



NOTICE OF MEETING OF COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

Notice is hereby given that a Regular Meeting of the Copperas Cove Economic Development Corporation will be held on September 27, 2023, at 12:00 p.m. in the Technology Center at 508 S. 2nd Street, Copperas Cove, Texas 76522 at which time the following agenda will be discussed.

- A. CALL TO ORDER**
- B. INVOCATION AND PLEDGE OF ALLEGIANCE**
- C. ROLL CALL**
- D. ANNOUNCEMENTS**
- E. CITIZENS FORUM**

At this time, citizens will be allowed to speak on any matter other than personnel matters, matters under litigation, or matters on the regular agenda, for a length of time not to exceed five minutes per person. Thirty minutes total has been allotted for this section.

- F. CONSENT AGENDA**

All matters listed under this item are considered to be routine by the EDC Board of Directors and will be enacted by one motion. There will not be a separate discussion of these items. If discussion is desired, that item will be removed from the consent agenda and considered separately.

- 1. Consideration and action on approval of minutes for the Regular Meeting held on August 23, 2023. **Brittany Sanders, Workforce Development Specialist, Copperas Cove EDC.**

- G. PUBLIC HEARINGS**

- H. ACTION ITEMS**

- 1. Consideration and action on approving the Profit and Loss report for the month of August 2023. **Fred Welch, Executive Director, Copperas Cove EDC.**

2. Consideration and action on approving the Fiscal Year 2021-2022 Annual Financial Report (Audit). **Fred Welch, Executive Director, Copperas Cove EDC.**
3. Consideration and action on accepting a proposal from a qualified banking institution to establish a contract for Banking Services to the Copperas Cove EDC. **Fred Welch, Executive Director, Copperas Cove EDC.**
4. Consideration and action on changing the meeting dates for October, November, and December's regular meeting. **Fred Welch, Executive Director, Copperas Cove EDC.**

I. REPORTS FROM STAFF, OUTSIDE ENTITIES, ADVISORY COMMITTEES, AND BOARDS

1. Executive Director's Report. **Fred Welch, Executive Director, Copperas Cove EDC.**

J. ITEMS FOR FUTURE AGENDAS

K. EXECUTIVE SESSION

Pursuant to §551.087 of the Texas Government Code, the Economic Development Corporation Board will meet in Executive Session to discuss or deliberate regarding commercial or financial information that the governmental body has received from a business prospect to locate, stay, or expand in the Narrows Business and Technology Park.

Pursuant §551.074, Texas Government Code, the Economic Development Corporation Board will meet in Executive Session for deliberation regarding the process and options for obtaining a new Business Retention and Expansion Manager.

L. RECONVENE INTO AN OPEN SESSION FOR POSSIBLE ACTION RESULTING FROM ANY ITEM POSTED AND LEGALLY DISCUSSED IN THE EXECUTIVE SESSION.

M. ADJOURN

The Board of Directors reserves the right to adjourn into Executive Session at any time regarding any issue on this agenda for which it is legally permissible.

I, the undersigned authority, do hereby certify that the above Notice of Meeting of the Governing Body of the Copperas Cove Economic Development Corporation was posted at **5:00 p.m. on September 22, 2023.**

Brittany Sanders, Workforce Development Specialist
Copperas Cove EDC

Economic Development Corporation

F.1.

Meeting Date: September 27, 2023

Contact: Brittany Sanders, Workforce Development Specialist, Copperas Cove EDC

Subject:

Consideration and action on approval of minutes for the Regular Meeting held on August 23, 2023.

Brittany Sanders, Workforce Development Specialist, Copperas Cove EDC

Attachments:

Regular Meeting Minutes – August 23, 2023



COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION
Meeting Minutes for August 23, 2023

A. CALL TO ORDER

Chairman JC Stubbs called the Regular meeting of the Copperas Cove Economic Development Corporation to order at 12:04 p.m.

B. INVOCATION AND PLEDGE OF ALLEGIANCE

JC Stubbs led the Invocation and the Pledge of Allegiance.

C. ROLL CALL

Roll call led by Brittany Sanders, Workforce Development Specialist

<i>Present: JC Stubbs, Chairman</i>	<i>Fred Welch, Executive Director</i>
<i>Bradi Diaz, Treasurer</i>	<i>Brittany Sanders, Workforce Development Specialist</i>
<i>Ted Gonzalez, Director</i>	<i>Sheena Tanner, Marketing Director</i>
<i>David McPhail, Director</i>	<i>Barbara Boulware-Wells, Legal Counsel</i>
<i>Fred Chavez, Council Liaison</i>	
<i>Absent: Elizabeth Ruszkiewicz, Secretary</i>	

D. ANNOUNCEMENTS

- Shop Cove Quarterly Pop-up Market & Hire Cove Job Fair- August 26, 2023, at the Copperas Cove Civic Center.*

E. CITIZENS FORUM

At this time, citizens will be allowed matters other than personnel matters, matters under litigation, or matters on the regular agenda, for a length of time not to exceed five minutes per person. Thirty minutes total has been allotted for this section.

- F. CONSENT AGENDA** - All matters listed under this item are considered to be routine by the EDC Board of Directors and will be enacted by one motion. There will not be a separate discussion of these Item. If discussion is desired, that item will be removed from the consent agenda and considered separately.

1. Consideration and action on approval of minutes for the Regular Meeting held on July 26, 2023. **Brittany Sanders, Workforce Development Specialist, Copperas Cove EDC.**

Treasurer Bradi Diaz made a motion to approve agenda item F1. Director Ted Gonzalez seconded the motion and with a unanimous vote, the motion carried.

G. PUBLIC HEARINGS

None

H. ACTION ITEM

1. Consideration and action on approving the Profit and Loss report for the month of July 2023. **Fred Welch, Executive Director, Copperas Cove EDC.**

Director JC Stubbs made a motion to approve agenda item H1. Treasurer Bradi Diaz seconded the motion and with a unanimous vote, the motion carried.

2. Consideration and action to approve a contract with EDSuite to update and provide regular assistance and maintenance to the EDC website. **Fred Welch, Executive Director, Copperas Cove EDC.**

Director JC Stubbs made a motion to approve agenda item H2. Treasurer Bradi Diaz seconded the motion and with a unanimous vote, the motion carried.

3. Consideration and action on the usage of EDC property located in the Narrows Business and Technology Park for the Solar Eclipse Event in April 2024. **Fred Welch, Executive Director, Copperas Cove EDC**

No Action was taken.

4. Consideration and action on approving the Plan of Work for FY 2023-2024. **Fred Welch, Executive Director, Copperas Cove EDC.**

Treasurer Bradi Diaz made a motion to approve agenda item H4 with the removal of the previous Assistant Director's name from the Plan of Work. Director Ted Gonzalez seconded the motion and with a unanimous vote, the motion carried.

5. Consideration and action on soliciting sealed RFPs from qualified banking institutions to establish a contract for Banking Services to the Copperas Cove EDC. **Fred Welch, Executive Director, Copperas Cove EDC.**

Director JC Stubbs made a motion to approve agenda item H5. Treasurer Bradi Diaz seconded the motion and with a unanimous vote, the motion carried.

6. Consideration and action on approving Resolution # EDC 2023-11, authorizing the removal of Assistant Director Diane Drussell, and adding Director David McPhail to the signature card with Cadence Bank.

Treasurer Bradi Diaz made a motion to approve agenda item H6. Director Ted Gonzalez seconded the motion and with a unanimous vote, the motion carried.

