

City of College Station, Texas



Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2003



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.

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College Station. Embracing the Past, Exploring the Future!

CITY OF COLLEGE STATION, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

PREPARED BY THE

CITY OF COLLEGE STATION FISCAL SERVICES DEPARTMENT

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PHILLIP GUILLEN, INVESTMENT OFFICER

CITY OF COLLEGE STATION, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

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The City of College Station, Texas

Embracing the Past, Exploring the Future.

P.O. Box 9960 • 1101 Texas Avenue • College Station, TX 77842 • (979) 764-3500

www.cstx.gov

March 10, 2004

Honorable Mayor, Members of the City Council
Citizens of the City of College Station, Texas

The City Manager and the Fiscal Services Department are pleased to submit the Comprehensive Annual Financial Report for the City of College Station, Texas (the "City") for the fiscal year ended September 30, 2003.

This report is published to provide to the City Council, City staff, our citizens, our bondholders and other interested parties detailed information concerning the financial condition of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the data is accurate in all material aspects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The Local Government Code, Section 103.001 (a) states: "A municipality shall have its records and accounts **audited** annually and shall have an **annual** financial statement prepared based on the **audit**." Likewise the Fiscal and Budgetary Policy Statements adopted annually by the City Council as a part of the City's Approved Budget includes a requirement that the City shall annually have an audit performed by an outside, independent auditor. The City has complied with this requirement, and the independent auditors' report has been included in this report.

THE REPORT

This report is comprised of three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, a listing of the principal City officials, and an organizational chart of the City. The Financial Section contains the Independent Auditors' Report on the basic financial statements, Management's Discussion and Analysis ("MD&A"), the basic financial statements with related notes, and combining and individual fund statements and schedules. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction therewith. The City of College Station's MD&A may be found immediately following the Independent Auditors' Report. The Statistical Section provides financial and demographic information, usually presented on a multi-year basis, that is relevant to a financial statement reader.

The Financial section described above is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board ("GASB") and other professional associations, as applicable.

CITY PROFILE

Location

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 47.2 square miles and a current estimated population of 76,811 as of January 2004. The City has the power, by state statute, to extend its corporate limits by annexation, which it has done periodically.

Structure

The City of College Station is a home rule municipality and utilizes a Council-Manager form of government organized under the Constitution and laws of the State of Texas. The City Council is composed of a mayor and six council members elected at large. The City Council appoints the City Manager, City Attorney, City Secretary and Municipal Court Judge. Almost all other City staff work under the direction of the City Manager.

The Reporting Entity and Services Provided

This report includes all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria, no other governmental organizations are included in the report. For additional information on the reporting entity, refer to Note I-A in the basic financial statements.

The City provides a full range of municipal services as prescribed by statute or charter. These services include police, fire and emergency medical services, parks and recreational facilities, library services, street maintenance and construction, public improvements, general administrative services and electrical, water, sewer, and sanitation systems. Internal services of the City accounted for on a cost reimbursement basis are print/mail, risk management, employee health and disability, equipment replacement, fleet management, and communications.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues recorded when available and measurable, and expenditures recorded when the services or goods are received and the liabilities incurred. Accounting records for the City's utilities and other proprietary activities are maintained on a full accrual basis with revenues recorded when earned and expenses recorded as goods or services are provided to the user.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

All internal accounting control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annual budget serves as the foundation for the City's financial planning and control. The City Charter provides that the City Manager will submit a proposed budget to the City Council between 30 and 90 days prior to the end of the fiscal year. The City's budget is prepared by function, fund and department. The City Council is required to hold a public hearing on the proposed budget and to adopt a budget no later than the 27th day of the last month of the fiscal year. The City's fiscal year begins on October 1 and ends on September 30. Controls of budgetary spending are at the department level within the City's General Fund and at the individual fund appropriation in all other funds. The City Council must authorize transfers between General Fund departments and all increases in total spending in any fund.

The City's departments have direct access to review budgets as often as necessary. Monthly closing reports are prepared and reviewed by management showing revenues, expenditures, and balance sheets. Summarized financial reports and budget reports are provided to the City Council on a quarterly basis.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Conditions

College Station's economic outlook is positive. College Station did not experience the full effect of the national and state economic slowdown over the past several years. The area is somewhat immune due to a concentration of stable and even-growing employment sectors such as government, higher education and health care.

College Station continues to enjoy one of the lowest unemployment rates in the state. While the nation's unemployment rate neared 6.5 percent, the unemployment rate in Brazos County never exceeded 2.4 percent. Slow but steady job growth also occurred adding approximately 0.8 percent to non-farm payrolls.

Many parts of the state and nation experienced reductions in various types of tax revenue. Sales taxes were down in the State of Texas the last two years in a row, the first time since the sales tax was instituted in Texas. Sales tax collections in College Station continued to grow through the last two years of economic turmoil. College Station's sales taxes were up in fiscal year 2003 by 2.8 percent over fiscal year 2002 to \$13,780,639.

College Station continues to see significant growth in housing and commercial development. There were 658 new housing starts during 2003, somewhat fewer than in 2002 but well ahead of the average number of new housing starts over the last ten years. Total ad valorem assessed valuation increased by approximately \$225 million or approximately 9.2 percent for fiscal year 2003 over fiscal year 2002. Commercial development continued to be strong with both new and redevelopment. The City opened a new Home Depot, and Gattitown moved into vacant commercial space. The University Drive corridor had a significant amount of new businesses and increased traffic.

One major asset of the City of College is that it is the home of Texas A & M University ("TAMU"). TAMU is located on approximately 5,200 acre campus within the City. TAMU has a significant economic impact on the City, contributing an estimated \$784 million annually to the local economy. TAMU has consistently ranked among the top 50 universities in the United States. Each year, TAMU's 2,500 faculty conduct an estimated \$400 million worth of sponsored research projects, assisted by more than 5,000 paid graduate students. The \$4.2 billion endowment ranked TAMU eleventh in the nation for fiscal year 2000. Student enrollment at TAMU was 44,813 as of September 2003. TAMU employs more than 20,000 full-time and part-time people.

