



FOR THE FISCAL YEAR ENDING
SEPTEMBER 30, 2012



CITY OF COLLEGE STATION
Home of Texas A&M University®



City of College Station, Texas
1101 Texas Ave
College Station, Texas 77842

CITY OF COLLEGE STATION, TEXAS
POPULAR ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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Finance Department Awards for 2012



CITY OF COLLEGE STATION, TEXAS
POPULAR ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

**A MESSAGE FROM THE INTERIM CITY
MANAGER**



I am pleased to present to you the City of College Station's Popular Annual Financial Report (PAFR) for the year ended September 30, 2012.

This report is an easy-to-read version of the City's Comprehensive Annual Financial Report (CAFR) that is published on an annual basis.

This report provides a summary of the City's revenue, spending and financial condition. It also includes statistical information for the City, as well as reference information.

Thank you for your interest in the City of College Station's government, how it functions and how it is financed. I welcome your feedback, suggestions and comments regarding the information contained in this report.

Sincerely,

H. Frank Simpson
Interim City Manager

ELECTED OFFICIALS

As of September 30, 2012



Nancy Berry – Mayor



Blanche Brick



Jess Fields



Karl Mooney



Katy-Marie Lyles



Julie Schultz



Dave Ruesink

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ABOUT THIS REPORT

This Popular Annual Financial Report (PAFR) has been prepared to inform citizens about the City of College Station and its operations, services and programs, as well as its financial condition for the fiscal year ending September 30, 2012. It is suitable for readers who prefer to review operational and financial information in summary form and does not substitute for the City's Comprehensive Annual Financial Report (CAFR). This publication is derived from information provided in the CAFR which is based on generally accepted accounting principles (GAAP). This report is presented in GAAP format and is not inclusive of all funds. The City's financial statements have been audited by Ingram, Wallis & Co., P.C., an independent firm of certified public accountants. The auditor's report concluded that the financial statements present fairly, in all material respects, the financial condition of the City. A copy of the CAFR is published online at: cstx.gov/cafr

ABOUT THE CITY OF COLLEGE STATION

The City of College Station, incorporated in 1938, is located in Brazos County in East Central Texas, approximately 140 miles north of the Gulf of Mexico, approximately 90 miles northwest of Houston, approximately 165 miles south of Dallas and approximately 100 miles east of Austin, in an area referred to as the Brazos Valley. The City currently has a land area of 50.8 square miles and a current estimated population of 97,462 as of September 2012.

College Station is a home-rule city operating under the Council-Manager form of government. The City Council is composed of a mayor and six council members, elected at large, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Council and is responsible for the daily management of the City.

Mission Statement

ON BEHALF OF THE CITIZENS OF COLLEGE STATION, HOME OF TEXAS A&M UNIVERSITY, WE WILL CONTINUE TO PROMOTE AND ADVANCE THE COMMUNITY'S QUALITY OF LIFE.

Community Vision

College Station, the proud home of Texas A&M University and the heart of the Brazos Valley, will be a vibrant, progressive, knowledge-based community which promotes the highest quality of life by:

- Ensuring safe, tranquil, clean and healthy neighborhoods with enduring character;
- Increasing and maintaining the mobility of College Station citizens through a well-planned and constructed inter-modal transportation system;
- Expecting sensitive development and management of the built and natural environment;
- Supporting well-planned, quality and sustainable growth;
- Valuing and protecting our cultural and historical community resources;

IMPORTANT PHONE NUMBERS

POLICE DEPARTMENT (NON-EMERGENCY)

(979) 764-3600

FIRE DEPARTMENT (NON-EMERGENCY)

(979) 764-3705

PUBLIC WORKS

(979) 764-3690

CSU Hotline (outages)

855-825-4278

UTILITY CUSTOMER SERVICES (billing)

(979) 764-3535

PARKS & RECREATION

(979) 764-3486

CITY MANAGER'S OFFICE

(979) 764-3509

CITY SECRETARY'S OFFICE

(979) 764-3500

CODE ENFORCEMENT

(979) 764-6363

FISCAL DEPARTMENT

(979) 764-3555

HUMAN RESOURCES

(979) 764-3517

LIBRARY

(979) 764-3416

MUNICIPAL COURT

(979) 764-3683

RECYCLING SERVICES

(979) 764-6229

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- Developing and maintaining quality, cost-effective community facilities, infrastructure and services which ensure our city is cohesive and well connected; and
- Proactively creating and maintaining economic and educational opportunities for all citizens

College Station will remain among the friendliest and most responsive of communities and a demonstrated partner in maintaining and enhancing all that is good and celebrated in the Brazos Valley. It will forever be a place where Texans and the world come to learn.

Core Values

To promote:

- The health, safety, and general well being of the community
- Excellence in customer service
- Fiscal responsibility
- Involvement and participation of the citizenry
- Collaboration and cooperation
- Regionalism: active member of the Brazos Valley community and beyond
- Activities that promote municipal empowerment

Organizational Values:

- Respect everyone
- Deliver excellent service
- Risk, create, innovate
- Be one city, one team
- Be personally responsible
- Do the right thing - act with integrity and honesty
- Have fun

Using the community vision, mission statement and values as a spring board, the College Station City Council in 2012 set the strategic direction for the city government through development of six goals:

- I. Financially Sustainable City
- II. Core Services and Infrastructure
- III. Neighborhood Integrity
- IV. Diverse Growing Economy
- V. Improving Mobility
- VI. Sustainable City

Economic Factors

Economic conditions have been a bit more positive than they have been in several years. Sales tax revenues have seen increased, as well. Growth has been seen in the northern part of the City with all of the activity planned in the University Drive/Northgate area, as well as the anticipated activity in the bio-corridor area. Growth also continues in the southern part of the City with the progress of new and expanded medical facilities, and continued retail development in the Tower Point area. However, there is still a great deal of uncertainty in the economy. Decisions on important issues such as the future renovation of Kyle Field at Texas A&M University could have significant impacts on the local economy.