I. EDC REPORTS FROM STAFF, OUTSIDE ENTITIES, ADVISORY COMMITTEES, AND BOARDS

1. Update on EDC Activities.

- *Marketing Director Sheena Tanner gave an update on the Ice Cream Social.*

2. Executive Director Report. Fred Welch, Executive Director, Copperas Cove EDC.

- *Executive Director Fred Welch gave an update on the following topics listed below:*
 - *Update on EDA Grant and Fort Cavazos Rail Study.*
 - *Project Black Dragon*
 - *Marketing Event with Oncor and Team Texas*

J. ITEM FOR FUTURE AGENDAS

K. EXECUTIVE SESSION CONVENED

L. RECONVENE INTO OPEN SESSION FOR POSSIBLE ACTION RESULTING FROM ANY ITEM POSTED AND LEGALLY DISCUSSED IN THE EXECUTIVE SESSION

M. ADJOURN

Chairman JC Stubbs adjourned the meeting at 12:36 p.m.

ATTEST:

Brittany Sanders, Workforce Development Specialist

Elizabeth Ruszkiewicz, Secretary

Economic Development Corporation

H.1.

Meeting Date: September 27, 2023

Contact: Fred Welch, Executive Director, Copperas Cove EDC

Subject:

Consideration and action on approving the Profit and Loss report for the month of August 2023. **Fred Welch, Executive Director, Copperas Cove EDC**

Description/Information:

The Profit and Loss report for August 2023, has been prepared by Donkbuilt Service Exchange "Donkbuilt" as per the agreement between the CCEDC and Donkbuilt. The report is attached for review by the Board.

Financial Impact:

See attached.

Action/Recommendation:

EDC staff recommends the Board of Directors approve the Profit and Loss report for August 2023, as presented by Fred Welch.

Attachments:

August 2023, Financials:

Profit and Loss
Profit and Loss Performance Budget
Candence Bank Reconciliation
TexPool Reconciliation

Copperas Cove Economic Development Corporation

Profit & Loss

August 2023

Aug 23

Ordinary Income/Expense

Income

Revenues

Sales Tax Income 212,763.42

Interest Income 33,829.40

Total Revenues 246,592.82

Other Income 1,016.48

Total Income 247,609.30

Expense

EXPENDITURES

EDC ADMINISTRATION

PERSONNEL

00-1150 · Phone Reimbursement 320.00

00-1100 · Car Allowance 0.00

00-1000 · Staff Salary 39,822.35

00-1200 · Longevity 55.38

00-1500 · FICA Tax 2,602.92

00-1600 · Employee Insurance 1,331.94

00-1800 · Retirement 4,744.04

00-1901 · Other Personnel Expenses -20.01

Total PERSONNEL 48,856.62

REPAIRS AND MAINTENANCE

00-4100 · Repairs & Maint. - Bldg 1,289.99

00-4200 · Repairs & Maint. - Facility 155.00

00-4400 · Repairs & Maint. - Equipment 313.50

Total REPAIRS AND MAINTENANCE 1,758.49

CONTRACTUAL SERVICES

00-6200 · Communication 492.23

00-6300 · Rental of Equip / Copier Lease 289.99

00-6350 · Rental of Property 2,602.49

00-6400 · Dues and Subscriptions 719.99

00-6550 · Contract Labor 130.00

00-6800 · Professional Services 700.00

00-6900 · Utilities 145.05

Total CONTRACTUAL SERVICES 5,079.75

DESIGNATED EXPENSES

00-1998 · Board Related Expenses 87.00

Total DESIGNATED EXPENSES 87.00

Total EDC ADMINISTRATION 55,781.86

DEBT SERVICES

10-9326 · 2012 Sales Tax Bond Note Int 2,750.49

Total DEBT SERVICES 2,750.49

EDC NON-DEPARTMENTAL

CONTRACTUAL SERVICES

90-6550 · Contract Labor 800.00

Copperas Cove Economic Development Corporation

Profit & Loss

August 2023

	<u>Aug 23</u>
90-6610 · Business Attraction	782.00
Total CONTRACTUAL SERVICES	<u>1,582.00</u>
90-9000 · ENTREPRENEUR CENTER	
90-9001 · Start Up	170.00
Total 90-9000 · ENTREPRENEUR CENTER	<u>170.00</u>
90-9100 · BUSINESS RETENTION	
90-9103 · Retention	978.25
Total 90-9100 · BUSINESS RETENTION	<u>978.25</u>
Total EDC NON-DEPARTMENTAL	<u>2,730.25</u>
Total EXPENDITURES	<u>61,262.60</u>
Total Expense	<u>61,262.60</u>
Net Ordinary Income	<u>186,346.70</u>
Net Income	<u><u>186,346.70</u></u>

Copperas Cove Economic Development Corporation
Statement of Financial Position
As of August 31, 2023

	<u>Aug 31, 23</u>	<u>Aug 31, 22</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS				
Current Assets				
Checking/Savings				
Cash- BANCORPSOUTH	1,455,564.64	1,076,545.12	379,019.52	35.21%
TEXPOOL ACCOUNT	6,946,430.69	6,654,601.91	291,828.78	4.39%
Total Checking/Savings	<u>8,401,995.33</u>	<u>7,731,147.03</u>	<u>670,848.30</u>	<u>8.68%</u>
Other Current Assets				
Employee Receivables	116.92	0.00	116.92	100.0%
CD's				
6-Month CD (241)	500,493.15	500,000.00	493.15	0.1%
12-Month CD (244)	1,003,396.04	1,000,000.00	3,396.04	0.34%
16-Month CD (249)	500,000.00	500,000.00	0.00	0.0%
Total CD's	<u>2,003,889.19</u>	<u>2,000,000.00</u>	<u>3,889.19</u>	<u>0.19%</u>
Accrued CD Interest				
6-Month CD (241)	1,876.86	0.00	1,876.86	100.0%
12-Month CD (244)	1,128.81	0.00	1,128.81	100.0%
16-Month CD (249)	8,750.04	0.00	8,750.04	100.0%
Total Accrued CD Interest	<u>11,755.71</u>	<u>0.00</u>	<u>11,755.71</u>	<u>100.0%</u>
70-0501 · Deferred Outflows - Pension	35,011.00	70,672.00	-35,661.00	-50.46%
80-0501 · Deferred Outflows - OPEB SDBF	3,606.00	0.00	3,606.00	100.0%
81-0501 · Deferred Outflows - OPEB RHP	2,537.00	0.00	2,537.00	100.0%
Sales Tax Receivable	302,145.00	294,294.50	7,850.50	2.67%
Total Other Current Assets	<u>2,359,060.82</u>	<u>2,364,966.50</u>	<u>-5,905.68</u>	<u>-0.25%</u>
Total Current Assets	<u>10,761,056.15</u>	<u>10,096,113.53</u>	<u>664,942.62</u>	<u>6.59%</u>
Fixed Assets				
Land				
63.95 Acres	349,902.10	349,902.10	0.00	0.0%
Total Land	<u>349,902.10</u>	<u>349,902.10</u>	<u>0.00</u>	<u>0.0%</u>
Equipment				
17000 · Accumulated Depreciation	89,542.30	62,966.00	26,576.30	42.21%
	-66,763.00	-62,966.00	-3,797.00	-6.03%
Total Fixed Assets	<u>372,681.40</u>	<u>349,902.10</u>	<u>22,779.30</u>	<u>6.51%</u>
TOTAL ASSETS	<u><u>11,133,737.55</u></u>	<u><u>10,446,015.63</u></u>	<u><u>687,721.92</u></u>	<u><u>6.58%</u></u>
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Other Current Liabilities				
Accrued Wages	19,877.22	14,454.99	5,422.23	37.51%
05-0805 · Vacation Payable (Comp Abs)	12,843.00	0.00	12,843.00	100.0%
Accrued Interest	4,350.39	4,388.91	-38.52	-0.88%
Accounts Payable				
TIB Card 0653	0.00	6,219.01	-6,219.01	-100.0%
Other Accrued Expenses	1,100.05	2,649.38	-1,549.33	-58.48%
Total Accounts Payable	<u>1,100.05</u>	<u>8,868.39</u>	<u>-7,768.34</u>	<u>-87.6%</u>
FUTA Payable	42.00	42.00	0.00	0.0%