Major Initiatives

Much of the planned hiking and biking trails were constructed during 2003. A significant portion of the Wolf Pen Creek Trails was completed adding just over a mile of beautiful new trails for use by citizens and visitors. During fiscal year 2003 the City completed the first phase of Veterans Park providing a major new sports venue to the area with soccer fields and softball diamonds. Other parks continue to have upgrades and replacements to their infrastructure. For example, parking and trails were constructed at the Lick Creek Park. Other park enhancements included benches, sidewalks and trails.

Several new traffic signals were installed during the year, to provide greater safety and better traffic flow. New street extensions were completed with a short piece of Longmire south of Rock Prairie Road to Graham Road and Dartmouth from Southwest Parkway to Krenek Tap Road. Widening projects began

on Greens Prairie Road East of Highway 6 to Pebble Creek Parkway and George Bush East from Texas Avenue to Dexter. Widening projects completed were Phase II of Graham Road and Tarrow Street South. A rehab project was completed in Northgate on First and Maple Streets. New traffic signals were installed at the Gateway on University Drive and at Manuel on Texas Avenue. A number of sidewalk projects were completed by year end along the TAMU campus, University Drive and Anderson Street.

Technology is an ongoing area of change for the City. During fiscal 2003 a significant upgrade to the City's public safety computer systems was purchased and installed. Public safety is continuing to provide upgrades as other systems are identified and tested. In addition to the public safety computer upgrades, the City purchased a new human resource module. The new module will allow staff to keep more information on the computer reducing the continuing growing need for additional physical storage space.

Capital Planning

The citizens of the City approved general obligation bond proposals totaling approximately \$38.4 million in November 2003. It is anticipated that the various street, traffic safety, public buildings, parks projects and fire station projects funded by these bonds will be built over the next five years. The City has gone to the voters three times in the last nine years with successful general obligation bond proposals. Among the more ambitious projects planned is a City Centre that will eventually group most City departments in a campus-like setting. The site is between the Police Station and Central Park abutting Texas Avenue on the West, Earl Rudder Freeway on the East and Krenek Tap Road on the North. It is projected that the City will be able to make the improvements without increasing the ad valorem tax rate for the capital portion of these projects.

Planning in the various utilities provides for an anticipated investment of \$101.9 million over the next five years. The funds will be used to provide electric line extensions, transmission enhancements, substations, new customer connections, and replacements of existing facilities. The water utility will replace lines in older neighborhoods, add new transmission and distribution lines, provide for a looped system, add new wells, and continue a project to add transmission capacity from the well field to the City. Wastewater projects include sewer outfall lines, line extensions for annexed areas and new services, and treatment plant improvements. Relatively small rate increases are anticipated for the water and wastewater utilities over the next five years to keep up with the additional capital requirements.

Cash Management

The City awards its depository contract through official bidding procedures for a two-year period with the provision for up to three one-year extensions. The City is planning to go out for a new contract during 2004. The current depository contract with First American Bank SSB expires October 1, 2004.

Temporarily idle cash for all funds is invested by City officials in securities as allowed by Texas Statutes and the City's investment policy. The average balance of the City's investment portfolio for fiscal year 2003 was approximately \$134,020,342. The overall portfolio produced total earnings of \$3,550,673 which represents a decrease of \$1,889,319 from fiscal year 2002, due to lower interest rates resulting in part from the economic slowdown and the Federal Open Market Committee's attempt to stimulate the economy.

The City's bank depository agreement requires that all demand deposits and time deposits are secured by pledged collateral with a market value equal to no less than 102 percent of the deposits, less \$100,000 which is insured by the Federal Deposit Insurance Corporation. Evidence of the pledged collateral is maintained by the Fiscal Services Department and a third party financial institution. Collateral is reviewed monthly to assure the market value of the securities pledged equals or exceeds the related bank balances. Assets pledged to the City by its depository are held by the Federal Home Loan Bank, Dallas, Texas, pursuant to a separate Custody Account Agreement.

Investment securities purchased for the City, except investments in pooled funds and mutual funds, are on a delivery versus payment basis. That is, funds are not wired or paid until verification has been made

that the correct security has been received by the custodian. Securities are held in a custody account in the City's name. The original copy of all safekeeping statements is delivered to the City. J.P. Morgan Chase has been designated as the City's safekeeping and custodian bank.

During fiscal year 2003, the City Council reviewed the existing Investment Policy as required by state law and no changes were made to the policy. The investment policy provides for an Investment Committee comprised of the Chief Financial Officer, the Assistant Director of Fiscal Services and the Investment Officer. For additional information on the City's investments refer to Note IV-B to the financial statements.

Risk Management

The City's risk management program is administered by the Risk Management Division. The division is responsible for monitoring all claims filed against the City as well as handling the filing of claims as necessary on behalf of the City. The Risk Management Division is responsible for administering the City's Workers Compensation and Property Casualty Self Insurance Funds. The City's Risk Manager is responsible for ensuring that the City's coverage is adequate to protect the City in the event of potential losses and for ensuring continuous coverage. The City is developing an aggressive safety training program.

Employee Retirement System

The City is a member of the Texas Municipal Retirement System ("TMRS") which covers all full-time and certain part-time employees. The plan provides for no benefits beyond the contributions of the employee, employer and earnings on the individual employee account. Employee contributions are six (6) percent of gross earnings. The City's contribution rate for 2003 was 9.62 percent. The employee contribution rate has been increased for 2004 to seven (7) percent. The contribution rate for the City is set by TMRS annually for a calendar year. Any unfunded liability (actuarially determined cost to the City not already paid) is paid over a 25-year period and is included as a part of the rate the City pays.

OTHER INFORMATION

Independent Audit

Section 37 of the City's Charter requires that not less than thirty (30) days prior to the end of each fiscal year, the City Council shall designate a qualified public accountant or accountants who, as of the end of the fiscal year, shall make an independent audit of accounts and other evidences of financial transactions of the city government and shall submit the report to the City Council. Such accountants shall have no personal interest, direct or indirect, in the fiscal affairs of the city government. They shall not maintain any account or record of the city business, but, within specifications approved by the city council, shall post-audit the books and documents kept by the Department of Fiscal Services and any separate or subordinate accounts kept by any other office, department or agency of the city government.

