total		$ 1,010,391	

Interfund transfers made during the fiscal year were as follows:

Transfer From	Transfer To	Amount	Purpose
Debt Service	Nonmajor Enterprise	$ 169,740	Administrative
General	Nonmajor Enterprise	5,019	Administrative
Nonmajor governmental	General	126,648	Administrative
Nonmajor governmental	Water and Sewer	76,095	Administrative
Water and Sewer	General	1,144,711	Administrative
Solid Waste	General	671,468	Administrative
Solid Waste	Water and Sewer	323,579	Administrative
Total		$ 2,517,260	

VI. LONG-TERM LIABILITIES

The City issues general obligation bonds and certificates of obligations to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds and certificates of obligation have been issued for both governmental and business-type activities. The certificates of obligation will be repaid by the Debt Service Fund in combination with system revenues.

The City issued Certificates of Obligation Bonds, Series 2024 in the amount of $9,195,000 for constructing and improving streets, roads and other related infrastructure in the City. The bonds bear interest rates ranging from 4.0% to 5.0% and mature over the next 20 years.

The following is a summary of long-term liabilities for the year ended September 30, 2024:

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 1,016,919	$ 779,671	$ (631,486)	$ 1,165,104	$ 291,276
General obligation bonds	9,210,000	-	(565,000)	8,645,000	585,000
General obligation bonds- Private placement	4,504,500	-	(627,500)	3,877,000	632,500
Certificiates of obligation	24,753,748	4,720,000	(2,036,042)	27,437,706	2,291,042
Certificiates of obligation- Private placement	1,760,000	-	(415,000)	1,345,000	430,000
Bond premium on issuance	2,355,095	439,401	(168,264)	2,626,232	-
Leases	80,994	-	(27,545)	53,449	28,668
Net pension liability	10,954,493	6,007,178	(8,515,790)	8,445,881	-
Total OPEB liability - RHP	348,786	51,450	(25,014)	375,222	12,416
Total OPEB liability - SDBF	808,519	108,883	(45,040)	872,362	26,662
Total governmental activities	55,793,054	12,106,583	(13,056,681)	54,842,956	4,297,564
Business-type activities:					
Compensated absences	207,781	191,731	(171,572)	227,940	56,985
General obligation bonds	2,090,000	-	(395,000)	1,695,000	405,000
General obligation bonds- Private placement	2,185,500	-	(212,500)	1,973,000	212,500
Certificiates of obligation	40,681,252	4,475,000	(2,948,958)	42,207,294	3,193,958
Certificiates of obligation- Private placement	425,000	-	(205,000)	220,000	220,000
Bonds premium on issuance	2,900,072	424,761	(272,654)	3,052,179	-
Leases	32,630	-	(6,425)	26,205	6,793
Landfill closure cost	352,214	-	(68,029)	284,185	-
Net pension liability	3,128,180	2,225,860	(2,688,053)	2,665,987	-
Total OPEB liability - RHP	99,600	24,234	(5,393)	118,441	3,920
Total OPEB liability - SDBF	230,882	52,901	(8,415)	275,368	8,415
Total business-type activities	52,333,111	7,394,487	(6,981,999)	52,745,599	4,107,571
Total primary government	$ 108,126,165	$ 19,501,070	$ (20,038,680)	$ 107,588,555	$ 8,405,135
Component unit:					
Compensated absences	$ 12,828	$ 3,212	$ (3,211)	$ 12,829	$ 3,207
Bonds	1,040,000	-	(115,000)	925,000	120,000
Net pension liability	290,931	166,818	(229,817)	227,932	-
Total OPEB liability - RHP	9,263	1,388	(525)	10,126	335
Total OPEB liability - SDBF	21,474	2,939	(869)	23,544	719
Total component unit	$ 1,374,496	$ 174,357	$ (349,422)	$ 1,199,431	$ 124,261

The City is not currently subject to any legal debt margin requirements. The compensated absences liability in the governmental activities is liquidated by the General Fund.

The revenue bonds are collateralized by the revenue of the combined utility system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used, first, to pay operating and maintenance expenses of the system and, second, to establish and maintain the revenue bond funds.

The City and discretely presented component unit's outstanding bonded debt is as follows:

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Outstanding
Governmental activities:					
General obligation bonds:					
2013 various purpose	0.35-2.625	01/15/13	08/15/33	$ 4,685,000	$ 2,525,000
2016 refunding	2-4	08/15/16	08/15/34	3,655,000	2,505,000
2022 various purpose	3.5-5	08/30/22	08/15/42	3,880,000	3,615,000
Total general obligation bonds				12,220,000	8,645,000
Private placement obligations:					
2015 refunding GO	1.97	12/15/15	08/15/25	775,000	100,000
2020 refunding GO	1.26	05/21/20	08/15/35	5,776,500	3,777,000
2007 various purpose CO	3.94	05/31/07	08/30/27	5,300,000	1,345,000
Total private placement obligations				11,851,500	5,222,000
Certificates of obligation:					
2014 various purpose	2	02/15/14	08/30/39	2,321,036	1,000,000
2015 various purpose	3	08/01/15	08/15/40	3,055,000	2,270,000
2016 various purpose	2-4	08/15/16	08/15/36	600,000	102,706
2017 various purpose	3	07/17/17	08/15/37	5,210,000	3,060,000
2018 various purpose	4-5	07/17/18	08/15/38	3,055,000	1,815,000
2019 various purpose	2-5	07/16/19	08/15/39	4,950,000	3,485,000
2020 various purpose	2-4	08/04/20	08/15/40	2,485,000	1,470,000
2021 various purpose	3-5	08/17/21	09/15/41	4,120,000	3,265,000
2022 various purpose	5-Jan	08/30/22	08/15/42	2,845,000	2,480,000
2023 various purpose	4-5	08/31/23	08/15/43	3,995,000	3,770,000
2024 various purpose	4-5	08/29/24	08/15/44	4,720,000	4,720,000
Total certificates of obligation				37,356,036	27,437,706
Total governmental bonds				$ 61,427,536	$ 41,304,706
Business-type activities:					
General obligation bonds:					
2016 refunding	2-4	08/15/16	08/15/27	$ 2,680,000	$ 650,000
2021 refunding	3-5	08/17/21	08/15/36	1,490,000	1,045,000
Total general obligation bonds				4,170,000	1,695,000
Private placement obligations:					
2015 refunding GO	1.97	08/15/15	08/15/25	400,000	55,000
2020 refunding GO	1.26	05/21/20	08/15/35	2,523,500	1,918,000
2005 various purpose CO	3.63	11/10/05	08/15/25	3,050,000	220,000
Total private placement obligations				5,973,500	2,193,000
Certificates of obligation:					
2014 various purpose	2.0-3.5	02/15/14	09/30/39	7,178,964	4,725,000
2015 various purpose	1-3	08/01/15	08/15/40	5,045,000	3,620,000
2016 various purpose	3-4	08/01/16	08/15/36	7,825,000	4,057,294
2017 various purpose	1-3	07/17/17	08/15/37	4,420,000	2,445,000
2018 various purpose	4-5	07/17/18	08/15/38	6,490,000	4,495,000
2019 various purpose	2-5	07/16/19	08/15/39	2,740,000	2,150,000
2020 various purpose	2-4	08/04/20	08/15/40	5,720,000	4,275,000
2021 various purpose	3-5	08/17/21	08/15/41	4,095,000	3,215,000
2022 various purpose	5-Jan	08/30/22	08/15/42	4,230,000	3,770,000
2023 various purpose	4-5	08/31/23	08/15/43	5,335,000	4,980,000
2024 various purpose	4-5	08/29/24	08/15/44	4,475,000	4,475,000
Total certificates of obligation				57,553,964	42,207,294
Total business-type bonds				$ 67,697,464	$ 46,095,294
Component unit:					
Certificates of obligation:					
2012 sales tax revenue bonds	3.12	11/10/05	08/15/31	$ 1,500,000	$ 925,000
Total certificates of obligation				1,500,000	925,000
Total component unit bonds				$ 1,500,000	$ 925,000

The annual requirements for the City and discretely presented component unit's outstanding bonds are as follows:

General Obligation Bonds

Year Ended September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Primary Government Total Principal	Primary Government Total Interest
2025	$ 585,000	$ 314,706	$ 405,000	$ 72,200	$ 990,000	$ 386,906
2026	610,000	296,206	365,000	54,850	975,000	351,056
2027	630,000	276,269	115,000	39,650	745,000	315,919
2028	655,000	255,619	65,000	34,450	720,000	290,069
2029	685,000	234,144	65,000	31,200	750,000	265,344
2030-2034	3,515,000	784,356	410,000	105,350	3,925,000	889,706
2035-2039	1,155,000	289,788	270,000	22,000	1,425,000	311,788
2040-2042	810,000	60,175	-	-	810,000	60,175
Total	$ 8,645,000	$ 2,511,263	$ 1,695,000	$ 359,700	$ 10,340,000	$ 2,870,963

General Obligation Bonds - Private Placement

Year Ended September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Primary Government Total Principal	Primary Government Total Interest
2025	$ 632,500	$ 49,560	$ 212,500	$ 25,251	$ 845,000	$ 74,811
2026	969,000	40,881	161,000	22,182	1,130,000	63,063
2027	980,500	28,673	164,500	20,154	1,145,000	48,827
2028	752,000	16,317	168,000	18,081	920,000	34,398
2029	75,000	6,842	175,000	15,964	250,000	22,806
2030-2034	387,000	19,940	903,000	46,525	1,290,000	66,465
2035	81,000	1,021	189,000	2,381	270,000	3,402
Total	$ 3,877,000	$ 163,234	$ 1,973,000	$ 150,538	$ 5,850,000	$ 313,772

Certificates of Obligation

Year Ended September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Primary Government Total Principal	Primary Government Total Interest
2025	$ 2,291,042	$ 1,058,338	$ 3,193,958	$ 1,593,191	$ 5,485,000	$ 2,651,529
2026	2,216,042	970,773	3,163,958	1,474,183	5,380,000	2,444,956
2027	2,129,063	877,684	3,260,937	1,347,931	5,390,000	2,225,615
2028	1,959,063	781,774	3,195,937	1,210,156	5,155,000	1,991,930
2029	1,789,063	696,331	3,050,937	1,071,649	4,840,000	1,767,980
2030-2034	7,325,315	2,527,130	12,064,685	3,757,471	19,390,000	6,284,601
2035-2039	6,948,118	1,268,073	10,861,882	1,777,059	17,810,000	3,045,132
2040-2044	2,780,000	262,619	3,415,000	299,481	6,195,000	562,100
Total	$ 27,437,706	$ 8,442,722	$ 42,207,294	$ 12,531,121	$ 69,645,000	$ 20,973,843