One of College Station's greatest assets is being home of Texas A&M University (TAMU). TAMU is located on a 5,200-acre campus and has a significant economic impact on the City, contributing more than a billion dollars annually to the local economy. TAMU consistently ranks among the top 50 universities in the United States. Each year, TAMU's approximately

DEMOGRAPHIC AND ECONOMIC STATISTICS

POPULATION STATISTICS

Population - estimate	97,462
% Male	51.9% (1)
% Female	48.1% (1)
Median household income	\$ 32,297 (1)
Median Age	22.6 (1)
CSISD enrollment	10,613 (2)

POPULATION FOR LAST TEN YEARS

2002	75,752
2003	78,309
2004	80,214
2005	81,930
2006	84,116
2007	86,982
2008	90,897
2009	93,450
2010	94,642
2011	96,603

UNEMPLOYMENT

City	5.4% (3)
County - Brazos	5.3% (3)
State	6.8% (3)

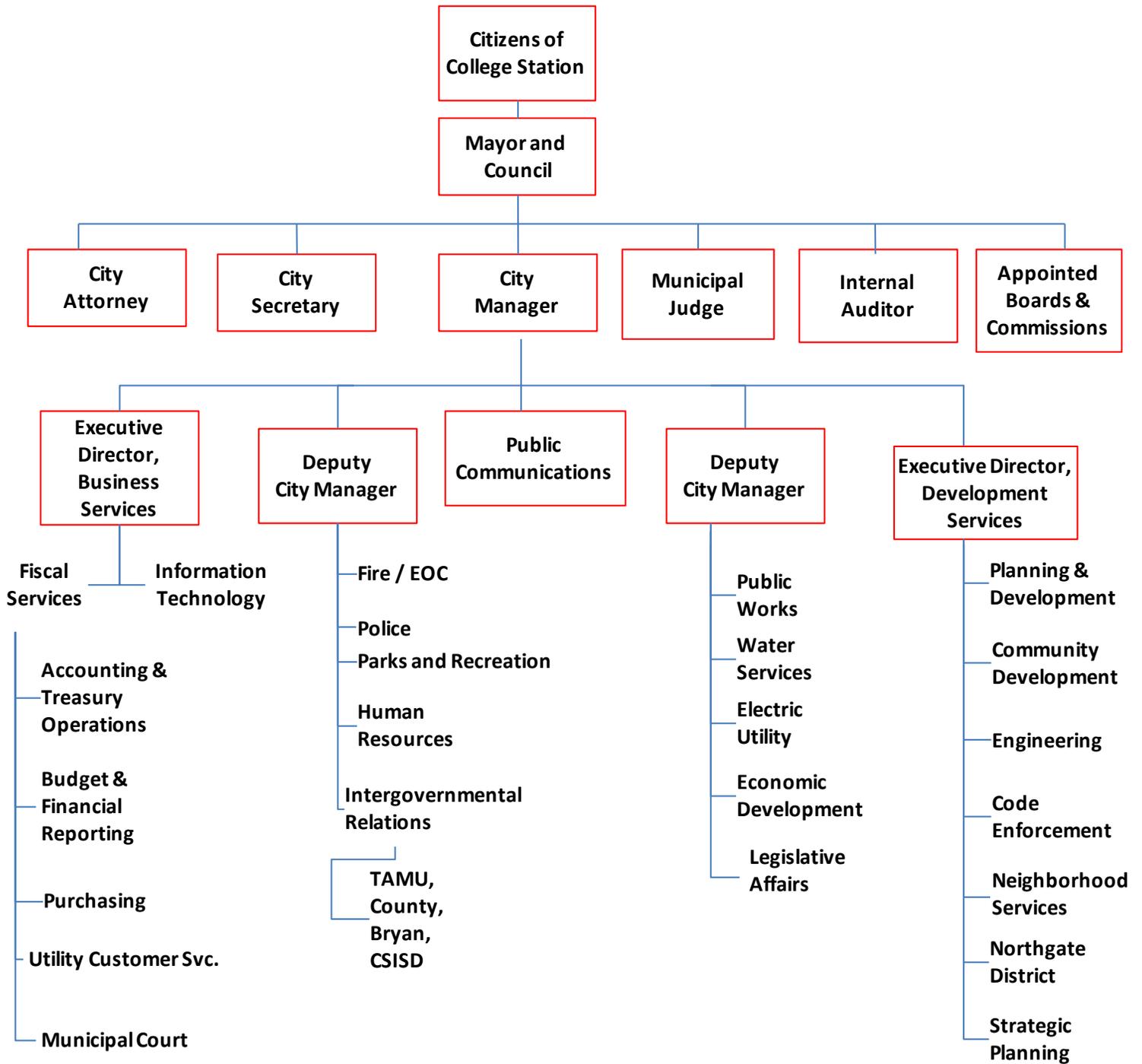
REFERENCES:

- (1) U.S. Census Bureau
- (2) College Station ISD
- (3) Texas Workforce Commission

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2,500 faculty members conduct an estimated \$700 million worth of research and development. Student enrollment at TAMU was 50,227 as of September 2012. TAMU employs more than 20,000 full-time and part-time staff. The impact of budget reductions from the State of Texas continues to be monitored to determine how they may impact the local economy and the City of College Station.

CITY ORGANIZATION



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WHAT YOUR CITY GOVERNMENT DOES

City government must ensure that adequate services are being provided to residents and businesses. A large portion of the City's budget provides for police and fire protection, as well as public works projects such as resurfacing streets, maintaining roads and providing utility services (electric, water, sewer and sanitation).