Copperas Cove Economic Development Corporation
Statement of Financial Position
As of August 31, 2023

	<u>Aug 31, 23</u>	<u>Aug 31, 22</u>	<u>\$ Change</u>	<u>% Change</u>
United Way Payable	22.00	22.00	0.00	0.0%
Benefits Payable				
Pension	6,868.71	4,641.25	2,227.46	47.99%
Insurance	3,053.40	1,711.24	1,342.16	78.43%
Total Benefits Payable	<u>9,922.11</u>	<u>6,352.49</u>	<u>3,569.62</u>	<u>56.19%</u>
Total Other Current Liabilities	<u>48,156.77</u>	<u>34,128.78</u>	<u>14,027.99</u>	<u>41.1%</u>
Total Current Liabilities	<u>48,156.77</u>	<u>34,128.78</u>	<u>14,027.99</u>	<u>41.1%</u>
Long Term Liabilities				
Net OPEB Liability	2,728.00	2,728.00	0.00	0.0%
70-0502 · Deferred Inflows - Pension	63,701.00	12,319.00	51,382.00	417.1%
80-0502 · Deferred Inflows - OPEB SDBF	742.00	0.00	742.00	100.0%
81-0502 · Deferred Inflows - OPEB RHP	2,712.00	0.00	2,712.00	100.0%
05-0802 · Net OPEB Obligation - RHP	10,379.00	0.00	10,379.00	100.0%
05-0803 · Net OPEB Liability - SDBF	19,858.00	0.00	19,858.00	100.0%
05-0804 · Net Pension Liability	44,263.00	187,067.00	-142,804.00	-76.34%
Bonds Payable	1,040,000.00	1,155,000.00	-115,000.00	-9.96%
Total Long Term Liabilities	<u>1,184,383.00</u>	<u>1,357,114.00</u>	<u>-172,731.00</u>	<u>-12.73%</u>
Total Liabilities	<u>1,232,539.77</u>	<u>1,391,242.78</u>	<u>-158,703.01</u>	<u>-11.41%</u>
Equity				
FUND BALANCE - Net Cap Aassets	612,460.00	612,460.00	0.00	0.0%
FUND BALANCE - Unrestricted	5,598,095.10	5,598,095.10	0.00	0.0%
Retained Earnings	2,852,490.60	1,401,742.64	1,450,747.96	103.5%
Net Income	838,152.08	1,442,475.11	-604,323.03	-41.9%
Total Equity	<u>9,901,197.78</u>	<u>9,054,772.85</u>	<u>846,424.93</u>	<u>9.35%</u>
TOTAL LIABILITIES & EQUITY	<u>11,133,737.55</u>	<u>10,446,015.63</u>	<u>687,721.92</u>	<u>6.58%</u>

9:49 AM

09/08/23

Copperas Cove Economic Development Corporation

Reconciliation Summary

Cash- BANCORPSOUTH, Period Ending 08/31/2023

	<u>Aug 31, 23</u>
Beginning Balance	1,300,987.81
Cleared Transactions	
Checks and Payments - 40 items	-64,899.28
Deposits and Credits - 6 items	215,055.01
	<u>150,155.73</u>
Total Cleared Transactions	<u>150,155.73</u>
Cleared Balance	<u><u>1,451,143.54</u></u>
Uncleared Transactions	
Checks and Payments - 12 items	-6,390.75
	<u>-6,390.75</u>
Total Uncleared Transactions	<u>-6,390.75</u>
Register Balance as of 08/31/2023	<u><u>1,444,752.79</u></u>
New Transactions	
Checks and Payments - 1 item	-39.99
	<u>-39.99</u>
Total New Transactions	<u>-39.99</u>
Ending Balance	<u><u>1,444,712.80</u></u>

10:00 AM

09/08/23

Copperas Cove Economic Development Corporation

Reconciliation Detail

TEXPOOL ACCOUNT, Period Ending 08/31/2023

<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Clr</u>	<u>Amount</u>	<u>Balance</u>
Beginning Balance						6,915,274.64
Cleared Transactions						
Deposits and Credits - 1 item						
Deposit	08/31/2023			X	31,156.05	31,156.05
Total Deposits and Credits					31,156.05	31,156.05
Total Cleared Transactions					31,156.05	31,156.05
Cleared Balance					31,156.05	6,946,430.69
Register Balance as of 08/31/2023					31,156.05	6,946,430.69
Ending Balance					31,156.05	6,946,430.69

Economic Development Corporation

H.2.

Meeting Date: September 27, 2023

Contact: Fred Welch, Executive Director, Copperas Cove EDC

Subject:

Consideration and action on accepting a proposal from a qualified banking institution to establish a contract for Banking Services to the Copperas Cove EDC. **Fred Welch, Executive Director, Copperas Cove EDC.**

History/Information: Our current contract with Cadence Bank expires on September 30th. In keeping with previous policy with the City an RFP has been prepared to advertise for banking services. This allows for fair and impartial competition to secure the most favorable terms for the handling of our operating funds, automatic payments, and determination of rates for temporary investments such as CDs. The RFP was distributed via our website, email, and posted in the local paper following the August 23rd Board meeting. Two responses were received by the September 13th due date. The staff has reviewed the offer/response from both firms.

Financial Impact:

TBD

Action/Recommendation:

EDC Staff recommends that the Board of Directors accept a proposal for Banking Services, as presented by Fred Welch

Attachments:

RFP/Contract

Economic Development Corporation

H.3.

Meeting Date: September 27, 2023

Contact: Fred Welch, Executive Director, Copperas Cove EDC

Subject:

Consideration and action on approving the Fiscal Year 2021-2022 Annual Financial Report (Audit).
Fred Welch, Executive Director, Copperas Cove EDC.

Description/Information:

Per Texas Local Government Code §103.001, a municipality shall have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit.

The accounting firm Pattillo, Brown, and Hill was selected on August 2, 2022, by the City Council to perform the annual audit in compliance with U.S. Generally Accepted Accounting Principles and in accordance with Government Auditing Standards for the City and Economic Development Corporation (EDC). This is the second year that Pattillo has performed the financial audit for the Corporation.

Financial Impact:

TBD

Action/Recommendation:

The CCEDC Staff recommends the Board of Directors approve the Fiscal Year 2021-2022 Annual Financial Report.

Attachments:

Annual Financial Report



September 18, 2023

Pattillo, Brown & Hill, L.L.P.
401 West State Highway 6
Waco, Texas 76710

This representation letter is provided in connection with your audit of the financial statements of the Copperas Cove Economic Development Corporation ("the EDC"), a component unit of the City of Copperas Cove, as of September 30, 2022, and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, and results of operations, of the various opinion units of the EDC in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 18, 2023:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 10, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. With respect to your preparation of the financial statements and related notes, we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the service performed; and
 - Established and maintained internal controls, including monitoring ongoing activities.
6. Significant assumptions used by us in making accounting estimates are reasonable.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. There is no summary of unrecorded misstatements since all adjustments proposed by you, material and immaterial, have been recorded.
10. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 62 (GASB-62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (FASB Accounting Standards Codification™ (ASC) 450, Contingencies), and we have not consulted a lawyer concerning litigation, claims, or assessments.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
1. With regard to items reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
12. All funds and activities are properly classified.