Certificates of Obligation - Private Placement

Year Ended September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Primary Government Total Principal	Primary Government Total Interest
2025	$ 430,000	$ 52,993	$ 220,000	$ 7,986	$ 620,000	$ 84,772
2026	450,000	36,051	-	-	450,000	36,051
2027	465,000	18,320	-	-	465,000	18,320
Total	$ 1,345,000	$ 107,364	$ 220,000	$ 7,986	$ 1,535,000	$ 139,143

Year Ended September 30,	Component Unit Principal	Component Unit Interest
2025	$ 120,000	$ 28,829
2026	125,000	25,089
2027	130,000	21,194
2028	130,000	17,142
2029	135,000	13,090
2030-2031	285,000	13,402
Total	$ 925,000	$ 118,746

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The City collected $8,708,306 of water revenue available for debt service and total debt service payments of $4,274,425 leaving coverage debt service of the revenue bonds being $4,433,881.

The City's general obligation bonds and certificates of obligation contain a provision that in an event of default, creditors may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to debt. As outstanding debt does not become immediately due, the remedy of mandamus may have to be relied upon from year to year.

Leases Payable

In prior years, the City entered into a 60-month lease as lessee for the right to use copiers through CTWP. The lease covers 19 copiers, and the City is required to make a fixed monthly payment of $2,524. During fiscal year 2023, the City entered into a 60-month lease for the right to use golf carts through Yamaha Motor. The lease covers five golf carts, and the City is required to make a fixed monthly payment of $761.

A summary of leases payable as of September 30, 2024, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/24	Amounts Due Within One Year
Governmental Activities:						
Copiers	4%	2022	$ 132,894	$ 2,738	$ 53,449	$ 28,668
Totals				$ 2,738	$ 53,449	$ 28,668
Business-type Activities:						
Right-to-use:						
Golf carts	4.6-5.6%	2023	$ 41,090	$ 1,664	$ 26,205	$ 6,793
Totals				$ 1,664	$ 26,205	$ 6,793

Future debt service requirements to maturity for leases payable are as follows:

	Lease Payable					
	Governmental Activities			Business-type Activities		
Year Ending September 30,	Principal	Interest	Total	Principal	Interest	Total
2025	$ 28,668	$ 1,491	$ 30,159	$ 6,793	$ 1,295	$ 8,088
2026	24,781	233	25,014	7,183	904	8,087
2027	-	-	-	7,596	492	8,088
2028	-	-	-	4,633	86	4,719
Totals	$ 53,449	$ 1,724	$ 55,173	$ 26,205	$ 2,777	$ 28,982

VII. DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 934 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 agent 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 Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at *www.tmrs.com*. All eligible employees of the City are required to participate in TMRS.

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 one of seven payments 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 grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Employee deposit rate	6%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% repeating transfers
Annual increase to retirees	70% of CIP, repeating

Employees Covered by Benefit Terms

On the December 31, 2023, valuation and measurement date, the following numbers of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	277
Inactive employees entitled to but not yet receiving benefits	347
Active employees	294
Total	918

Contribution

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the municipal matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the municipality. Under the state law governing TMRS, the contribution rate for each municipality 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% of their annual gross earnings during the fiscal year. The City decreased its employee contribution rate during the year. The contribution rates for the City were 13.07% and 14.17% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were $2,452,186, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 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, 2018, to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.70%
Core fixed income	6.00%	4.70%
Non-core fixed income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	100.00%	

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 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 periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

The City's net pension liability is generally liquidated by the General Fund and proprietary funds. As of September 30, 2024, the City reported the following changes in Net Pension Liability:

	Increase (Decease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2022	$ 79,513,757	$ 65,429,065	$ 14,084,692
Changes for the year:			
Service cost	2,281,547	-	2,281,547
Interest	5,322,754	-	5,322,754
Difference between expected and actual experience	578,206	-	578,206
Change in assumptions	(611,390)	-	(611,390)
Contributions - employer	-	2,069,494	(2,069,494)
Contributions - employee	-	956,623	(956,623)
Net investment income	-	7,566,336	(7,566,336)
Benefit payments, including refunds of employee contributions	(3,597,828)	(3,597,828)	-
Administrative expense	-	(48,176)	48,176
Other changes	-	(336)	336
Net changes	3,973,289	6,946,113	(2,972,824)
Balance at 12/31/2023	$ 83,487,046	$ 72,375,178	$ 11,111,868

On September 30, 2024, the discretely presented component unit reported the following changes in the net pension liability:

	Increase (Decease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2022	$ 1,631,012	$ 1,342,100	$ 288,912
Changes for the year:			
Service cost	46,800	-	46,800
Interest	109,182	-	109,182
Difference between expected and actual experience	11,860	-	11,860
Change in assumptions	(12,541)	-	(12,541)
Contributions - employer	-	42,450	(42,450)
Contributions - employee	-	19,623	(19,623)
Net investment income	-	155,203	(155,203)
Benefit payments, including refunds of employee contributions	(73,800)	(73,800)	-
Administrative expense	-	(988)	988
Other changes	-	(7)	7
Net changes	81,501	142,481	(60,980)
Balance at 12/31/2023	$ 1,712,513	$ 1,484,581	$ 227,932

The following presents the net pension liability of the City and discretely presented component unit, 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 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Single Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 23,063,815	$ 11,111,868	$ 1,370,294
Component unit's net pension liability	473,092	227,932	28,108
Total	$ 23,536,907	$ 11,339,800	$ 1,398,402

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained electronically at *www.tmrs.com*.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2024, the City and discretely presented component unit recognized pension expense of $2,804,668 and $57,530, respectively.