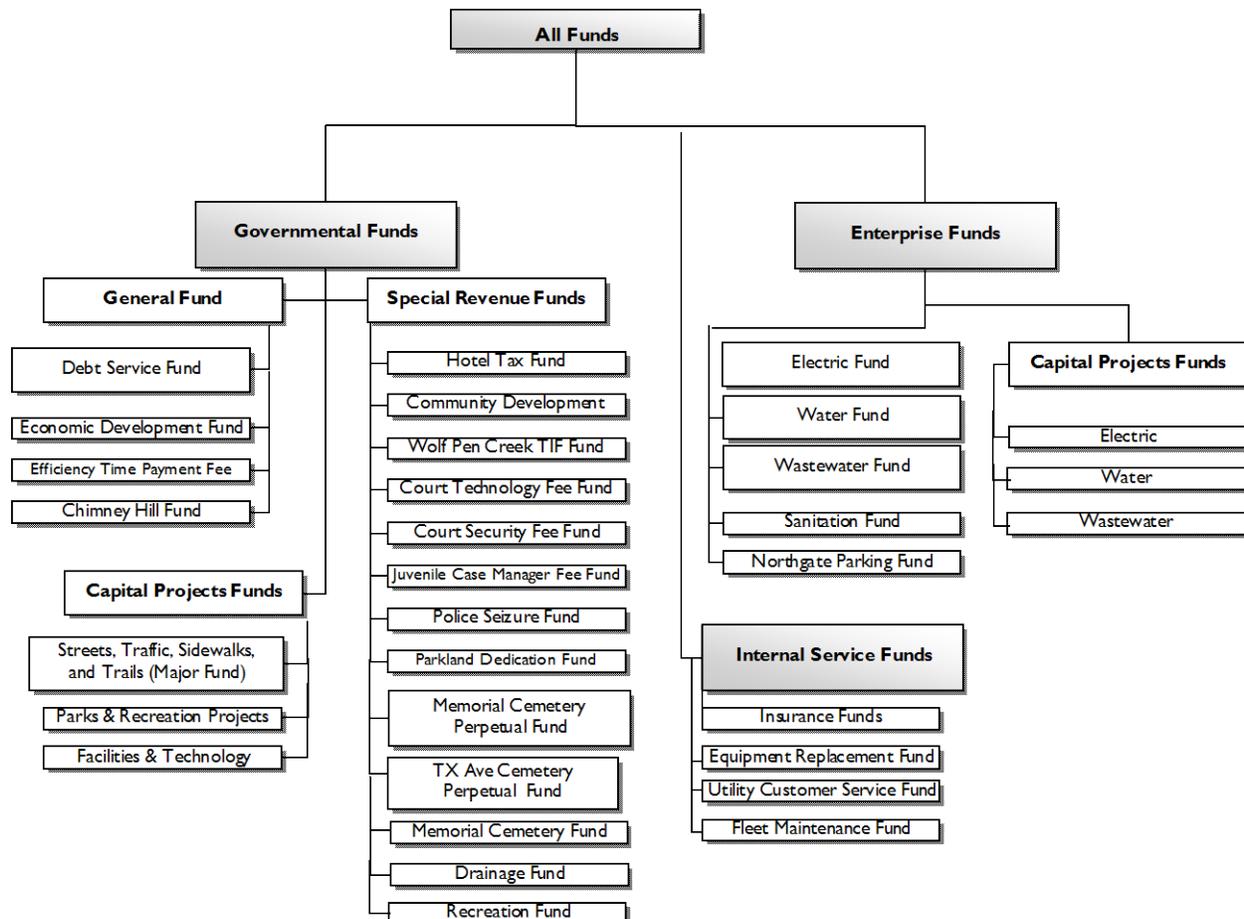
The accounts of the City are organized by fund, each of which operates separately and independently of one another. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of assets, liabilities, fund balance, revenues and expenditures.

Governmental funds are generally used to account for tax-supported activities. In this document, General, Economic Development, Unclaimed Property, Efficiency Time Payment, Chimney Hill, and Business Park funds are considered General Funds. **Enterprise** funds are used to report activities for which a fee is charged to external users for goods and services. **Internal Service** funds may be used to report activities that provide goods or services to other funds, or departments of the City, on a cost-reimbursement basis.

Major funds are any governmental fund that has revenues, expenditures, assets and/or liabilities that constitute more than 10% of the revenues, expenditures, assets or liabilities of the total governmental funds budget. Additionally, the fund must be 5% of the total revenues, expenditures, assets and/or liabilities for the combined governmental funds *and* enterprise funds budget. Any fund the government feels is of considerable importance to financial statement readers may also be designated as a major fund. Additional details for major funds can be found in the City's CAFR.

This PAFR is presented in GAAP format and is not inclusive of all funds listed below, however all funds are included in the City's CAFR.

City of College Station Fund Structure



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WHERE GENERAL FUND MONEY COMES FROM

The City must raise funds to pay for the services it provides to citizens and businesses. Revenues are the source of funds and are raised through taxes, licenses and permits, charges for services, and transfers from utility funds in lieu of franchise fees.

It is important to analyze the City's General Fund when assessing the financial results of the City. The General Fund is the City's primary operating fund and supports the day-to-day operations of the City.

PROPERTY TAX STATISTICS

PRINCIPAL PROPERTY TAXPAYERS

TAXPAYER	Type of Business	2012 Assessed Valuation
Post Oak Mall		
College Station LLC	Retail Mall	\$ 57,025,440
College Station Hospital LP	Medical	56,167,890
SHP-The Callaway House LP	Apartments	48,525,670
BVP 2818 Place, LP	Apartments	41,197,320
Walmart Real Estate Business Trust	Retail Mall	40,765,700
SW Meadows Point LP	Apartments	40,102,200
Woodland of College Station LP	Apartments	39,816,500
Jefferson Enclave LP	Apartments	39,607,120
Jamespoint Management	Housing	39,165,800
Weinberg, Israel & David Alkossier	Housing	38,103,080