The City of College Station has engaged Ingram, Wallis & Company of Bryan, Texas to perform the audit, and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with U.S. generally accepted auditing standards, and concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of College Station's financial statements for the fiscal year ended September 30, 2003, are fairly presented in conformity with U.S. generally accepted accounting principals. The independent auditors' report is presented as the first component of the financial section of this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of College Station for its Comprehensive Annual Financial Report ("CAFR") for the Fiscal Year ended September 30, 2002. The

Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of College Station has received a Certificate of Achievement for twenty-two out of the last twenty-three years. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement

The preparation of this report could not have been accomplished without the efforts and dedicated services of the entire staff of the Fiscal Services Department. Appreciation is also expressed to City employees throughout the organization, especially those employees who were instrumental in the successful completion of this report.

Acknowledgement is also given to the representatives of Ingram, Wallis & Company for their invaluable assistance in producing the final product.

Our appreciation is also extended to the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Thomas E. Brymer
City Manager



Charles Cryan
Director of Fiscal Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of College Station,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

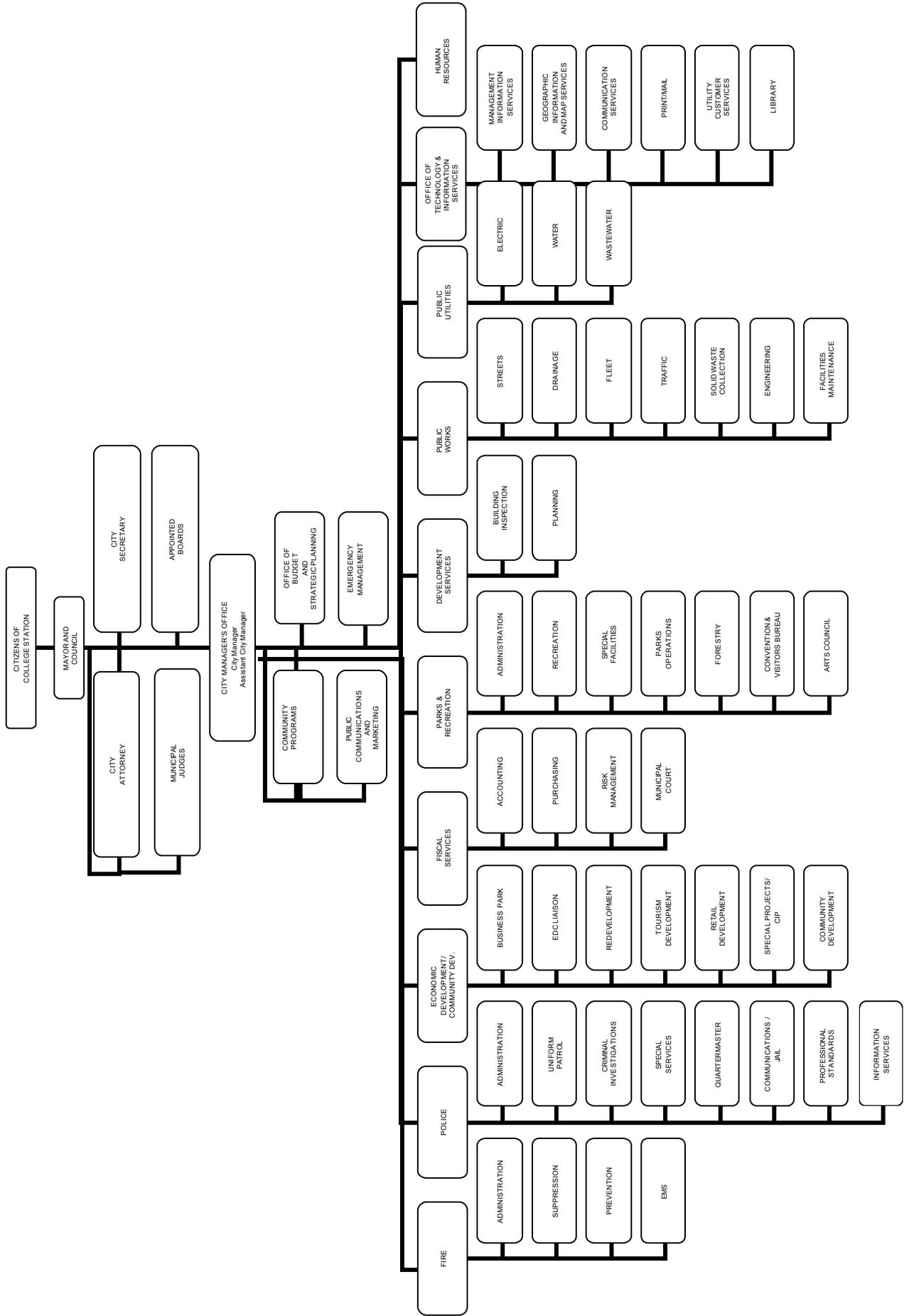
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF COLLEGE STATION



CITY OF COLLEGE STATION, TEXAS

PRINCIPAL CITY OFFICIALS
September 30, 2003

Elected Officials:

Mayor..... Ron Silvia
Council Member, Mayor Pro Tem Anne Hazen
Council Member, Place 1 James Massey
Council Member, Place 2..... John Happ
Council Member, Place 3..... Robert Wareing
Council Member, Place 4..... Scott Mears
Council Member, Place 5..... Dennis Maloney

City Administration:

City Manager Thomas E. Brymer
Assistant City Manager Glenn Brown
City Attorney Marshall Cargill, Jr.
City Secretary Connie Hooks
Director of Public Utilities John Woody
Director of the Office of Technology and Information Services..... Olivia Burnside
Director of Fiscal Services Charles Cryan
Director of Economic Development Services Kim Foutz
Director of Development Services Kelly Templin
Fire Chief David Giordano
Director of Parks and Recreation Stephen Beachy
Director of Human Resources Julie O'Connell
Police Chief Edgar Feldman
Director of Public Works..... Mark Smith
Director of Budget and Strategic Planning Jeffrey Kersten
City Communications Director Rebecca Nugent