As of September 30, 2024, 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	$ 1,013,946	$ -
Changes of assumptions	-	395,351
Difference between projected and actual investment earnings	1,787,866	-
Contributions subsequent to the measurement date	1,842,981	-
Total	$ 4,644,793	$ 395,351

On September 30, 2024, the discretely presented component unit 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	$ 20,798	$ -
Changes of assumptions	-	8,110
Difference between projected and actual investment earnings	36,673	-
Contributions subsequent to the measurement date	37,804	-
Total	$ 95,275	$ 8,110

The City and discretely presented component unit reported $1,842,981 and $37,804, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	City	Component Unit
2025	$ 1,103,736	$ 22,639
2026	564,938	11,588
2027	1,367,762	28,056
2028	(629,975)	(12,922)

VIII. OTHER POST-EMPLOYMENT BENEFITS

The City provides for two other post-employment benefit (OPEB) plans: the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), and its own single-employer Retiree Benefits Plan. Both are described in detail below. Neither OPEB plan has fiduciary net position and thus all future benefit payments will be paid with City funds. As such, management has estimated the amount due within one year that is reported as a current liability in the statement of net position.

For the fiscal year 2024, the City and discretely presented component unit had OPEB expenses of $45,350 and $930 for TMRS SDBF, respectively, and OPEB expenses of $24,206 and $497 for Retiree Benefit Plan, respectively, for an aggregate OPEB expense of $70,983. Aggregate amounts for the two plans are as follows:

Governmental activities:	Deferred outflows of resources	Deferred inflows of resources	Total OPEB Liability	Due within one year
TMRS SDBF	$ 100,492	$ 229,904	$ 872,362	$ 26,662
Retiree Benefit Plan	74,462	265,338	375,222	12,416
Total	$ 174,954	$ 495,242	$ 1,247,584	$ 39,078

Business-type activities:	Deferred outflows of resources	Deferred inflows of resources	Total OPEB Liability	Due within one year
TMRS SDBF	$ 31,721	$ 72,569	$ 275,368	$ 8,415
Retiree Benefit Plan	23,504	83,756	118,441	3,920
Total	$ 55,225	$ 156,325	$ 393,809	$ 12,335

Component unit:	Deferred outflows of resources	Deferred inflows of resources	Total OPEB Liability	Due within one year
TMRS SDBF	$ 2,712	$ 6,205	$ 23,544	$ 719
Retiree Benefit Plan	2,010	7,161	10,126	335
Total	$ 4,722	$ 13,366	$ 33,670	$ 1,054

TMRS Supplemental Death Benefits Fund

Plan Description

The City voluntarily participates in a single-employer other post-employment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	214
Inactive employees entitled to but not yet receiving benefits	93
Active employees	294
Total	601

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.43% for 2024 and 0.41% for 2023, of which 0.23% and 0.22%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The City and discretely presented component unit's contributions to the SDBF for the year ended September 30, 2024 was $38,937 and $799, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions

The City and discretely presented component unit's total OPEB liability of $1,147,730 and $23,544, respectively, were measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Discount rate	3.77% per year
Actuarial cost method	Entry Age Normal Method
Overall payroll growth	3.6% to 11.85% per year

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 male rates multiplied by 109% and female rates multiplied by 103% with a 3-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 became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022. Changes in assumptions reflect the annual change in the municipal bond rate and changes in the actuarial assumptions.

Discount Rate

A single discount rate of 3.77% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from the City is made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2023.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.05%) in measuring the total OPEB Liability.

	1% Decrease in Discount Rate (2.77%)	Current Single Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	$ 1,378,214	$ 1,147,730	$ 969,175
Component unit's total OPEB liability	28,270	23,544	19,880
Total	$ 1,406,484	$ 1,171,274	$ 989,055

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

At September 30, 2024, the City and discretely presented component unit reported a total OPEB liability of $1,147,730 and $23,544, respectively. The total OPEB Liability was determined by an actuarial valuation as of December 31, 2023. For the year ended September 30, 2024, the City and discretely presented component unit recognized OPEB expense of $45,350 and $930, respectively. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes in the Total OPEB Liability

As of September 30, 2024, the City reported the following changes in the total OPEB liability:

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/2022	$ 1,039,551
Changes for the year:	
Service cost	39,859
Interest	42,198
Difference between expected and actual experience	1,045
Change in assumptions	60,150
Benefit payments, including refunds of employee contributions	(35,073)
Net changes	108,179
Balance at 12/31/2023	$ 1,147,730

At September 30, 2024, the discretely presented component unit reported the following changes in the total OPEB liability:

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/2022	$ 21,324
Changes for the year:	
Service cost	818
Interest	866
Difference between expected and actual experience	21
Change in assumptions	1,234
Benefit payments, including refunds of employee contributions	(719)
Net changes	2,220
Balance at 12/31/2023	$ 23,544

Changes in assumptions and other inputs reflect a change in the discount rate from 4.05% to 3.77%.