This is 7.41% of the City's Taxable Assessed Value of \$5,944,312,987

Source: Brazos County Appraisal

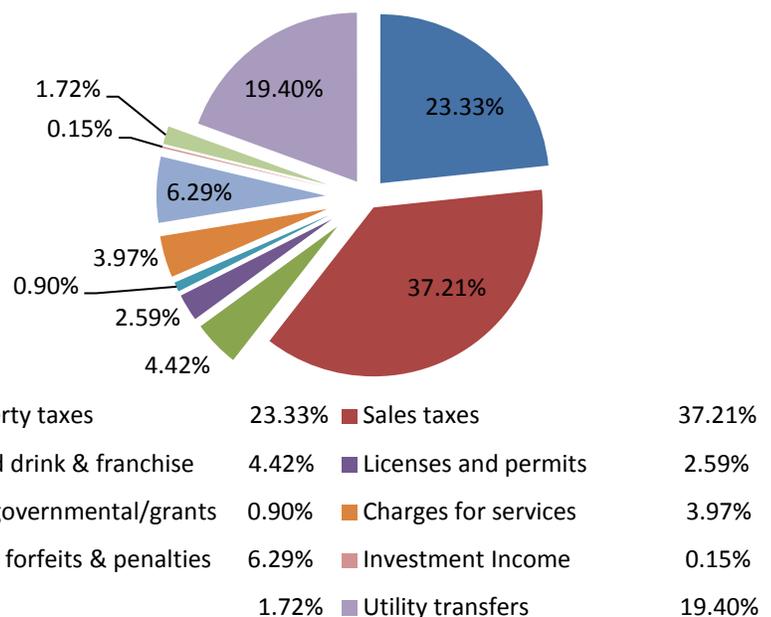
REVENUE SOURCE	2012	2011
Property taxes	\$13,477,878	\$12,365,096
Sales taxes	21,498,319	20,292,871
Mixed drink and franchise	2,551,014	2,578,554
Licenses and permits	1,496,424	1,054,986
Intergovernmental/grants	520,948	589,326
Charges for services	2,296,105	2,539,881
Fines, forfeits & penalties	3,636,209	3,823,406
Investment Income	88,684	92,017
Other	994,693	698,862
Utility/other transfers	11,209,504	12,713,810
Total revenues	\$57,769,778	\$56,748,809

CITY OF COLLEGE STATION TAX RATE

FISCAL YEAR	RATE
2003	0.477700
2004	0.465300
2005	0.464000
2006	0.439400
2007	0.439400
2008	0.439400
2009	0.439400
2010	0.439400
2011	0.447543
2012	0.437995

Rate is per \$100 of assessed valuation.

General Fund Revenues by Source



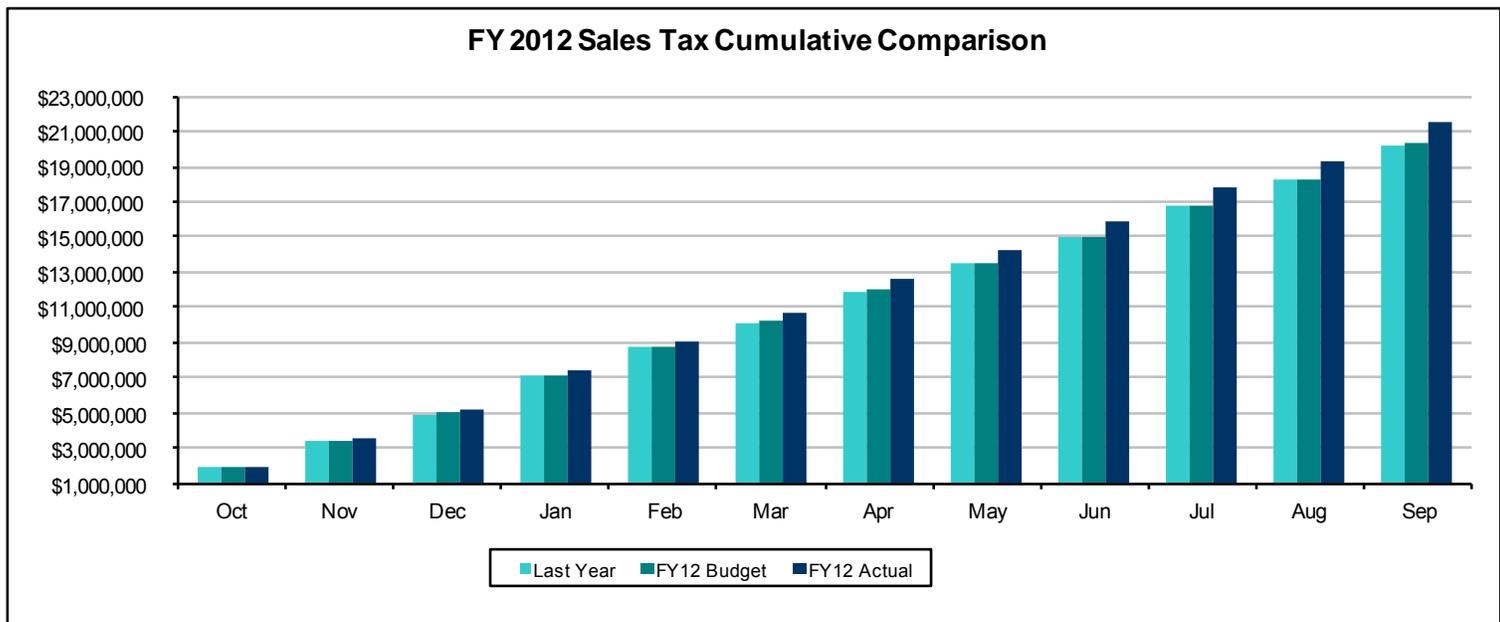
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Total revenues of the General Fund increased \$1,020,969 or 1.8% over the prior year.