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INDEPENDENT AUDITORS' REPORT

Mayor Ron Silvia, Members of
the City Council and City Manager of the
City of College Station, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of College Station, Texas (the "City"), as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I-D, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of September 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, schedule of funding progress – Texas Municipal Retirement System and budgetary comparison information on pages 3 through 20 and 71 through 73, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bryan, Texas
January 16, 2004

Ingram, Wallis & Company

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003

(Unaudited)

This section of the City of College Station's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$262,991,837 (net assets). Of this amount, \$59,843,384 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$15,638,297 during the fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$63,222,164, a decrease of \$2,566,709 when compared to the prior year. This decrease was due to a decrease in two areas: operating transfers in and proceeds from the issuance of long-term debt.
- Approximately 30.7% of the combined governmental funds ending fund balance, or \$19,391,739, is available for spending at the City's discretion (unreserved-undesignated fund balance).
- During fiscal year 2003, the City's total debt increased by approximately \$2,195,000. Key factors in this increase were the issuance of \$4,790,000 in General Obligation Bonds, \$1,780,000 in Certificates of Obligation, and \$16,010,000 in Revenue Bonds for the Electric, Water, and Sewer Funds.



OVERVIEW OF THE FINANCIAL STATEMENTS

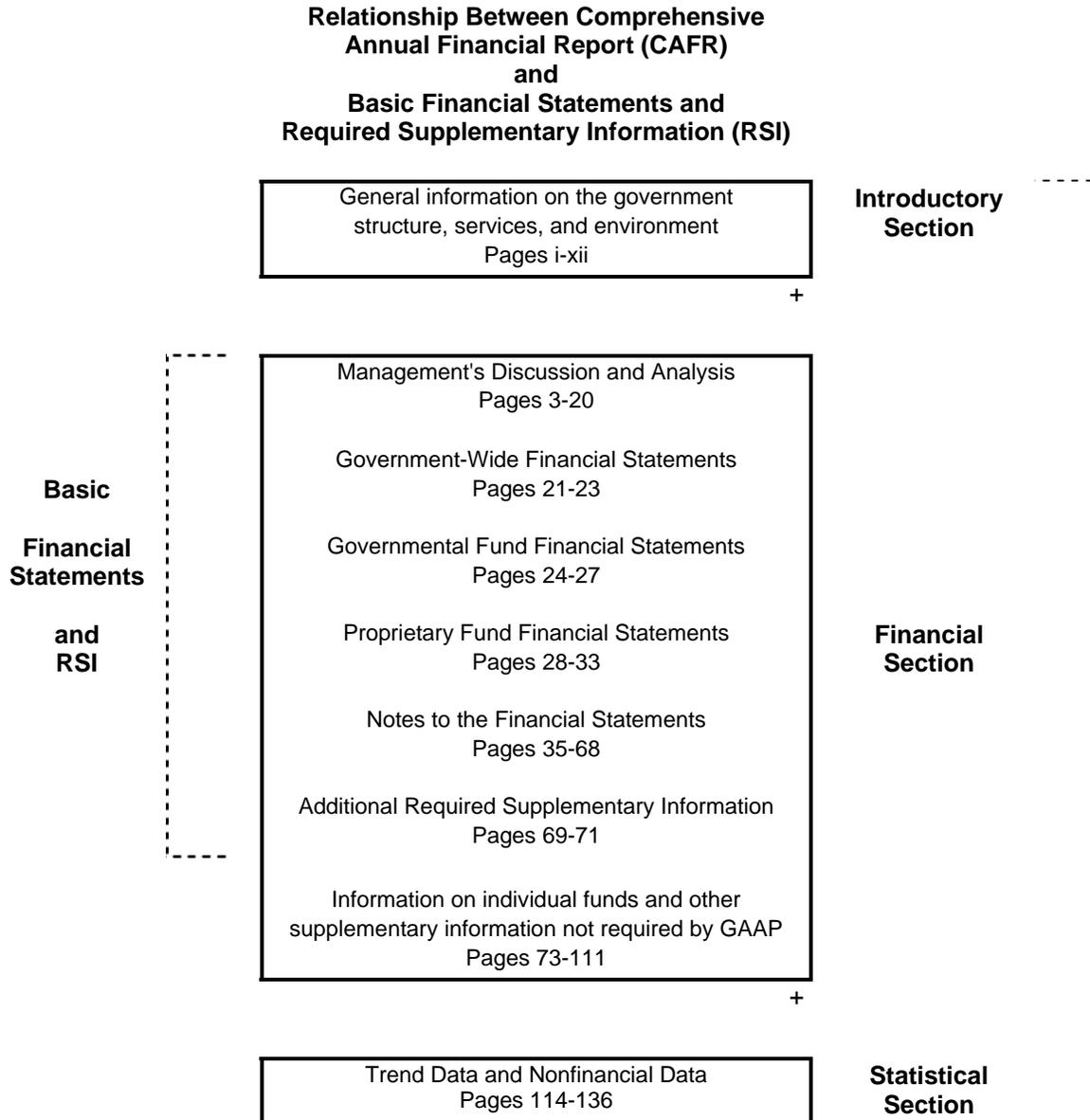
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

- (1) **Government-wide** financial statements
- (2) **Fund** financial statements
- (3) **Notes** to the financial statements.

Management's Discussion and Analysis
 For the Fiscal Year Ended September 30, 2003
 (Unaudited)

This report also contains other **supplementary information** in addition to the basic financial statements themselves.

The following diagram illustrates the relationship between the different components of this report:



Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003

(Unaudited)

Government-Wide Financial Statements

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

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police, financial services, information systems, planning and development, fire, municipal services, parks and recreation, and citizen and neighborhood resources. The business-type activities of the City include electric, water, sewer, and solid waste operations. The government-wide financial statements can be found on pages 21-23.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003

(Unaudited)

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Streets Capital Projects Fund which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 24-27.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, and Streets Capital Projects Funds. A budgetary comparison statement has been provided for the General Fund, Debt Service Fund and Special Revenue Funds to demonstrate compliance with their budgets.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers--either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the electric, water, sewer, sanitation, Cedar Creek Condominiums and parking activities of the City. The Electric, Water, and Sewer funds are considered to be major funds of the City while the remaining funds (Sanitation, Northgate Parking Garage, and Cedar Creek Condominiums) are presented in aggregate as non-major enterprise funds. Individual fund data for the non-major enterprise funds can be found in the form of combining statements elsewhere in this report.