On September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 13,550	$ 1,639
Changes in actuarial assumptions	88,429	300,834
Contributions subsequent to the measurement date	30,234	-
Total	$ 132,213	$ 302,473

As of September 30, 2024, the discretely presented component unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 278	$ 34
Changes in actuarial assumptions	1,814	6,171
Contributions subsequent to the measurement date	620	-
Total	$ 2,712	$ 6,205

The City and discretely presented component unit reported $30,234 and $620, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	City	Component Unit
2025	$ (65,238)	$ (1,338)
2026	(95,573)	(1,960)
2027	(44,085)	(904)
2028	4,402	89

Post-employment Benefits Other Than Pensions (OPEB) – Retiree Health Plan

Plan Description

The City provides healthcare benefits through a single employer defined benefit healthcare plan for all full-time employees and retirees that meet the minimum retirement age of 60 and are vested in the retirement plan prior to retirement or have twenty years or more of service at any age. Currently, the retiree contributes 100% of the blended healthcare premium for coverage and is also responsible for payment of premiums for any dependent coverage. Retiree contribution rates for fiscal year 2023-2024 ranged from $526 to $1,631 per month depending on the coverage level selected. This plan is administered by the City and it has the authority to establish and amend the benefit terms and financing arrangements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits and Contributions

Survivors of employees who die while actively employed are not eligible for retiree healthcare benefits. Employees who become disabled are not eligible for retiree healthcare benefits unless they meet the City's retirement requirements and they elect to retire from the City. The dependent of a current employee can receive coverage when the employee retires if the retiree elects dependent coverage at the time of retirement, the only exception would be in the event of a family status change which will allow dependents to be added at a later date. The retiring employee must continue to elect (and pay for) coverage for the dependents at all future open enrollments or the dependent coverage will cease. The dependents of all future retirees can continue to receive coverage under these circumstances, assuming the current policy remains unchanged. Retirees who decide to opt-out of the healthcare plan are not eligible to opt back in at a later date

Retirees are responsible for payment of premiums for any dependent coverage, and the City pays the retirees premiums. The City’s and discretely presented component unit’s contributions to the OPEB for the year ended September 30, 2024, were $11,074 and $227, respectively, which equal benefit payments for retirees.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	4
Active employees	267
Total	271

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	December 31, 2022
Actuarial Cost Method	Individual Entry-Age, Normal
Inflation Rate	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2022 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Health care cost trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 15 years.
Participation rates	It was assumed that 15% of retirees would choose to receive retiree health care benefits through the City. No employees retiring through normal retirement (not disability related) prior to the age of 50 were assumed to maintain their health coverage.
Discount rate	The discount rate changed from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

A Single Discount Rate of 3.77% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2023.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (2.77%)	Current Single Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	$ 542,227	$ 493,663	$ 449,909
Component unit's total OPEB liability	11,122	10,126	9,229
Total	$ 553,349	$ 503,789	$ 459,138

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the total OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's total OPEB liability	$ 431,112	$ 493,663	$ 568,210
Component unit's total OPEB liability	8,843	10,126	11,655
Total	$ 439,955	$ 503,789	$ 579,865

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

At September 30, 2024, the City and discretely presented component unit reported a total OPEB liability of $493,663 and $10,126, respectively. The total OPEB Liability was determined by an actuarial valuation as of December 31, 2023. For the year ended September 30, 2024, the City and discretely presented component unit recognized OPEB expense of $24,206 and $497, respectively. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes in the Total OPEB Liability

As of September 30, 2024, the City reported the following changes in the total OPEB liability:

	Increase (Decrease) Total OPEB Liability (a)
Balance at 12/31/2022	$ 448,450
Changes for the year:	
Service cost	48,870
Interest	18,821
Difference between expected and actual experience	(3,193)
Change in assumptions	(2,949)
Benefit payments, including refunds of employee contributions	(16,336)
Net changes	45,213
Balance at 12/31/2023	$ 493,663

At September 30, 2024, the discretely presented component unit reported the following changes in the total OPEB liability:

	Increase (Decrease) Total OPEB Liability (a)
Balance at 12/31/2022	$ 9,199
Changes for the year:	
Service cost	1,002
Interest	386
Difference between expected and actual experience	(65)
Change in assumptions	(61)
Benefit payments, including refunds of employee contributions	(335)
Net changes	927
Balance at 12/31/2023	$ 10,126

Changes in assumptions and other inputs reflect a change in the discount rate from 4.05% to 3.77%. On September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 55,018	$ 206,172
Changes in actuarial assumptions	33,612	142,922
Contributions subsequent to the measurement date	9,336	-
Total	$ 97,966	$ 349,094

On September 30, 2024, the discretely presented component unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,129	$ 4,229
Changes in actuarial assumptions	689	2,932
Contributions subsequent to the measurement date	192	-
Total	$ 2,010	$ 7,161

The City and discretely presented component unit reported $9,336 and $192, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	City	Component Unit
2025	$ (43,481)	$ (892)
2026	(43,481)	(892)
2027	(41,358)	(848)
2028	(37,070)	(760)
2029	(37,327)	(766)
Thereafter	(57,747)	(1,185)

IX. 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 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.

As of the current fiscal year, the landfill has been closed, and all current costs relate to ongoing maintenance and monitoring of the site. 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, 2024, are $284,185. It is estimated that the landfill requires 7 years of postclosure care as of September 30, 2024.