The following revenue sources are used to help pay for police, fire protection, streets and many other services:

- Property tax – An ad valorem levy on the value of property the owner is required to pay. The ad valorem tax rate for 2012 is \$0.437995/\$100 valuation. Of this, \$0.236459 is designated for operations and maintenance, and \$0.201536 is allocated to debt service.
- Sales tax – City's portion (1.5%) of the state imposed tax on all retail sales, leases and rentals of most goods, as well as taxable services. The current sales tax rate is 8.25%, of which 6.25% is the state rate, 1.5% is the city rate, and 0.50% county. Sales tax revenues are 37.21% of General Fund revenues.
- Mixed drink and franchise tax - City's portion of the state imposed tax on the sale, preparation or service of mixed beverages. Franchise fees represent a percent of revenue paid for the use of the City's right-of-way to deliver phone, cable and natural gas.
- Licenses and permits – fees collected primarily for single and multi-family construction.
- Charges for services - fees paid by individuals or businesses that purchase, use or directly benefit from the goods and services provided by the City, including Development Services, Police, Fire and Municipal Court.
- Fines, forfeits and penalties - ticket and court fines from Municipal Court generated primarily through traffic citations.
- Investment income – earnings on the invested cash balances.
- Other – includes such items as rents and royalties, various donations, collection service fees, sale of abandoned property, sale of fixed assets, etc.
- Utility/other transfers – primarily from utility funds in lieu of franchise fees.

Sales tax revenue came in higher than anticipated in fiscal year 2012. The following chart illustrates sales tax collection for fiscal year 2012 compared to previous year's collections and budget:



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WHERE GENERAL FUND MONEY GOES

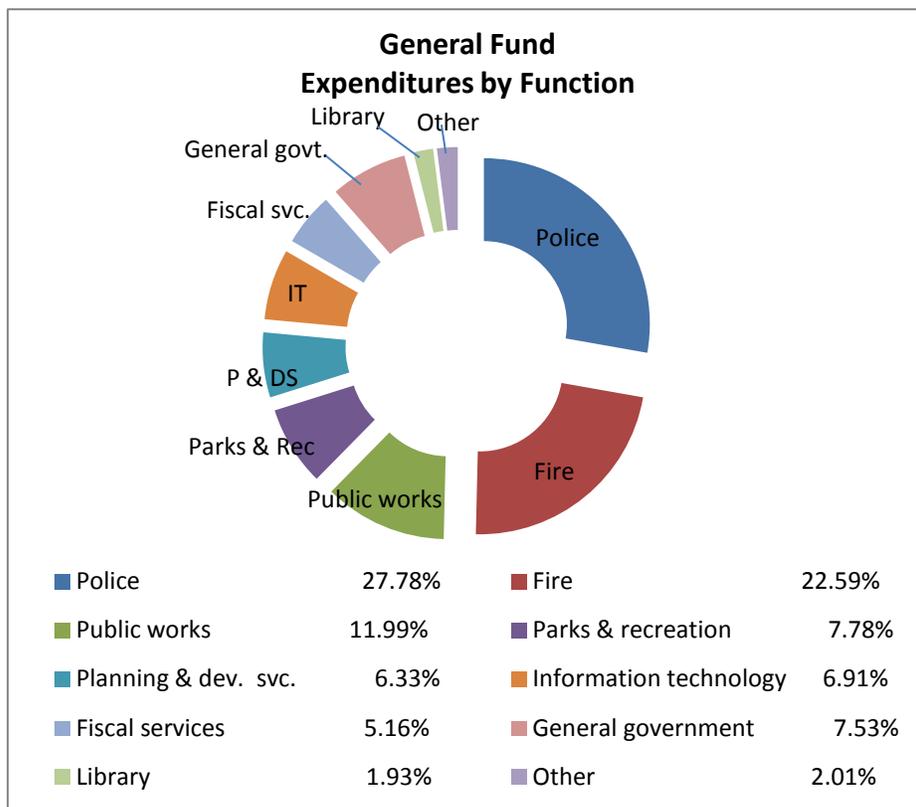
The funds the City collects from all sources must be spent efficiently to provide services to citizens and businesses. General Fund finances the day-to-day operations of the City. General fund expenditures are categorized by the type of service provided. The General Fund accounts for all activities typically considered governmental functions of the City. These include Public Safety, Public Works, Parks and Recreation, as well as Planning and Development Services. Also included are the primary support services for these areas such as Fiscal Services and Information Technology.

During the years ended September 30, 2012 and 2011, the City expended funds as shown below:

EXPENDITURES	2012	2011
Police	15,465,837	14,890,520
Fire	12,578,396	11,444,702
Public works	6,672,609	7,250,686
Parks & recreation	4,329,869	5,021,642
Planning & development services	3,523,742	3,298,725
Information technology	3,844,107	3,901,721
Fiscal services	2,871,677	2,997,993
General government	4,189,987	5,021,221
Library	1,072,551	1,061,581
Other	1,121,343	1,282,842
Total expenditures	\$ 55,670,118	\$ 56,171,633

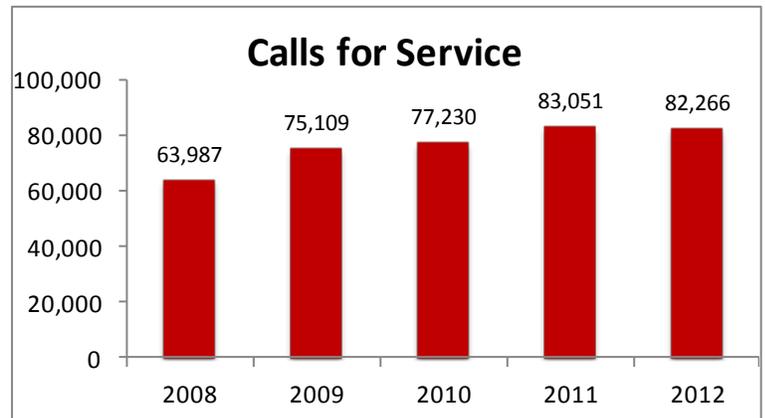
Budget reductions due primarily to restructuring and process improvements led to a decrease in expenditures in 2012.