Internal service funds are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for communication, fleet maintenance, print-mail, and utility billing services. It also uses internal service funds to account for equipment replacement; employee benefits; and unemployment, workers' compensation, and property casualty insurance. All of these services, with the exception of utility billing, predominantly benefit governmental rather than business-type functions and have been included within governmental activities in the government-wide financial statements. The Utility Billing Fund has been included with the business-type activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 28-33.

Notes to the Financial Statements

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

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003
(Unaudited)

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents on pages 69-71 certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and the general fund budget-to-actual comparison.

Combining Statements

The combining statements referred to earlier in connection with the non-major governmental and enterprise funds and the internal service funds are presented on pages 73-103 immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), Basic Financial Statements--and Management's Discussion and Analysis ("MD&A")--for State and Local Governments. Because this reporting model significantly changes both the recording and presentation of financial data, the City has not restated prior fiscal years for the purposes of providing comparative information for the MD&A. In future years, when prior-year information is available, a comparative analysis of government-wide data will be included in this report.

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$262,991,837 at the close of the current fiscal year.

The largest portion of the City's net assets (71.7 percent) reflects its investment of \$188,649,733 in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Management's Discussion and Analysis
 For the Fiscal Year Ended September 30, 2003
 (Unaudited)

Net Assets

September 30, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current and Other Assets	\$78,351,388	\$64,640,588	\$142,991,976
Capital Assets	124,024,176	169,975,339	293,999,515
Total Assets	<u>202,375,564</u>	<u>234,615,927</u>	<u>436,991,491</u>
Liabilities			
Long-Term Liabilities			
Outstanding	77,339,680	79,547,501	156,887,181
Other Liabilities	6,135,086	10,977,387	17,112,473
Total Liabilities	<u>83,474,766</u>	<u>90,524,888</u>	<u>173,999,654</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	78,791,820	109,857,913	188,649,733
Restricted	12,031,989	2,466,731	14,498,720
Unrestricted	28,076,989	31,766,395	59,843,384
Total Net Assets	<u>\$118,900,798</u>	<u>\$144,091,039</u>	<u>\$262,991,837</u>

An additional portion of the City's net assets, \$14,498,720 (5.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$59,843,384 (22.8 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities.

Analysis of Changes in Net Assets

The City's net assets increased by \$15,638,297 as a result of fiscal year 2003 operations. Governmental activities increased net assets by \$8,091,291, thereby accounting for 51.7 percent of the total growth in net assets. Business-type activities accounted for the remaining 48.3 percent of the growth and totaled \$7,547,006.

The following table provides a summary of the City's operations for the year ended September 30, 2003 and highlights key elements of the increase in the City's net assets:

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2003
(Unaudited)

Changes in Net Assets

For the Fiscal Year Ended September 30, 2003

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$8,437,681	\$71,148,910	\$79,586,591
Operating Grants and Contributions	1,891,808	50,700	1,942,508
Capital Grants and Contributions	6,399,178	3,887,629	10,286,807
General Revenues:			
Property Taxes	13,441,000	-	13,441,000
Sales Tax	14,027,489	-	14,027,489
Other Taxes	3,808,962	-	3,808,962
Interest and Investment Income	1,739,929	1,126,900	2,866,829
Other	19,563	-	19,563
Total Revenues	49,765,610	76,214,139	125,979,749
Expenses			
General Government	7,857,618	-	7,857,618
Fiscal Services	1,834,859	-	1,834,859
Police	9,374,251	-	9,374,251
Fire	7,102,089	-	7,102,089
Development Services	1,651,761	-	1,651,761
Public Works	5,242,162	-	5,242,162
Parks and Recreation	6,361,728	-	6,361,728
Office of Technology and Information Services	2,919,155	-	2,919,155
Interest on Long Term Debt	3,643,268	-	3,643,268
Unallocated Depreciation	2,543,780	-	2,543,780
Electric Utility	-	43,299,695	43,299,695
Water Utility	-	6,283,025	6,283,025
Sewer Utility	-	7,347,315	7,347,315
Sanitation Services	-	4,419,352	4,419,352
Parking Operations	-	461,394	461,394
Cedar Creek Condominiums	-	-	-
Total Expenses	48,530,671	61,810,781	110,341,452
Increase in Assets Before Transfers	1,234,939	14,403,358	15,638,297
Transfers	6,856,352	(6,856,352)	-
Increase in Net Assets	8,091,291	7,547,006	15,638,297
Net Assets at Beginning of Year	110,809,507	136,544,033	247,353,540
Net Assets at End of Year	\$118,900,798	\$144,091,039	\$262,991,837

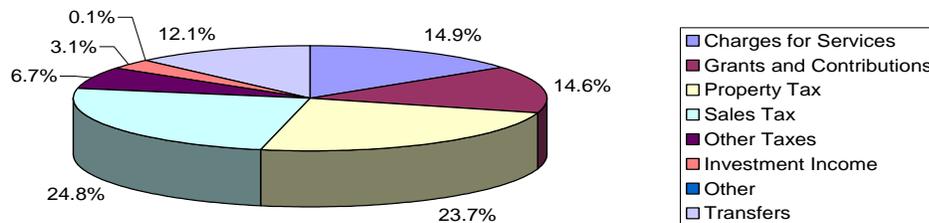
Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003

(Unaudited)

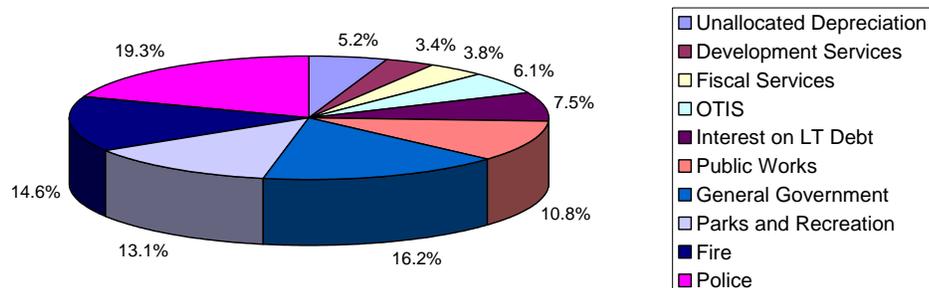
The chart below illustrates the City's governmental revenues by source. For governmental activities overall without regard to program, sales tax is the largest single source of funds (24.8 percent) followed by property tax (23.7 percent), charges for services (14.9 percent), grants and contributions (14.6 percent), and transfers (12.1 percent). All other governmental revenues account for 9.9 percent of all governmental revenues.