13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All net position components and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Special items and extraordinary items have been properly classified and reported.
19. Deposit and investment risks have been properly and fully disclosed.
20. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
21. All required supplementary information is measured and presented within the prescribed guidelines.
22. Nonexchange and exchange financial guarantees, either written or oral, under which it is more likely than not that a liability exists have been properly recorded, or if we are obligated in any manner, are disclosed.
23. With regard to pensions and OPEB and OPEB:
 - We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
 - We are unable to determine the possibility of a withdrawal liability from TMRS of which we are a sponsor and are not currently contemplating withdrawing from these plans.
 - Increases in benefits, elimination of benefits and all similar amendments have been disclosed in accordance with U.S. GAAP and are included in the most recent actuarial valuation or disclosed as a subsequent event as required.
 - Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed as required and necessary.

24. We agree with the findings of specialists in evaluating the valuation of the fair value measurements and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
25. With respect to the management's discussion and analysis, required budgetary schedules, and pension information accompanying the financial statements:
 - o We acknowledge our responsibility for the presentation of the management's discussion and analysis, required budgetary schedules, and pension information in accordance with accounting principles generally accepted in the United States of America.
 - o We believe the management's discussion and analysis, required budgetary schedules, and pension information, including their form and content, are measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - o The methods of measurement or presentation have not changed from those used in the prior period.
 - o We believe the significant assumptions or interpretations underlying the measurement or presentation of the management's discussion and analysis, required budgetary schedules, and pension information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, who possesses suitable skill, knowledge, experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and the related notes.

Information Provided

26. We have provided you with:
 - o Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - o Additional information that you have requested from us for the purpose of the audit; and
 - o Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

27. All transactions have been recorded in the accounting records and are reflected in the financial statements.
28. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
29. We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
30. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - o Management;
 - o Employees who have significant roles in internal control; or
 - o Others where the fraud could have a material effect on the financial statements.
31. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
32. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
33. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
34. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
35. We have a process to track the status of audit findings and recommendations.
36. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
37. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
38. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
39. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

40. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
41. The EDC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
42. We have disclosed to you all guarantees, whether written or oral, under which The EDC is contingently liable.
43. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
44. There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with *GASB-62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
45. The EDC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
46. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
47. There have been no cybersecurity breaches or other cyber events whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or otherwise considered when preparing the financial statements.
48. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.



09-18-23

Fred H Welch CECD, EDFP
Executive Director,
Copperas Cove Economic Development Corporation



Board of Directors
Copperas Cove Economic Development Corporation
Copperas Cove, Texas

We have audited the financial statements of the Copperas Cove Economic Development Corporation (the "EDC"), a component unit of the City of Copperas Cove, Texas, as of and for the year ended September 30, 2022, and have issued our report thereon dated September 18, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 10, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the EDC solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

As a part of the engagement, we assisted in preparing the financial statements and related notes to the financial statements of the EDC in conformity with U.S. generally accepted accounting principles. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services were not conducted in accordance with *Government Auditing Standards*.

In order to reduce threats to our independence caused by these non-attest services to an acceptable level, we applied certain safeguards. These safeguards include a concurring review, which is a review of the financial statements and key audit areas which is performed by an individual who has adequate experience in audits of local governments, but who was not involved in this audit engagement. The concurring reviewer serves as an evaluator of the performance of the engagement team and the nonattest services provided.

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In addition, management assumed responsibility for the financial statements, related notes to the financial statements, schedule of expenditures of federal awards and any other nonaudit services we provided. Management acknowledged, in the management representation letter, our assistance with the preparation of the financial statements, related notes to the financial statements and schedule of expenditures and federal awards and that these items were reviewed and approved prior to their issuance and accepted responsibility for them. Further, the nonaudit services were overseen by an individual within management that has the suitable skill, knowledge, or experience; evaluated the adequacy and results of the services; and accepted responsibility for them.

Significant Risks Identified

We have identified the following significant risks during our audit process, which required special audit consideration:

Significant Risk Identified

Reasoning for Special Audit Consideration

Management override of controls

There is a presumption in all audits that a significant risk of fraud exists associated with management override of controls.

Based on the testwork performed in these areas, no material misstatements, significant deficiencies or material weaknesses were found.

Qualitative Aspects of the EDC's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the EDC is included in Note I to the financial statements. There have been no initial adoptions of accounting policies and no significant changes in accounting policies during the current year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the useful lives of capital assets is based on the expected lifespan of the asset in accordance with standard guidelines. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.
- Management's estimate of the allowance for uncollectible receivables is based on historical collections. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.
- Management's estimates of the net pension and total OPEB liabilities are based on actuarial assumptions that are determined by the demographics of the plan and future projections that the actuary makes based on historical information of the plan and the investment market. We evaluated the key factors and assumptions used to develop the net pension and total OPEB liabilities and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the EDC's financial statements relate to long-term debt, net pension liabilities and total OPEB liabilities. The disclosures in the financial statements are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the EDC's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. No such circumstances exist.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated September 18, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the EDC, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the EDC, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the EDC's auditors.

New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the EDC include the following:

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will become effective for reporting periods beginning after June 15, 2022, and the impact has not yet been determined.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement will become effective for reporting periods beginning after June 15, 2022, and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

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.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of the EDC and is not intended to be and should not be used by anyone other than these specified parties.

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

Waco, Texas
September 18, 2023

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

(A Component Unit of the City of Copperas Cove, Texas)

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2022

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

SEPTEMBER 30, 2022

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Copperas Cove Economic Development Corporation
Copperas Cove, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Copperas Cove Economic Development Corporation, Texas (the "EDC"), a component unit of the City of Copperas Cove, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the EDC'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 and the major fund of the EDC as of September 30, 2022, and the respective changes in financial position 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 EDC 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

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 EDC's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 EDC'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 EDC'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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2023, on our consideration of the EDC'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 EDC's internal control over financial reporting and compliance.

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

Waco, Texas
September 18, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Copperas Cove Economic Development Corporation (the EDC) annual financial report presents our discussion and analysis of the EDC's financial performance during the fiscal year ended September 30, 2022. Please read it in conjunction with the EDC's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of the EDC exceeded its liabilities and deferred inflows at September 30, 2022 by \$9,062,948 (net position), \$372,681 of which reflects its net investment in capital assets, and \$8,690,267 of which is restricted for economic development.
- The EDC's net position increased by \$1,461,887 due to a significant increase in revenues from sales and use taxes.
- The EDC had a favorable budget variance of \$932,386. Actual expenditures were \$273,621 more than budgeted, revenues were \$506,971 more than budgeted, and other financing sources were \$699,036 more than budgeted.

Overview of Financial Statements

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the EDC as a whole and present a longer-term view of the EDC's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the EDC's operations in more detail than the government-wide statements by providing information about the EDC's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for the appropriations budget.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Government-wide financial statements – The government-wide financial statements report information about the EDC as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets, deferred outflows, liabilities and deferred inflows. The Statement of Activities accounts for all of the current period's revenues and expenses.

The two government-wide financial statements report the EDC's net position and how they have changed. Net position, the difference between the EDC's assets, deferred outflows, liabilities and deferred inflows, is one way to measure the EDC's financial health or position.

- Over time, increases or decreases in the EDC's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the EDC, consider additional non-financial factors such as changes in the EDC's revenue base.

**COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION'S
NET POSITION**

	Governmental-Type Activities	
	2022	2021
Current and other assets	\$ 10,127,575	\$ 8,523,029
Capital assets	<u>372,681</u>	<u>505,196</u>
Total assets	<u>10,500,256</u>	<u>9,028,225</u>
Deferred outflows of resources	<u>41,154</u>	<u>70,673</u>
Current liabilities	166,236	19,484
Noncurrent liabilities	<u>1,245,071</u>	<u>1,454,795</u>
Total liabilities	<u>1,411,307</u>	<u>1,474,279</u>
Deferred inflows of resources	<u>67,155</u>	<u>12,319</u>
Net position:		
Net investment in capital assets	372,681	505,196
Restricted for economic development	<u>8,690,267</u>	<u>7,107,104</u>
Total net position	<u>\$ 9,062,948</u>	<u>\$ 7,612,300</u>

**COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION'S
CHANGES IN NET POSITION**

	Governmental Activities	
	2022	2021
Revenues:		
General revenues:		
Sales tax	\$ 1,751,450	\$ 1,646,708
Investment earnings	46,521	6,995
Gain on disposal of assets	<u>543,742</u>	<u>790,922</u>
Total revenues	<u>2,341,713</u>	<u>2,444,625</u>
Expenses:		
Economic development	837,611	993,725
Interest on long-term debt	<u>42,215</u>	<u>43,084</u>
Total expenses	<u>879,826</u>	<u>1,036,809</u>
Change in net position	1,461,887	1,407,816
Net position, beginning	<u>7,612,300</u>	<u>6,204,484</u>
Net position, ending	<u>\$ 9,074,187</u>	<u>\$ 7,612,300</u>

Fund financial statements – The fund financial statements provide more detailed information about the EDC’s most significant funds, not the EDC as a whole. Funds are accounting devices that the EDC uses to keep track of specific sources of funding and spending for particular purposes.

Governmental fund – All of the EDC’s basic services are reported in one general governmental fund. This fund uses modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and reports balances at the end of the fiscal period. The governmental fund statements provide a detailed, short-term view of the EDC’s general operations and the basic services it provides. The difference between the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliation narratives following each of the fund financial statements.

Budgetary Highlights

A budgetary comparison is required for the general fund. This schedule (page 30) compares the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures. Amendments to the adopted budget may occur throughout the year in a legally permissible manner. For fiscal year 2022, no budget amendments were made.

During the year, actual revenues exceeded budgeted revenues by \$506,971, and total expenditures exceeded budgeted amounts by \$273,621.

Capital Assets and Debt Administration

Capital Assets - As of September 30, 2022, the Corporation has \$372,681 invested in various capital assets, net of accumulated depreciation.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2022 and 2021. Additional information on the Corporation’s capital assets may be found in the notes to the financial statements.

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

- The EDC acquired \$22,576 in new furniture and fixtures.
- The EDC sold land for \$699,036.

	Governmental Activities	
	2022	2021
Government-wide capital assets:		
Land	\$ 349,902	\$ 505,196
Equipment	89,542	62,966
Total capital assets	<u>439,444</u>	<u>568,162</u>
Less: accumulated depreciation	<u>(66,763)</u>	<u>(62,966)</u>
Government-wide capital assets, net	<u>\$ 372,681</u>	<u>\$ 505,196</u>

Long-Term Debt. At September 30, 2022, the Corporation has total bonds in Sales Tax Revenue Bonds. Further outstanding of \$1,155,000 details can be found in the notes to the financial statements.

Economic Factors

The vision of the Copperas Cove Economic Development Corporation (CCEDC) is to remain aggressive and intentional in its efforts to retain and attract quality business and sustainable economic growth the the community. Creating an attractive quality of place for residents and prospects is a focus of the CCEDC. By partnering with the community’s stakeholders, which include the City Staff, Council, CCEDC Board of Directors and voluntary organizations, the CCEDC has established a strategy by which the vision may be achieved.

Copperas Cove is a city located in central Texas, at the southern corner of Coryell County, with small portions in both Lampasas and Bell counties. Founded in 1879 as a small ranching and farming community, it is the largest city in Coryell County, with 32,032 residents as of the 2010 census and an estmaited 38,000 in 2022. The 2022 population estimate shows a growth of 18.6% since the 2010 census. The city’s economy is closely linked to nearby Fort Cavazos (formerly Fort Hood), making it a part of the Killeen-Temple-Fort Cavazos Metropolitan Statistical Area (MSA). Locals usually refer to the town as “Cove”.

The city has maintained steady tax base growth. Certified property valuations increased 26.79% for FY 2021-2022, from \$2,010,235,862 to \$2,548,846,901. Most of the city’s current values come from residential housing but Copperas Cove is experiencing new commercial and industrial growth expected to come online in the next three years.

The city is carefully evolving from a bedroom community of 38,000+ residents to a full-service community offering restaurants, retail, office and health care services. In the 2021-2022 FY, the city issued 123 Certificate of Occupancy permits for businesses, and during that same time frame, 293 new residential permits were issued. A steady increase in sales tax revenue will help diversify the City’s tax base and provide additional revenue sources. The revenue will lessen the City’s dependence on property taxes and provide dollars to address the opportunities of a growing community.

Request for Information

The financial report is designed to provide a general overview of the Corporation's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director at fwelch@coveedc.com or in writing at 113 West Avenue D, Copperas Cove, Texas 76522.

BASIC FINANCIAL STATEMENTS

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs:	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities:		
Economic development	\$ 837,611	\$(837,611)
Interest on long-term debt	42,215	(42,215)
Total governmental activities	<u>\$ 879,826</u>	<u>\$(879,826)</u>
General revenues:		
Sales and use taxes		1,751,450
Unrestricted investment earnings		46,521
Gain on sale of capital assets		543,742
Total general revenues		<u>2,341,713</u>
Change in net position		1,461,887
Net position - beginning		<u>7,601,061</u>
Net position - ending		<u>\$ 9,062,948</u>

The notes to the financial statements are an integral part of this statement.

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEET
GOVERNMENTAL FUND

SEPTEMBER 30, 2022

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 9,824,341
Accrued interest receivable	1,089
Taxes receivable	<u>302,145</u>
Total assets	<u>10,127,575</u>
LIABILITIES	
Accounts payable	144,910
Accrued liabilities	<u>16,726</u>
Total liabilities	<u>161,636</u>
FUND BALANCE	
Restricted for economic development	<u>9,965,939</u>
Total fund balance	<u>9,965,939</u>
Total liabilities and fund balances	<u>\$ 10,127,575</u>

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

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

SEPTEMBER 30, 2022

Total fund balance - governmental fund \$ 9,965,939

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.

Capital assets	439,444
Accumulated depreciation	(66,763)

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	(1,155,000)
Accrued interest	(4,600)

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	(44,263)
Deferred outflows related to pensions	35,011
Deferred inflows related to pensions	(63,701)
Other postemployment benefits	(32,965)
Deferred outflows related to OPEB	6,143
Deferred inflows related to OPEB	(3,454)
Compensated absences	(12,843)

Net position of governmental activities \$ 9,062,948

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>General</u>
REVENUES	
Sales and use taxes	\$ 1,751,450
Investment earnings	46,521
Total revenues	<u>1,797,971</u>
EXPENDITURES	
Current:	
Economic development	860,422
Capital outlay	26,576
Debt service:	
Principal	110,000
Interest and fiscal charges	39,367
Total expenditures	<u>1,036,365</u>
Excess (deficiency) of revenues over (under) expenditures	761,606
OTHER FINANCING SOURCES (USES)	
Sale of capital assets	<u>699,036</u>
Total other financing sources (uses)	<u>699,036</u>
NET CHANGE IN FUND BALANCE	1,460,642
FUND BALANCE, BEGINNING OF YEAR	<u>8,505,297</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,965,939</u>

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Net change in fund balance - governmental fund \$ 1,460,642

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. The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, or donations) to net position.