The graph below illustrates General Fund(s) expenditures by function.



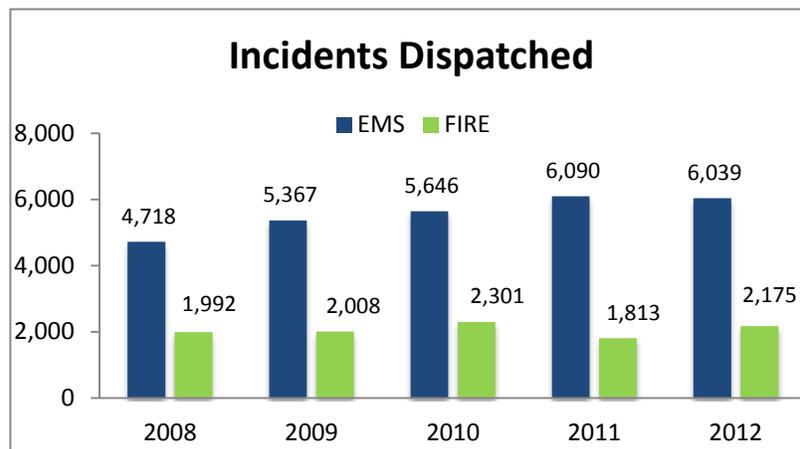
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Police – 27.78% of governmental expenditures. The Police department provides a number of services that help keep the community safe. Services provided include: 1) police patrol with certified police officers who are assigned to specific areas of the city and who are equipped with police vehicles and all necessary equipment; 2) criminal investigation of reported crimes; 3) animal control; 4) communications and emergency medical dispatch support for police, fire and EMS; 5) short-term jail/detention facilities that reduce the processing time of arrests; and 6) a recruiting and training division that serves as a support and training function for the Department.

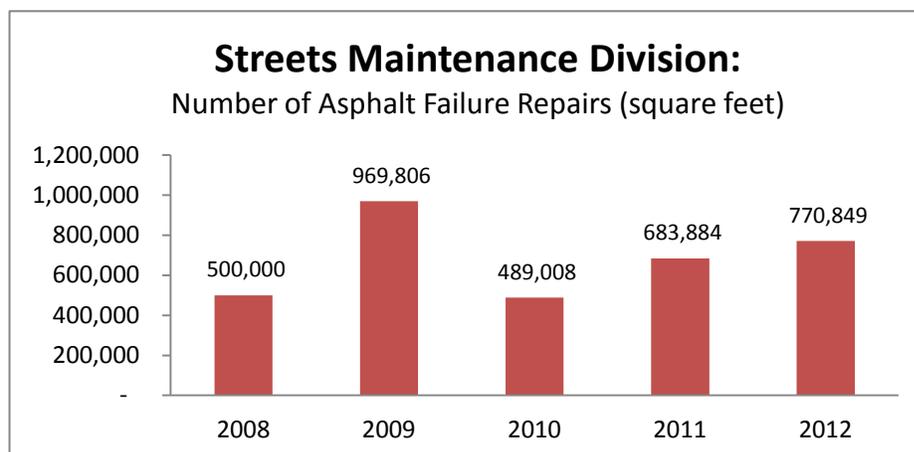


The above graph illustrates calls for service, which is defined as any event or situation reported by a citizen that requires a response from the Police Department.

Fire – 22.59% of governmental expenditures. The basic services provided by the Fire Department include: 1) fire response; 2) emergency medical response; 3) fire prevention services, including commercial fire safety inspections and fire prevention training at local schools and various functions; and 4) hazardous material response.



Public Works – 11.99% of governmental expenditures. The Public Works Department consists of the following divisions: Capital Projects Management, Facilities Maintenance, Streets Maintenance, Traffic Signals, Traffic Signs, Irrigation Maintenance and Administration. The Public Works Administration Division is responsible for the daily administrative functions of these divisions and responsible for refuse collection as well as fleet and drainage maintenance which are contained in other funds.



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Parks & Recreation – 7.78% of governmental expenditures. The Parks and Recreation Department is responsible for College Station park facilities and recreational programs. The revenues and expenditures for the City's recreation programs are accounted for in the Recreation Fund and subsidized by the General Fund.

Parks & Recreation Facilities			
Parks play units	57	Community centers	3
Softball/baseball fields	36	Pools	3
Soccer fields	30	Libraries	1
Jogging/walking trails	34		

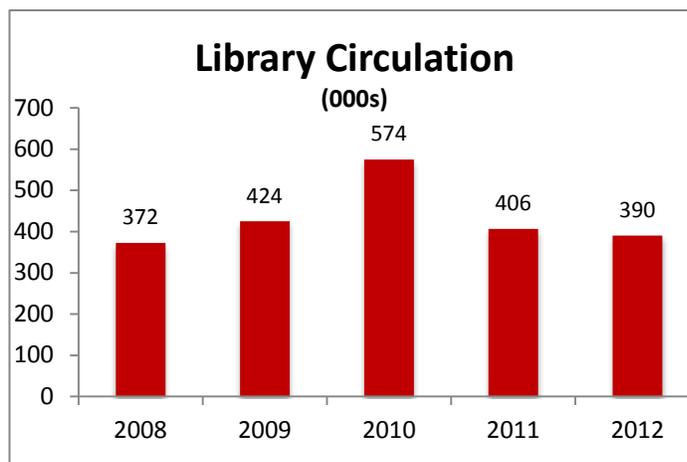
Planning & Development services – 6.33% of governmental expenditures. Planning and Development Services is responsible for services including land use, development, engineering, and building regulations, comprehensive planning, neighborhood services, floodplain management, code enforcement, community development and Northgate Parking operations.