**City of College Station, Texas
Governmental Revenues By Source
\$56,621,962**



Governmental expenses by function are depicted in the following chart. Police operations is the largest function in expense (19.3 percent), followed by general government (16.2 percent), fire operations (14.6 percent), parks and recreation (13.1 percent), and public works (10.8 percent). Expenses for all other governmental functions amounted to 26 percent, the largest of which was interest on long-term debt (7.5 percent).

**City of College Station, Texas
Governmental Expenses
\$48,530,671**

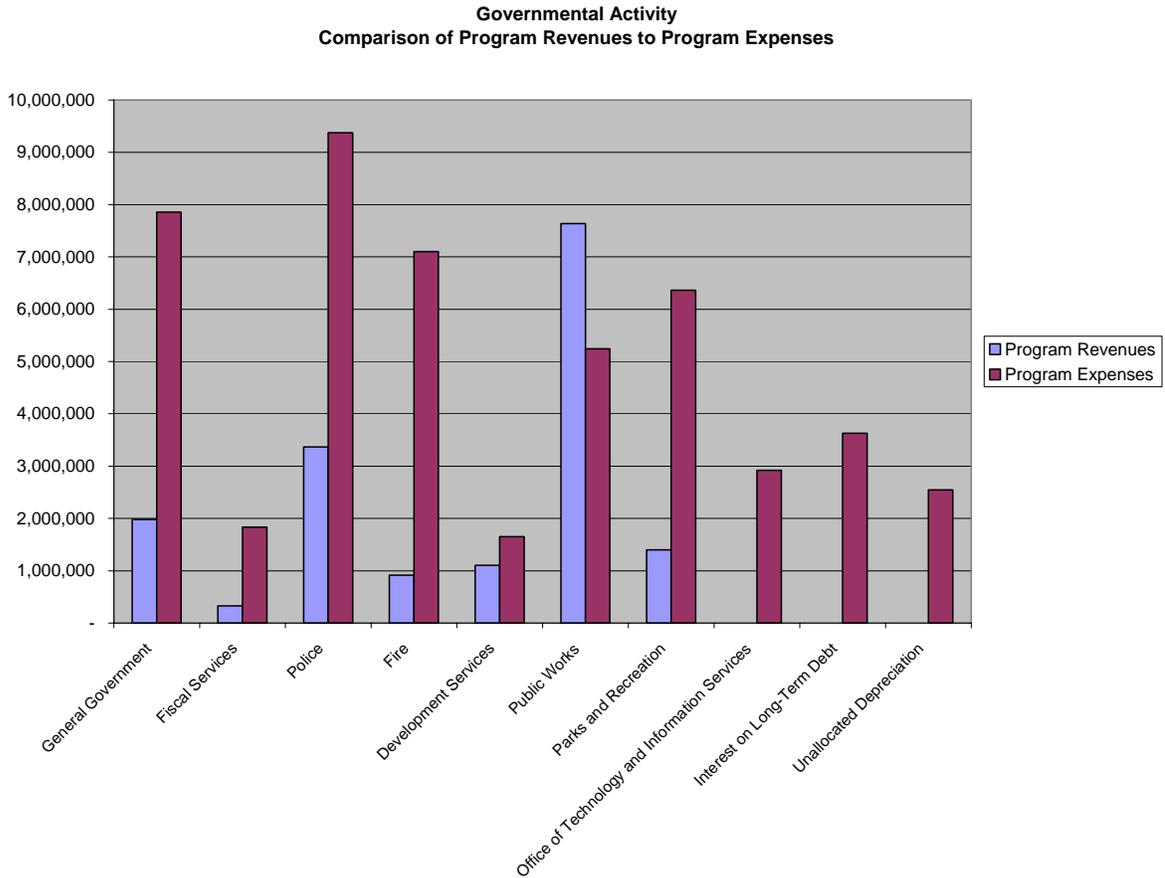


Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003

(Unaudited)

Another useful chart depicts governmental activity program revenues relative to program expenses. That data is presented below:



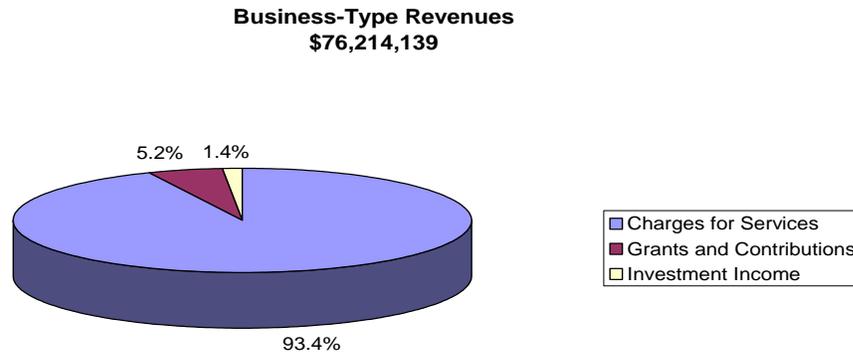
As with the statement of net assets and the statement of activities, because the GASB 34 reporting model significantly changes the form of financial data, the City has not restated prior fiscal year revenue and expense information. Year to year comparisons will be included in future reports.