Capital outlay	26,576
Depreciation expense	(3,797)
Disposal of capital assets	(155,294)

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:

Payments on debt	110,000
Change in accrued interest	(2,848)

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	(1,604)
Net pension liability	142,804
Deferred outflow - pension	(35,662)
Deferred inflow - pension	(51,382)
Other postemployment benefits	(30,237)
Deferred outflows - OPEB	6,143
Deferred inflow - OPEB	(3,454)

Change in net position of governmental activities \$ 1,461,887

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**COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF COPPERAS COVE, TEXAS**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Copperas Cove Economic Development Corporation (the EDC) was organized by the City of Copperas Cove, Texas (the City) to account for a half-cent sales tax devoted to diversifying and strengthening the City's economy. The results of the City of Copperas Cove November 8, 2016, election to reduce the city sales and use tax for economic and industrial development 1/8% as permitted under the provisions of chapter 504, Type A Corporations of the Texas Local government Code and to adopt 1/8% city sales and use tax for Municipal Street Maintenance as permitted under chapter 327 of the Texas Tax Code. This reduction of sales taxes took effect on June 30, 2017.

The Corporation operates under the legislative authority of the State of Texas and is governed by the Development Corporation Act of 1979. The Corporation is a nonprofit corporation organized exclusively for the purpose of promoting, assisting and enhancing economic development activities of the City of Copperas Cove. The City Council appoints and can remove the Corporation's directors and approves its budget.

The financial statements of EDC 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.

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 all the non-fiduciary activities of the EDC.

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 of a given function or segment are offset by program revenues. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the 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 program instead of general revenue.

Separate financial statements are provided for governmental funds.

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

The government-wide financial statements are reported using the economic resources measurement and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed 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. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liabilities are incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences, claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The EDC considers all revenues available if they are collectible within 60 days after year end.

Sales tax and interest associated with the current fiscal period are recognized under the susceptible to accrual concept, that is, when they are both measurable and available. The EDC considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned, since they are both measurable and available.

D. Fund Accounting

The EDC reports the following major governmental fund:

The **General Fund** is the EDC's only operating fund. It accounts for all financial resources of the general government.

E. Budgets

Budgets are adopted for the general fund on a basis consistent with accounting principles generally accepted in the United States of America (US GAAP). All annual appropriations lapse at fiscal year-end. No supplemental appropriations were made during the year.

F. Deposits and Investments

The EDC's cash and cash equivalents are considered to be cash on hand and demand deposits. The EDC's investment balances consist of money market accounts in the form of demand deposits. Investments are made in accordance with the Investment Policy as amended by the EDC to comply with the Public Funds Investment Act. This policy, which is applicable to all EDC funds, permits investments in collateralized certificates of deposit, obligations of the U.S. Government or its agencies, obligations of the State of Texas or its agencies, other obligation unconditionally insured or guaranteed by the State or investments, negotiable orders of withdrawal, banker's acceptances, mutual funds, and obligations of other states, agencies, counties, cities or other political subdivisions with a rating of A or better from a nationally recognized investment rating firm.

G. Sales Tax Receivable

Sales taxes collected by the State Comptroller are remitted to the City of Copperas Cove two months after the sales tax returns are filed with the Comptroller. The City of Copperas Cove then remits one-half cent of the sales tax to the EDC. Tax collections are accrued in the year remitted to the State Comptroller.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.

<u>Asset Type</u>	<u>Number of Years</u>
Buildings	25
Facilities/Infrastructure	25 - 40
Vehicles	7
Equipment	7
Furniture and fixtures	7

I. Compensated Absences

The EDC’s vacation policy grants employees vacation depending on longevity. Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it, which typically is the General Fund. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Deferred Outflows/Inflows of Resources

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 EDC has the following items that qualify for reporting in this category:

- Pension contributions after measurement date – recognized in the subsequent year.
- Difference in projected and actual earnings on pension assets – amortized on a closed basis over a 5-year period.
- Changes in actual assumptions used to determine pension liability and expected and actual experiences amortized over the weighted average remaining service life of all participants in the respective qualified pension plan.
- Changes in actuarial assumptions and expected and actual experiences used to determine OPEB liability – amortized over the weighted average remaining service life of all participants in the respective OPEB plan.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. The EDC has the following items that qualify for reporting in this category:

- Difference in expected and actual economic experience for the EDC’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.

K. Pensions

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 employees, which is when the contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit's terms. Investments are reported at fair value.

L. OPEB

The EDC's OPEB plan has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purposes of measuring the OPEB liability, deferred outflows, OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no assets as this is a pay-as-you-go plan.

M. Fund Equity

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The EDC uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the EDC would use committed, then assigned and lastly unassigned amounts of fund balance when expenditures are made.

N. 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 relate to net pension liability, which is based on various actuarial assumptions.

II. DEPOSITS AND INVESTMENTS

A. Deposits

At September 30, 2022, the EDC's deposits were fully covered by federal depository insurance or collateral held by the pledging financial institution's trust department or agent in the EDC's name and/or irrevocable standby letters of credit.

Under the Texas Local Government Investment Pool ("TexPool") Participations Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool's shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office. Due to its short-term, highly liquid nature, TexPool investments have been reported as cash equivalents. TexPool is rated AAAM by Standard and Poor's and carries a weighted average maturity of 25 days.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that, in the event of a bank failure, the EDC’s deposits may not be returned to it. The EDC’s policy regarding types of deposits allowed and collateral requirements: the depository may be a state bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are insured by the Federal Deposit Insurance EDC (FDIC). The EDC is not exposed to custodial credit risk for its deposits, as all are covered by general depository insurance and pledged securities.

TexPool has 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.

B. Investments

The EDC is authorized to invest in the following: U.S. Government obligations and its agencies or instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; other obligations, the principle and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or United States or their respective agencies and instrumentalities; 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 rating; insurance or collateralized certificates of deposit, no-load SEC registered money market funds consisting of any of these securities listed with a dollar-weighted average stated maturity of 60 days or less and with an investment objective of a stable net asset value of \$1 for each share; eligible investment pools organized and operating in compliance with PFIA; fully collateralized repurchase agreements and reserve repurchase agreements; prime domestic commercial paper; prime domestic bankers’ acceptances; guaranteed investment contracts. For additional information see the City of Copperas Cove’s Investment Policy, for which the EDC also abides by, at www.copperascovetx.gov.

The EDC’s investment in certificates of deposit are considered nonparticipating investments and are measured at cost. The investment in TexPool is measured at net asset value per share, which approximates fair value.

The EDC’s investment carried at fair value as of September 30, 2022, were:

<u>Investment type:</u>	<u>Reported Value</u>	<u>Weighted Average Maturity (days)</u>
TexPool	\$ 6,667,798	25
CD's	<u>2,000,000</u>	364
	<u>\$ 8,667,798</u>	
Portfolio weighted average maturity		103

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

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the EDC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As discussed above, the EDC’s certificates of deposit are secured by collateral held by the financial institution.

Credit Risk: This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the EDC’s policy to limit its investments to those investments rated at least AAAM. The EDC is not exposed to any credit risk.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the EDC manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than four years from the time of purchase; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the second market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in short-term securities, money market mutual funds, or similar government investment pools.

Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. The EDC is not exposed to foreign currency risk.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the EDC's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. Investments that individually represent 5% or more include the certificates of deposit, which are fully collateralized as discussed above. While the investment in TexPool makes up a large portion of the EDC's portfolio, the pool's investment policies diversify such that no individual investment exceeds 5%.

III. RECEIVABLES

At September 30, 2022 the EDC had sales taxes receivable of \$302,145, and accrued interest receivable of \$1,045. Management considers all balances to be 100% collectible based on prior experience; therefore, no allowance for uncollectible accounts has been made.