X. TAX ABATEMENTS AND ECONOMIC INCENTIVES

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.

Year of Term	City's Performance Requirements
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

XI. COMMITMENTS AND CONTINGENCIES

On September 30, 2024, the total estimated costs to complete significant construction projects in progress at year-end totaled approximately $3,833,537 for governmental funds and $2,088,102 for enterprise funds.

XII. RELATED PARTY TRANSACTIONS

One member of the City Council owns property that is leased to the City's discretely presented component unit. During the year ended September 30,2024, CCEDC paid $31,330 for the rental of office space. The Council member filed the appropriate conflict of interest forms, and did not participate in the approval of this agreement or payments.

XIII. NEW ACCOUNTING PRONOUNCEMENTS

Significant new accounting standards issued by the GASB but not yet implemented by the City include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures -* This Statement requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of Statement No. 102 are effective for fiscal years beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

REQUIRED
SUPPLEMENTARY INFORMATION

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CITY OF COPPERAS COVE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	$ 16,547,856	$ 15,091,027	$ 14,986,103	$ (104,924)
Charges for services	1,947,114	1,996,246	2,191,464	195,218
Intergovernmental	653,812	500,791	1,910,978	1,410,187
Fines	386,337	440,757	543,227	102,470
Licenses	53,644	56,723	62,624	5,901
Permits	430,665	433,495	452,283	18,788
Investment income	576,493	660,998	661,934	936
Miscellaneous	586,264	1,671,913	1,690,978	19,065
Total revenues	21,182,185	20,851,950	22,499,591	1,647,641
EXPENDITURES				
General government:				
City Council	51,556	47,305	34,820	12,485
City Manager	294,438	289,623	279,291	10,332
Financial services and accounting	1,031,310	1,006,622	978,454	28,168
Information systems	580,939	553,520	504,485	49,035
City Secretary	242,860	246,732	243,398	3,334
City Attorney	93,000	82,987	65,289	17,698
Public information	134,078	183,959	139,799	44,160
Personnel	457,581	431,767	421,497	10,270
Planning	344,548	347,082	338,434	8,648
Nondepartmental	1,086,141	1,284,730	1,236,063	48,667
Engineering	71,500	71,500	56,350	15,150
Total general government	4,387,951	4,545,827	4,297,880	247,947
Community services:				
Parks and recreation	2,071,537	2,049,131	2,121,331	(72,200)
Library	527,260	534,658	526,364	8,294
Code and health	235,168	236,380	220,693	15,687
Total community services	2,833,965	2,820,169	2,868,388	(48,219)
Fleet and facility services:				
Fleet maintenance	420,734	409,162	392,312	16,850
Total fleet and facility services	420,734	409,162	392,312	16,850
Highways and streets:				
Highways and streets	274,208	284,760	257,961	26,799
Total highways and streets	274,208	284,760	257,961	26,799

The accompanying notes are an integral part of this schedule.

CITY OF COPPERAS COVE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES (continued):				
Public safety:				
Building inspections	$ 503,232	$ 488,987	$ 483,385	$ 5,602
Municipal court	587,128	633,360	590,514	42,846
Animal control	421,684	411,452	395,497	15,955
Police department	7,199,569	7,314,685	7,083,098	231,587
Fire/EMS department	5,661,675	5,702,939	5,380,189	322,750
Emergency management	7,668	22,231	20,609	1,622
Total public safety	14,380,956	14,573,654	13,953,292	620,362
Capital outlay:				
Capital outlay	908,000	2,241,368	1,482,319	759,049
Total capital outlay	908,000	2,241,368	1,482,319	759,049
Debt service:				
Principal	-	-	27,545	(27,545)
Interest and fiscal charges	-	-	2,738	(2,738)
Total debt service	-	-	30,283	(30,283)
Total expenditures	23,205,814	24,874,940	23,282,435	1,592,505
Excess of revenues over expenditures	(2,023,629)	(4,022,990)	(782,844)	3,240,146
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	46,000	29,615	85,011	55,396
Insurance recoveries	40,000	163,657	163,659	2
Transfers in	1,942,827	1,942,827	1,942,827	-
Transfers out	-	-	(5,019)	(5,019)
Total other financing sources (uses)	2,028,827	2,136,099	2,186,478	50,379
NET CHANGE IN FUND BALANCE	5,198	(1,886,891)	1,403,634	3,290,525
Fund balance - beginning			14,539,665	
Current year encumbrances			320,845	
Prior year encumbrances			(46,876)	
FUND BALANCE - ENDING			$ 16,217,268	

CITY OF COPPERAS COVE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CITY-WIDE GRANTS FUND
BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Intergovernmental	$ 267,703	$ 1,981,263	$ 875,640	$ (1,105,623)
Total revenues	267,703	1,981,263	875,640	(1,105,623)
EXPENDITURES				
Supplies and materials	5,932	11,163	11,634	(471)
Repairs and maintenance	995	995	83	912
Professional services	10,776	67,370	41,138	26,232
Designated	250,000	242,500	3,890	238,610
Capital outlay	-	1,159,565	743,250	416,315
Total expenditures	267,703	1,481,593	799,995	681,598
NET CHANGE IN FUND BALANCE	-	499,670	75,645	(424,025)
Fund balance - beginning			39	
Current year encumbrances			-	
Prior year encumbrances			(75,645)	
FUND BALANCE - ENDING			$ 39	

The accompanying notes are an integral part of this schedule.