Management's Discussion and Analysis

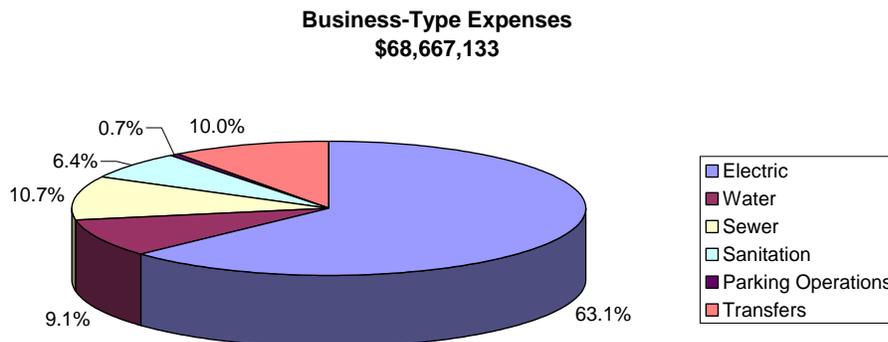
For the Fiscal Year Ended September 30, 2003

(Unaudited)

Revenues for the City's business-type activities are presented in the following chart. Charges for services provided the largest share of revenues (93.4 percent) for the City's business-type activities. It was followed by grants and contributions (5.2 percent) and investment income (1.4 percent).



The chart below shows the relative expenses for the City's business-type activities, the largest of which was electric system operations (63.1 percent) followed by sewer system operations (10.7 percent), transfers (10 percent), water system operations (9.1 percent), sanitation operations (6.4 percent), and parking operations (0.7 percent).



Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003
(Unaudited)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$63,222,164. Approximately 30.67 percent (\$19,391,739) of this total amount constitutes unreserved fund balance and is available for spending at the City's discretion. A portion of the unreserved fund balance (\$982,237) is the investment income earned on debt issued for a convention center project and has been designated by management for funding of that project. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows:

- (1) To pay debt service (\$1,636,307),
- (2) To liquidate contracts and purchase orders of the prior period (\$10,521,932),
- (3) To capital improvements (\$29,384,115),
- (4) To permanent cemetery endowments (\$883,476),
- (5) To police criminal investigation activity (\$15,402),
- (6) To inventory (\$54,825),
- (7) To Court Technology (\$195,731),
- (8) To Court Security (\$138,053), and
- (9) To Court Efficiency (\$18,347).

Revenues for governmental functions overall totaled approximately \$43,149,966 in the fiscal year ended September 30, 2003, an increase of 2.8 percent or \$1,188,532 from the fiscal year ended September 30, 2002. Expenditures for governmental functions totaling \$58,966,401 decreased by approximately 0.7 percent (\$435,080) from the fiscal year ended September 30, 2002. In fiscal year 2003, expenditures for governmental functions exceeded revenues by \$15,816,435. That amount was 9.3 percent less than the previous year's amount of \$17,440,047.

The General Fund is the chief operating fund of the City of College Station. At the end of the current fiscal year, the unreserved, undesignated fund balance was \$9,522,041 while the total fund balance reached \$11,250,335. The City's fiscal and budgetary policies require that the

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003

(Unaudited)

General Fund's undesignated fund balance be at least equal to 15 percent of budgeted expenditures, a percentage equal to 55 days of expenditures. The unreserved, undesignated fund balance is approximately 26 percent of fiscal year 2003 budgeted expenditures and exceeds the minimum requirement set by policy

As a measure of the fund's liquidity, it is useful to compare both unreserved and total fund balance to total fund actual expenditures. Unreserved fund balance represents 28.3 percent of total general fund expenditures while total fund balance represents 33.4 percent of the same amount.

The fund balance of the General Fund increased by \$1,139,110 (11.3 percent) during the current fiscal year. Key factors in this growth were as follows:

- A 5.5 percent increase in taxes, most of which resulted from an increase in property tax revenues due to growth in the tax base,
- A 16.3 percent increase in licenses and permits which was a direct result of the increased residential construction experienced in fiscal year 2003,
- A 19.3 percent increase in fines due to more aggressive collection efforts and increases in the amount of traffic fines, and
- The issuance of \$1,000,000 in certificates of obligation for the purchase of equipment.

The Debt Service Fund ended the fiscal year with a fund balance of \$1,636,307, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current fiscal year was \$718,906. A \$585,749 increase in debt service revenues and other financing sources was more than offset by principal retirement and interest payments.

Proprietary Funds

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

At the end of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$143,178,115. Approximately 22.1 percent (\$31,585,262) of this total amount constitutes unrestricted net assets. The remainder of net assets for the proprietary funds, \$111,592,853, is reported as follows:

- (1) Invested in capital assets, net of related debt (\$109,102,463),
- (2) Restricted for debt service (\$2,466,731), and
- (3) Restricted for capital projects (\$23,659).

Operating revenues for proprietary activities totaled \$69,257,364 for the fiscal year, an increase of 3.4 percent or \$2,357,696 from the previous fiscal year. Operating expenses increased \$1,433,122 or 2.6 percent for the same period causing operating income to increase \$924,574 or 8.6 percent. The proprietary funds reported net nonoperating revenues (expenses) of (\$826,277) at the end of fiscal year 2003 as compared to net nonoperating revenues (expenses) of \$2,016,622 in the previous fiscal year. As a result of the increase in operating income and the decline in net nonoperating revenues (expenses), the increase in net assets (\$7,863,964) was \$1,873,753 more than the change in net assets for the previous year.

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003

(Unaudited)

Electric Fund

At the end of the fiscal year, the unrestricted net assets for the Electric Fund totaled \$4,724,633. The electric utility ended the fiscal year with working capital of \$4,463,537, a decrease of \$9,802,343 or 68.7 percent from fiscal year 2002. The majority of this decrease was due to an \$8.7 million settlement of a lawsuit involving a dispute over wheeling charges. In addition, the City decided to use current resources to provide for capital requirements for the electric system and certain other capital acquisitions, a strategy that will help maintain a low debt to equity ratio, maintain relatively low annual debt service payments, and allow the City to be more flexible as it faces the challenges of deregulation within the electric utility industry.