IV. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 505,196	\$ -	\$(155,294)	\$ 349,902
Total capital assets, not being depreciated	<u>505,196</u>	<u>-</u>	<u>(155,294)</u>	<u>349,902</u>
Capital assets being depreciated:				
Equipment	62,966	26,576	-	89,542
Total assets being depreciated	<u>62,966</u>	<u>26,576</u>	<u>-</u>	<u>89,542</u>
Less accumulated depreciation for:				
Equipment	(62,966)	(3,797)	-	(66,763)
Total accumulated depreciation	<u>(62,966)</u>	<u>(3,797)</u>	<u>-</u>	<u>(66,763)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>22,779</u>	<u>-</u>	<u>22,779</u>
Governmental activities capital assets, net	<u>\$ 505,196</u>	<u>\$ 22,779</u>	<u>\$(155,294)</u>	<u>\$ 372,681</u>

V. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended September 30, 2022:

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 11,239	\$ 1,604	\$ -	\$ 12,843	\$ 3,211
Bonds	1,265,000	-	(110,000)	1,155,000	115,000
Net pension liability	187,067	121,156	(263,960)	44,263	-
Total OPEB liability - RHP	-	1,384	8,995	10,379	832
Total OPEB liability - SDBF	<u>2,728</u>	<u>2,099</u>	<u>17,759</u>	<u>22,586</u>	<u>475</u>
Total governmental activities	<u>\$ 1,466,034</u>	<u>\$ 126,243</u>	<u>\$ (347,206)</u>	<u>\$ 1,245,071</u>	<u>\$ 119,518</u>

The EDC’s outstanding bonded debt is as follows:

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Outstanding
Governmental activities:					
2012 sales tax revenue bonds	3.12	11/10/12	08/15/31	\$ 1,500,000	\$ 1,155,000
Total governmental activities bonds				<u>\$ 1,500,000</u>	<u>\$ 1,155,000</u>

The annual requirements for the EDC’s outstanding bonds are as follows:

Year Ended September 30,	Sales Tax Revenue Bonds	
	Component Unit	
	Principal	Interest
2023	\$ 115,000	\$ 35,998
2024	115,000	32,414
2025	120,000	28,829
2026	125,000	25,089
2027	130,000	21,194
2028-2032	<u>550,000</u>	<u>43,634</u>
Total	<u>\$ 1,155,000</u>	<u>\$ 187,158</u>

VI. DEFINED BENEFIT PENSION PLAN

Plan Description. The City participates as one of 901 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.tmr.org.

All eligible employees of the EDC 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 and the EDC, 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.

A summary of plan provisions are as follows:

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

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the government matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the City and the EDC. Under the state law governing TMRS, the contributions 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 government were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the government were 12.87% and 12.62% in calendar years 2021 and 2022, respectively. The EDC's contributions to TMRS for the year ended September 30, 2022, were \$27,705 and were equal to the required contributions.

Actuarial assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.5% to 11.50% per year
Investment Rate of Return	6.75% net of pension plan investment expense, 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 the Public Safety table used for males and 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. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is 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 UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for 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 in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class 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%	7.55%
Core fixed income	6.00%	2.00%
Non-core fixed income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</u>	

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.

At September 30, 2022, the EDC reported the following changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2020	\$ 1,039,095	\$ 951,835	\$ 87,260
Changes for the year:			
Service cost	31,010	-	31,010
Interest	69,717	-	69,717
Difference between expected and actual experience	19,856	-	19,856
Contributions - employer	-	27,162	(27,162)
Contributions - employee	-	12,973	(12,973)
Net investment income	-	124,015	(124,015)
Benefit payments, including refunds of employee contributions	(43,500)	(43,500)	-
Administrative expense	-	(574)	574
Other changes	-	4	(4)
Net changes	<u>77,083</u>	<u>120,080</u>	<u>(42,997)</u>
Balance at 12/31/2021	<u>\$ 1,116,178</u>	<u>\$ 1,071,915</u>	<u>\$ 44,263</u>

The following presents the EDC's proportionate share of the net pension liability, calculated using the discount rate of 6.75%, as well as what the EDC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) and 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate	Current Single Discount Rate	1% Increase in Discount Rate
Net pension liability	\$ <u>209,708</u>	\$ <u>44,263</u>	\$ <u>(89,924)</u>
Total	\$ <u>209,708</u>	\$ <u>44,263</u>	\$ <u>(89,924)</u>

Pension Plan Fiduciary Net Position. Detailed information on 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.org.

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2022, the EDC recognized pension expense of \$11,351. At September 30, 2022, the EDC 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	\$ 14,606	\$ -
Changes in actuarial assumptions	137	-
Difference between projected and actual investment earnings	-	63,701
Contributions subsequent to the measurement date	<u>20,268</u>	<u>-</u>
Total	<u>\$ 35,011</u>	<u>\$ 63,701</u>

The \$20,268 reported 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended	
<u>September 30,</u>	
2023	\$ (4,186)
2024	(20,897)
2025	(11,922)
2026	(11,953)

VII. 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 2022, the EDC had OPEB expense of \$2,419 for TMRS SDBF, and OPEB expense of \$1,107 for Retiree Benefit Plan for an aggregate OPEB expense of \$3,526. Aggregate amounts for the two plans are as follows:

	Deferred outflows of resources	Deferred inflows of resources	Total OPEB Liability	Due within one year
TMRS SDBF	\$ 3,606	\$ 742	\$ 22,586	\$ 475
Retiree Benefit Plan	<u>2,537</u>	<u>2,712</u>	<u>10,379</u>	<u>832</u>
Total	<u>\$ 6,143</u>	<u>\$ 3,454</u>	<u>\$ 32,965</u>	<u>\$ 1,307</u>

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 EDC employees who are active members in TMRS, including or not including retirees. The EDC 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.

Contributions. The EDC contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.30% for 2022 and 0.30% for 2021, of which 0.21% 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 EDC's contributions to the SDBF for the year ended September 30, 2022 were \$485, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The EDC's total OPEB liability of \$22,586, was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Discount rate	2.00% per year
Actuarial cost method	Entry Age Normal Method
Overall payroll growth	3.5% to 11.50% 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, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Changes in assumptions reflect the annual change in the municipal bond rate.

Discount Rate. A single discount rate of 1.84% 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, 2021.

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 (1.84%) in measuring the total OPEB Liability.

	1% Decrease in Discount Rate (0.84%)	Current Single Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB liability	\$ 27,932	\$ 22,586	\$ 18,544
Total	<u>\$ 27,932</u>	<u>\$ 22,586</u>	<u>\$ 18,544</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2022, the EDC reported a total OPEB liability of \$22,586. The total OPEB Liability was determined by an actuarial valuation as of December 31, 2021. For the year ended September 30, 2022, the EDC recognized OPEB expense of \$2,419. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/2020	\$ 21,029
Changes for the year:	
Service cost	950
Interest	425
Difference between expected and actual experience	(67)
Change in assumptions	723
Benefit payments, including refunds of employee contributions	(474)
Net changes	<u>1,557</u>
Balance at 12/31/2021	<u>\$ 22,586</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.00% to 1.84%.

At September 30, 2022, the EDC 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	\$ 217	\$ 557
Changes in actuarial assumptions	3,044	185
Contributions subsequent to the measurement date	345	-
Total	<u>\$ 3,606</u>	<u>\$ 742</u>

The EDC reported \$345, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2023. 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,	Component Unit
2023	\$ 867
2024	990
2025	560
2026	102

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 2021-2022 ranged from \$660.00 to \$1,752.35 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 EDC pays the retirees premiums. The EDC's contributions to the OPEB for the year ended September 30, 2022, were \$724, which equal benefit payments for retirees.

Actuarial Methods and Assumptions. Significant methods and assumptions were as follows:

Actuarial Valuation Date	December 31, 2020
Actuarial Cost Method	Individual Entry-Age, Normal
Inflation Rate	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 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. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for
Health care cost trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 13 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 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021.