CITY OF COPPERAS COVE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement year December 31,	**2023**	**2022**	**2021**
Total pension liability			
Service cost	$ 2,328,347	$ 2,126,758	$ 2,099,630
Interest on total pension liability	5,431,936	5,061,704	4,720,578
Difference between expected and actual experience	590,066	1,683,297	1,344,446
Change or assumptions	(623,931)	-	-
Benefit payments/refunds of contributions	(3,671,628)	(3,303,629)	(2,945,380)
Net change in total pension liability	4,054,790	5,568,130	5,219,274
Total pension liability, beginning	81,144,769	75,576,639	70,357,365
Total pension liability, ending (a)	$ 85,199,559	$ 81,144,769	$ 75,576,639
Plan fiduciary net position			
Contributions - employer	$ 2,111,944	$ 1,894,685	$ 1,839,115
Contributions - employee	976,246	886,149	878,382
Net investment income	7,721,539	(5,294,456)	8,397,104
Benefit payments/refunds of contributions	(3,671,628)	(3,303,629)	(2,945,380)
Administrative expenses	(49,164)	(45,846)	(38,875)
Other	(343)	54,708	266
Net change in fiduciary net position	7,088,594	(5,808,389)	8,130,612
Fiduciary net position, beginning	66,771,165	72,579,554	64,448,942
Fiduciary net position, ending (b)	$ 73,859,759	$ 66,771,165	$ 72,579,554
Net pension liability = (a)-(b)	11,339,800	14,373,604	2,997,085
Fiduciary net position as a percentage of total pension liability	87%	82%	96%
Covered payroll	$ 16,273,217	$ 14,769,142	$ 14,621,378
Net pension liability as a percentage of covered payroll	70%	97%	20%

2020	2019	2018	2017	2016	2015	2014
$ 1,903,052	$ 1,750,675	$ 1,643,247	$ 1,634,469	$ 1,622,451	$ 1,495,238	$ 1,410,662
4,477,512	4,233,954	4,051,570	3,879,541	3,689,620	3,637,340	3,470,336
128,436	294,712	(306,882)	(523,669)	(298,002)	(622,765)	(578,465)
-	241,828	-	-	-	121,574	-
(3,067,226)	(2,910,966)	(2,568,367)	(2,323,947)	(2,088,899)	(1,903,036)	(2,015,046)
3,441,774	3,610,203	2,819,568	2,666,394	2,925,170	2,728,351	2,287,487
66,915,591	63,305,388	60,485,820	57,819,426	54,894,256	52,165,905	49,878,418
$ 70,357,365	$ 66,915,591	$ 63,305,388	$ 60,485,820	$ 57,819,426	$ 54,894,256	$ 52,165,905
$ 1,606,078	$ 1,478,524	$ 1,423,101	$ 1,411,274	$ 1,407,493	$ 1,351,607	$ 1,352,470
799,042	741,288	693,280	686,752	686,026	643,113	640,477
4,593,508	8,203,406	(1,653,672)	6,752,596	3,086,727	67,231	2,468,151
(3,067,226)	(2,910,966)	(2,568,367)	(2,323,947)	(2,088,899)	(1,903,036)	(2,015,046)
(29,740)	(46,371)	(31,970)	(35,004)	(34,864)	(40,950)	(25,768)
(1,160)	(1,395)	(1,670)	(1,774)	(1,878)	(2,023)	(2,119)
3,900,502	7,464,486	(2,139,298)	6,489,897	3,054,605	115,942	2,418,165
60,548,440	53,083,954	55,223,252	48,733,355	45,678,750	45,562,808	43,144,643
$ 64,448,942	$ 60,548,440	$ 53,083,954	$ 55,223,252	$ 48,733,355	$ 45,678,750	$ 45,562,808
5,908,423	6,367,151	10,221,434	5,262,568	9,086,071	9,215,506	6,603,097
92%	90%	84%	91%	84%	83%	87%
$ 13,317,371	$ 12,354,799	$ 11,539,659	$ 11,445,864	$ 11,433,764	$ 10,718,552	$ 10,674,610
44%	52%	89%	46%	79%	86%	62%

CITY OF COPPERAS COVE, TEXAS

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Fiscal Year ended September 30,	**2024**	**2023**	**2022**
Actuarially determined contribution	$ 2,452,186	$ 2,114,987	$ 1,927,723
Contributions in relation to the actuarially determined contribution	(2,452,186)	(2,114,987)	(1,927,723)
Contribution deficiency (excess)	-	-	-
Covered payroll	17,451,959	15,865,751	15,191,613
Contributions as a percentage of covered payroll	14.1%	13.3%	12.7%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31st 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	22 years
Asset valuation method	10 year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% 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 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.