Planning & Development Services	2008	2009	2010	2011	2012
Permits processed	6,647	5,819	5,972	6,026	5,600
Building inspections processed	13,814	12,938	12,379	11,583	12,100
Community enhancement cases	11,885	11,622	11,408	8,632	8,900

Information Technology – 6.91% of governmental expenditures. Information Technology (IT) implements and maintains the technology and computer based information systems used by all City Departments. The IT department includes IT Administration, Management Information Services (MIS), Geographic Information Services (GIS), E-Government, Mail and Communication Services.

Fiscal services – 5.16% of governmental expenditures. Fiscal Services provides fiscal administration, accounting, treasury, purchasing, budgeting and financial reporting services to the City. This department also oversees the operations of the Municipal Court and Utility Customer Service.

Library – 1.93% of governmental expenditures. The Larry J. Ringer Library facility is overseen by the City's Parks and Recreation Department. This facility is operated in collaboration with City of Bryan, which provides staffing for the College Station facility.



Other – 2.01% of governmental expenditures. Other expenditures include all other expenditures that do not fit in any of the expenditure categories listed above, such as funding for the arts, research, and economic development.

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GENERAL FUND UNASSIGNED FUND BALANCE

Fund balance is an accumulation of revenues minus expenditures. It represents the net position of a governmental fund. Unassigned fund balance represents funds that are not restricted and are available to the City for any of its purposes.

Fiscal and Budgetary Policy requires the unobligated (unassigned) fund balance in the General Fund should be at least 15% of the annual budgeted General Fund expenditures. This percentage is the equivalent of 55 days expenditures.

Below is a comparison of the fund balance as a percentage of the expenditure budget for 2009-2012:

Year	Fund Balance	Exp. Budget	%
2009	8,102,443	54,491,371	15%
2010	11,101,327	60,264,060	18%
2011	12,871,125	59,600,236	22%
2012	15,186,915	58,613,897	26%

Key factors in the increase of unassigned fund balance for fiscal year 2012 are: (1) budget reductions due primarily to restructuring and process improvement, and (2) sales tax revenues higher than anticipated.



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2012 OPERATING INDICATORS BY FUNCTION

Electric

Number of connections	39,123
Residential job orders	908
Customer service job orders	1,408
Average monthly consumption (KWH)	65,266,563
Avg number of outages per customer	0.16

Water

Number of connections	39,338
New services completed	508
Average monthly consumption (MGW)	356,791
Water meters tested	172
Avg number of outages per customer	0.0025

Sewer

Number of connections	36,908
Average daily sewage treatment (thousands of gallons)	6,453
New services completed	376
Avg number of stoppages per customer	0.00240

Sanitation

Number of users (units)	31,573
Residential tons collected	28,991
Residential tons recycled	1,124
Commercial tons collected	34,608

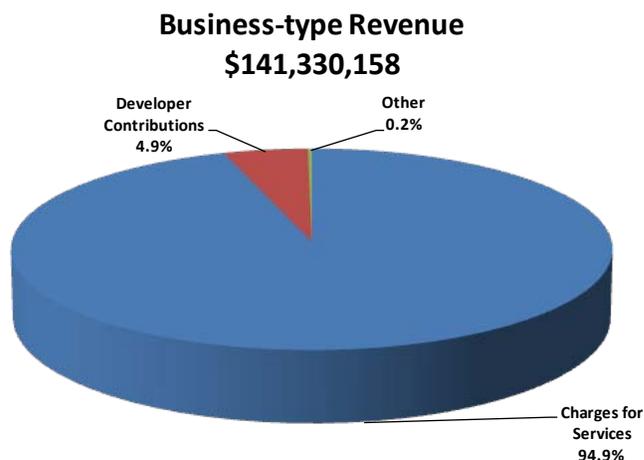
Parking garage

Active contract customers	460
Hourly cash customers	80,127

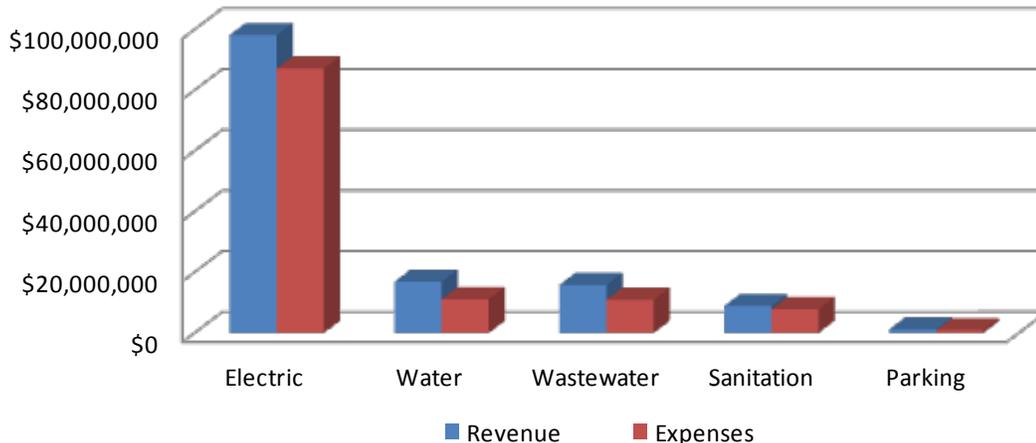
ENTERPRISE FUNDS

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business. The City uses enterprise funds to account for the operations of the electric, water, wastewater, sanitation and parking activities of the City. Electric, Water and Wastewater funds are considered to be major funds. The revenue sources include charges for services along with grants and developer contributions.