Projections of health benefits are based on the plan as understood by the EDC and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the EDC 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 1.84% 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, 2021.

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 (1.84%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (0.84%)	Current Single Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB liability	\$ 11,326	\$ 10,379	\$ 9,510
Total	<u>\$ 11,326</u>	<u>\$ 10,379</u>	<u>\$ 9,510</u>

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
Total OPEB liability	\$ 9,043	\$ 10,379	\$ 12,000
Total	<u>\$ 9,043</u>	<u>\$ 10,379</u>	<u>\$ 12,000</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2022, the EDC reported a total OPEB liability of \$10,379. The total OPEB Liability was determined by an actuarial valuation as of December 31, 2020. For the year ended September 30, 2022, the EDC recognized OPEB expense of \$1,107. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

	<u>Increase (Decrease)</u> Total OPEB Liability (a)
Balance at 12/31/2020	\$ 9,844
Changes for the year:	
Service cost	1,042
Interest	199
Difference between expected and actual experience	(17)
Change in assumptions	143
Benefit payments, including refunds of employee contributions	(832)
Net changes	<u>535</u>
Balance at 12/31/2021	<u>\$ 10,379</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.00% to 1.84%.

At September 30, 2022, the EDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,191	\$ 897
Changes in actuarial assumptions	817	1,815
Contributions subsequent to the measurement date	<u>529</u>	<u>-</u>
Total	<u>\$ 2,537</u>	<u>\$ 2,712</u>

The EDC reported \$529, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the Year Ended September 30,</u>	<u>Component Unit</u>
2023	\$(134)
2024	(134)
2025	(134)
2026	(134)
2027	(102)
Thereafter	(66)

VIII. NEW ACCOUNTING PRONOUNCEMENTS

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

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Sales and use taxes	\$ 1,290,000	\$ 1,290,000	\$ 1,751,450	\$ 461,450
Investment income	1,000	1,000	46,521	45,521
Total revenues	1,291,000	1,291,000	1,797,971	506,971
EXPENDITURES				
Current:				
Economic development	901,570	901,570	860,422	41,148
Capital outlay	26,576	26,576	26,576	-
Debt service:				
Principal	110,000	110,000	110,000	-
Interest and fiscal charges	39,426	39,426	39,367	59
Total expenditures	1,077,572	1,077,572	1,036,365	41,207
Excess of revenues over expenditures	213,428	213,428	761,606	548,178
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	699,036	699,036
Total other financing sources (uses)	-	-	699,036	699,036
NET CHANGE IN FUND BALANCE	213,428	213,428	1,460,642	1,247,214
FUND BALANCE, BEGINNING OF YEAR	8,505,297	8,505,297	8,505,297	-
FUND BALANCE, END OF YEAR	\$ 8,718,725	\$ 8,718,725	\$ 9,965,939	\$ 1,247,214

The accompanying notes are an integral part of this schedule.

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement year December 31,	2021	2020	2019
Corporation's proportion of the net pension liability	1.48%	1.48%	2.94%
Corporation's proportionate share of the net pension liability	\$ 44,263	\$ 87,260	\$ 187,067
Corporation's covered payroll	\$ 221,509	\$ 196,681	\$ 362,984
Corporation's proportionate share of the net pension liability as a percentage of covered payroll	19.98%	44.37%	51.54%
Plan fiduciary net position as a percentage of the total pension liability	96.03%	91.60%	90.48%

Note: 10 years of information is required to be provided in this schedule, but information prior to 2014 is not available.

2018	2017	2016	2015	2014
1.83%	3.17%	3.17%	3.17%	2.46%
\$ 187,067	\$ 187,067	\$ 187,067	\$ 187,067	\$ 145,268
\$ 211,192	\$ 362,388	\$ 362,005	\$ 339,361	\$ 262,452
88.58%	51.62%	51.68%	55.12%	55.35%
83.85%	91.30%	84.29%	85.98%	61.86%

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year ended September 30,	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 27,705	\$ 23,720	\$ 45,881
Contributions in relation to the actuarially determined contribution	<u>(27,705)</u>	<u>(23,720)</u>	<u>(45,881)</u>
Contribution deficiency (excess)	-	-	-
Covered payroll	\$ 220,320	\$ 205,816	\$ 409,437
Contributions as a percentage of covered payroll	12.58%	11.52%	11.21%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of year-end, all years are not available. Additional years will be added in the future as the information becomes available.

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	24 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 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

2019	2018	2017	2016	2015
\$ 26,841	\$ 45,638	\$ 44,763	\$ 43,067	\$ 32,121
(26,841)	(45,638)	(44,763)	(43,067)	(32,121)
-	-	-	-	-
\$ 255,047	\$ 441,226	\$ 441,226	\$ 441,226	\$ 342,636
10.52%	10.34%	10.15%	9.76%	9.37%

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE
OF THE TOTAL OPEB LIABILITY
RETIREE HEALTH PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement year December 31,	2021	2020	2019
Corporation's proportion of the total OPEB liability	1.48%	1.48%	0.12%
Corporation's proportionate share of the OPEB liability	\$ 10,379	\$ 9,844	\$ 859
Corporation's covered payroll	\$ 221,509	\$ 196,681	\$ 362,984
Corporation's proportionate share of the total OPEB liability as a percentage of covered payroll	4.69%	5.01%	22.06%

Notes to Schedule:

No assets are accumulated in a trust for the Retiree Health Plan to pay related benefits that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

<u>2018</u>	<u>2017</u>
0.13%	0.11%
\$ 859	\$ 859
\$ 211,192	\$ 362,388
0.41%	0.24%

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE
OF THE TOTAL OPEB LIABILITY
SUPPLEMENTARY DEATH BENEFIT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement year December 31,	2021	2020	2019
Corporation's proportion of the total OPEB liability	1.48%	1.48%	0.17%
Corporation's proportionate share of the OPEB liability	\$ 22,586	\$ 21,029	\$ 1,869
Corporation's covered payroll	\$ 221,509	\$ 196,681	\$ 362,984
Corporation's proportionate share of the total OPEB liability as a percentage of covered payroll	10.20%	10.69%	22.06%

Notes to Schedule:

No assets are accumulated in a trust for the Supplementary Death Benefit Fund to pay related benefits that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

	<u>2018</u>		<u>2017</u>
	0.19%		0.18%
\$	1,869	\$	1,869
\$	211,192	\$	362,388
	0.88%		0.52%

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The EDC maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Directors.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Copperas Cove Economic Development Corporation
Copperas Cove, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Copperas Cove Economic Development Corporation, a component unit of the City of Copperas Cove, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Copperas Cove Economic Development Corporation's basic financial statements, and have issued our report thereon dated September 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Copperas Cove Economic Development Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Copperas Cove Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Copperas Cove Economic Development Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
September 18, 2023

Economic Development Corporation

H.4.

Meeting Date: September 27, 2023

Contact: Fred Welch, Executive Director, Copperas Cove EDC

Subject:

Consideration and action on changing the meeting dates for October, November, and December's regular meetings. **Fred Welch, Executive Director, Copperas Cove EDC.**

Description/Information:

The CCEDC October Meeting will need to be rescheduled due to board member availability.

The meetings for the months of November and December typically must be changed due to the holiday season, office closure, and vacation schedules.

November's meeting date is the day before the Thanksgiving holiday and December's meeting is scheduled for the week of Christmas Break.

Financial Impact:

None

Action/Recommendation:

EDC staff recommends the Board reschedule October, November, and December's regular meetings.

Economic Development Corporation

I.1.

Meeting Date: September 27, 2023

Contact: Fred Welch, Executive Director, Copperas Cove EDC.

UPDATE

1. Executive Director Report. **Fred Welch, Executive Director, Copperas Cove EDC.**
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