2021	2020	2019	2018	2017	2016	2015
$ 1,606,078	$ 1,561,651	$ 1,466,586	$ 1,441,457	$ 1,413,827	$ 1,360,243	$ 1,306,426
(1,606,078)	(1,561,651)	(1,466,586)	(1,441,457)	(1,413,827)	(1,360,243)	(1,306,426)
-	-	-	-	-	-	-
13,935,907	12,765,315	11,966,485	11,606,767	11,433,764	10,718,552	10,456,668
11.5%	12.2%	12.3%	12.4%	12.4%	12.7%	12.5%

CITY OF COPPERAS COVE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTHCARE BENEFIT PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement year December 31,	**2023**	**2022**	**2021**
Total OPEB liability			
Service cost	$ 49,872	$ 73,048	$ 70,534
Interest on total OPEB liability	19,207	13,312	13,473
Difference between expected and actual experience	(3,258)	(224,937)	(1,140)
Change or assumptions	(3,010)	(74,924)	9,687
Benefit payments/refunds of contributions	(16,671)	(31,641)	(56,305)
Net change in total OPEB liability	46,140	(245,142)	36,249
Total OPEB liability, beginning	457,649	702,791	666,542
Total OPEB liability, ending (b)	$ 503,789	$ 457,649	$ 702,791
Covered - employee payroll	$ 15,946,001	$ 14,521,768	$ 14,394,059
Total OPEB liability as a percentage of covered employee payroll	3%	3%	5%

Note: GASB Statement 75 requires this schedule to report 10 years of data. Data prior to 2017 is not available.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

2020		2019		2018		2017	
$	36,631	$	25,352	$	29,054	$	25,855
	19,691		24,884		25,093		26,792
	105,127		(3,174)		(105,580)		(2,913)
	(160,206)		46,307		3,357		32,750
	(64,827)		(42,581)		(32,291)		(26,129)
	(63,584)		50,788		(80,367)		56,355
	730,126		679,338		759,705		703,350
$	666,542	$	730,126	$	679,338	$	759,705
$	13,067,150	$	12,120,270	$	11,563,143	$	11,448,852
	5%		6%		6%		7%

CITY OF COPPERAS COVE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
SUPPLEMENTAL DEATH BENEFIT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement year December 31,	**2023**	**2022**	**2021**
Total OPEB liability			
Service cost	$ 40,677	$ 69,415	$ 64,335
Interest on total OPEB liability	43,064	28,492	28,800
Difference between expected and actual experience	1,066	17,301	(4,560)
Change or assumptions	61,384	(552,610)	48,976
Benefit payments/refunds of contributions	(35,792)	(31,015)	(32,168)
Net change in total OPEB liability	110,399	(468,417)	105,383
Total OPEB liability, beginning	1,060,875	1,529,292	1,423,909
Total OPEB liability, ending (b)	$ 1,171,274	$ 1,060,875	$ 1,529,292
Covered - employee payroll	$ 16,273,217	$ 14,769,142	$ 14,621,378
Total OPEB liability as a percentage of covered employee payroll	7.2%	7.2%	10.5%

Note: GASB Statement 75 requires this schedule to report 10 years of data. Data prior to 2017 is not available.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

2020	2019	2018	2017
$ 53,269	$ 29,652	$ 33,465	$ 28,615
31,687	37,333	34,250	33,891
26,047	(90,787)	(14,170)	-
192,607	168,238	(71,110)	81,827
(10,654)	(9,884)	(8,078)	(9,157)
292,956	134,552	(25,643)	135,176
1,130,953	996,401	1,022,044	886,868
$ 1,423,909	$ 1,130,953	$ 996,401	$ 1,022,044
$ 13,317,371	$ 12,354,799	$ 11,539,659	$ 11,445,864
10.7%	9.2%	8.6%	8.9%

Budgetary Information

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 Fund, most special revenue funds (except for the Texas Community Development Loan Fund and the FEMA Grant Fund), the Debt Service Fund 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 funds, the Debt Service Fund, and proprietary funds. Formal annual budgetary integration is not employed for the Texas Community Development Loan Fund or the FEMA Grant 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 level.

Expenditures Exceeding Appropriations

Expenditures in the General Fund exceeded appropriations by $72,200 in the Parks and Recreation department, and $30,283 in the Debt Service function. These overages were offset by underspending across other departments and excess revenues above budget.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

[Closing Date]

$______________
CITY OF COPPERAS COVE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2025

We have represented the City of Copperas Cove, Texas (the "Issuer"), as its bond counsel in connection with an issue of certificates of obligation (the "Certificates") described as follows:

> CITY OF COPPERAS COVE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025, dated August 26, 2025.
>
> The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the Ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Ordinance").

We have represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Ordinance.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Certificate No. T-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Certificates.

Based on such examination, and in reliance on such representations and certifications and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Certificates constitute valid and legally binding obligations of the Issuer;

(B) A continuing ad valorem tax upon all taxable property within the City of Copperas Cove, Texas, necessary to pay the interest on and principal of the Certificates, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law. In addition, the Certificates are further secured by a limited pledge of the surplus revenues of the Issuer's waterworks and sewer system as provided in the Ordinance; and

(C) Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

The rights of the owners of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

We express no opinion as to the amount or timing of interest on the Certificates or, except as stated as above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Certificates. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the information submitted to us or the representations of the Issuer and other parties are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants in the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

The opinions set forth above speak only as of the date of this letter and only in connection with the Certificates and may not be applied to any other transaction. Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.