The following chart shows operating income for enterprise funds in fiscal year 2012:



Business-type Program Revenue and Expense



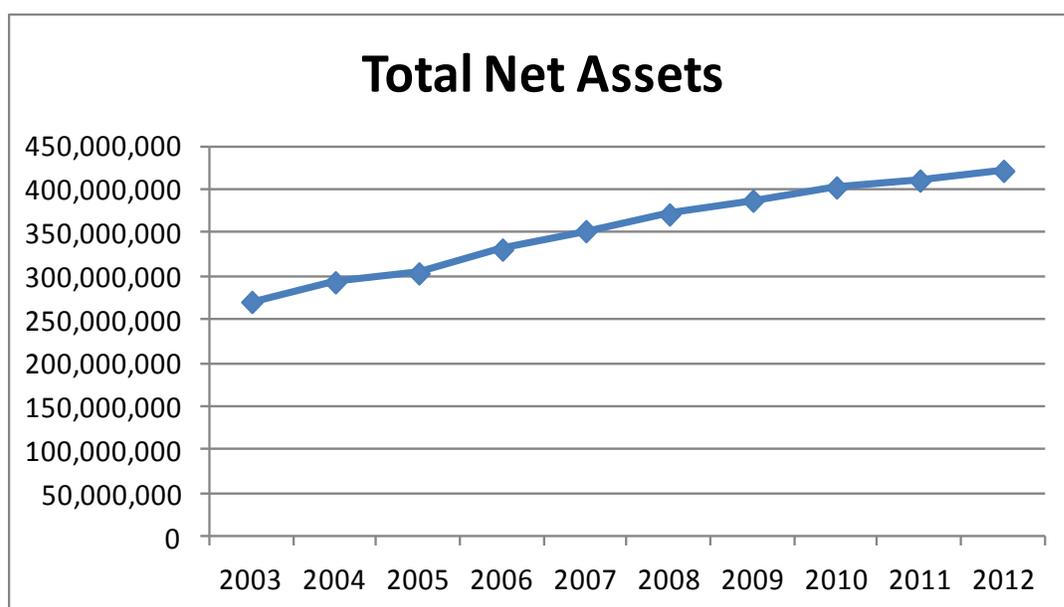
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STATEMENT OF NET ASSETS

(\$000)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 86,483	\$ 94,819	\$ 85,819	\$ 76,111	\$ 172,302	\$ 170,930
Capital assets	238,028	231,625	305,406	301,472	543,435	533,097
Total assets	<u>324,511</u>	<u>326,444</u>	<u>391,225</u>	<u>377,583</u>	<u>715,736</u>	<u>704,027</u>
Liabilities						
Long-term liabilities						
outstanding	102,752	107,944	140,098	133,150	242,850	241,094
Other liabilities	19,212	19,693	31,824	32,571	51,036	52,264
Total liabilities	<u>121,964</u>	<u>127,637</u>	<u>171,922</u>	<u>165,721</u>	<u>293,886</u>	<u>293,358</u>
Net assets						
Invested in capital assets,						
net of related debt	149,876	145,547	179,124	175,060	329,000	320,607
Restricted	13,606	25,565	1,581	1,589	15,187	27,154
Unrestricted	39,065	27,695	38,598	35,213	77,663	62,908
Total net assets	<u>\$ 202,547</u>	<u>\$ 198,807</u>	<u>\$ 219,303</u>	<u>\$ 211,862</u>	<u>\$ 421,850</u>	<u>\$ 410,669</u>

Net assets, the amount in which assets (what we have) exceed liabilities (what we owe), may serve as a useful indicator of the City's financial position. The City of College Station's total net assets for fiscal year 2012 are \$421,850,110. Unrestricted net assets are \$77,663,219, which can be used to meet the government's ongoing obligations to citizens and creditors. Combined net assets increased \$11,181,109 (2.7%) over last year.



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LONG-TERM DEBT

Year-End Outstanding Debt Payable

(\$000)

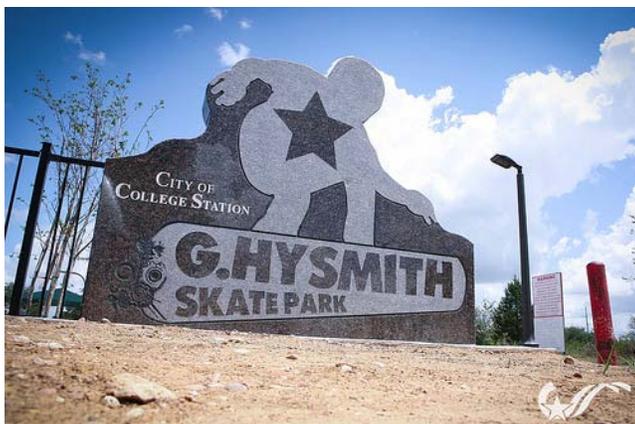
	Governmental Activities	Business- Type Activities	Total
General Obligation Bonds	\$ 75,695	\$ 36,280	\$ 111,975
Certificates of Obligation	21,415	63,085	84,500
Revenue Bonds	-	45,060	45,060
	<u>\$ 97,110</u>	<u>\$ 144,425</u>	<u>\$ 241,535</u>

At the end of the 2012 fiscal year, the City of College Station had total debt outstanding of \$241,535,000. Of this amount, \$196,475,000 (81.3 percent) is comprised of debt backed by the full faith and credit of the City. Certificates of Obligation that fund business-type activities in the Electric, Water, Wastewater and Northgate Parking Garage Funds are also backed by the surplus of revenue derived from each enterprise funds revenue source. The remaining debt \$45,060,000 (18.7 percent), is revenue bonds secured by specified revenue sources from the City's combined utility system.

CAPITAL IMPROVEMENTS

The City issues General Obligation Bonds and Certificates of Obligation to provide funds for the acquisition and construction of major capital facilities.

Major capital projects completed by the City during the 2012 fiscal year include:



- Mobile Data Terminal System Replacement
- Northgate Street Meters
- University Park
- Emerald Forest Park Improvements
- John Crompton Park – Phase III
- G. Hysmith Skate Park
- Brothers Park Running Turf
- W.A.Tarrow Park

- Water Cooling Tower Media Replacement
- Reclaimed Water – Phase I
- Southwood 5-7 Water and Sewer Line Rehab
- Carters Creek Wastewater Treatment Plant Lab and SCADA Building
- Scott and White Sewer Line and Lift Station
- Electric Dispatch Building
- Sandstone and Thomas Parks Shade Covers