The City's policy with regard to its enterprise funds is to maintain at least 15 percent of annual operating expenses in working capital, a percentage equal to 55 days of expenses. At September 30, 2003, Electric Fund working capital equaled approximately 10.5 percent. This deficiency is primarily due to the lawsuit settlement mentioned previously.

Electric Fund operating revenues increased by 2.9 percent (\$1,313,760) during fiscal year 2003 while operating expenses increased 5.6 percent (\$2,232,312) during the same period resulting in a 17.8 percent decrease (\$918,552) in operating income. The large increase in operating expenses was due to the settlement of the lawsuit. As a result of this large expense, net assets for the Electric Fund decreased by \$550,685 during the fiscal year.

Water Fund

Unrestricted net assets for the Water Fund at September 30, 2003 were \$11,430,295. Working capital in the Water Fund at the end of fiscal year 2003 was \$11,590,001, an increase of approximately 4.2 percent from fiscal year 2002. Water Fund working capital was 237.6 percent of total operating expense and exceeds the minimum 15 percent requirement under the Council's adopted policy.

Water Fund operating revenues decreased by 1.0 percent (\$88,608) during fiscal year 2003 as a result of slightly lower water consumption due to cooler temperatures and increased rainfall. During the same period, operating expenses declined 16.3 percent (\$952,895). As a result, operating income rose 30.3 percent to \$3,720,160 in fiscal year 2003. The Water Fund's change in net assets was \$4,275,577, an 80.4 percent increase over the previous years. This increase was largely due to the inclusion of \$2,045,171 in capital contributions.

Sewer Fund

The Sewer Fund's unrestricted net assets at the end of fiscal year 2003 were \$5,135,602. The Sewer Fund ended the fiscal year with a working capital balance of \$4,531,078, which was 20.6 percent above fiscal year 2002. Sewer Fund working capital was 80.9 percent of total operating expenses and is well above the minimum requirement for the fund.

Operating revenues in the Sewer Fund were \$8,883,482, a \$680,028 (8.3 percent) increase over the previous fiscal year. Operating expenses increased from \$5,268,030 to \$5,599,591 or 6.3 percent while operating income rose by 11.9 percent from \$2,935,424 to \$3,283,891.

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003

(Unaudited)

BUDGETARY HIGHLIGHTS

The final amended budget for fiscal year 2003 totaled \$159,137,707 for all funds. Of this amount \$132,737,952 (83 percent) was budgeted for operations and maintenance expenditures, and \$26,399,755 (17 percent) was budgeted for capital improvement projects.

In the General Fund the final revised budgeted change in fund balance was \$1,067,349 lower than the original budgeted change and the significant items that comprise this difference can be briefly summarized as follows:

- \$520,219 - Encumbrances rolled over from previous fiscal year
- \$200,000 - Additional funding for the Arts Council of the Brazos Valley
- \$128,760 - Matching funds for FEMA Fire Equipment Grant
- \$115,472 - Gainsharing distribution to employees
- \$100,000 - Cable franchise renewal

In the General Fund the actual change in fund balance was \$3,603,046 higher than the final revised budgeted change and the significant items that comprise this difference can be briefly summarized as follows:

- \$754,905 - Additional Fines, Forfeits & Penalties revenue generated from more efficient municipal court operations and an increase in the number of tickets written.
- \$725,840 - Lower expenditures in the economic development fund related to economic development incentives that were budgeted for and did not occur in FY 03.
- \$377,776 - Additional Charges for Services revenue generated by an increase in the collection of emergency medical fees, an increase in Parks and Recreation fees, and various other fee and usage increases.
- \$298,125 - Lower Other Non-departmental expenditures related to savings identified as part of the FY 03 budget process.
- \$210,024 - Lower Capital Outlay expenditures primarily related to the delay of a fire vehicle purchase that will occur in FY 04.
- \$175,255 - Lower Purchased Professional Services expenditures related to two franchise agreements that did not require the use of all the funds budgeted.
- \$152,360 - Additional Licenses and Permits revenue generated from an increase in building activity and an increase in the minimum building permit fee.

Strategic planning is a driving force in the preparation of the City's budget. Strategic planning is centered around the following four vision statements under which are listed some of the key items in the fiscal year 2003 budget:

Vision Statement #1--Core Services

We will provide high quality customer service focused basic City services at a reasonable cost. These core services include police, fire, and emergency management services; traffic and drainage services; the City's administrative services; electric, water, wastewater and sanitation operations; and capital projects for each of these areas. Key items included in the 2003 fiscal year budget include:

- Funding of the second of three phases for the operation and maintenance of Fire Station #5 which is scheduled to begin operation in 2004,

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003

(Unaudited)

- An additional Code Enforcement Officer to be funded through Community Development Block Grant funds,
- Funding for the televising of City Council meetings,
- Funding to enhance e-government by providing more City services on line and by revamping the City's web page,
- A six percent increase in wastewater rates to help fund the additional debt issued for the expansion of the Lick Creek Wastewater Treatment Plant,
- An increase of \$1.00 per month in the residential sanitation rate in order to add another residential route, and
- The elimination of seven positions in the General Fund. These positions were vacant on October 1, 2002 and their elimination did not impact any existing employees.

Vision Statement #2--Parks and Leisure Services

We will provide a large range of recreational and cultural arts opportunities. The 2003 fiscal year budget provided resources to continue funding the Parks and Recreation Department at current service levels. Additional resources were included for the following:

- Funding necessary to operate and maintain the first phase of Veteran's Park which was dedicated to all veterans of the Brazos Valley in November 2002. Phase I of the park included six soccer fields, two softball fields, parking, a maintenance shop, landscaping, irrigation and an entry road and
- Funding to implement the Parks Maintenance Standards adopted by the City Council.

Vision Statement #3--Planning and Development

We will provide a well-planned community. Activities related to this vision statement include planning and development services. A key focus of the fiscal 2003 budget was funding to complete revisions to the Unified Development Ordinance.

Vision Statement #4--Economic Development

We will provide a strong and diverse economic environment. This vision statement encompasses the City's economic development initiatives. The fiscal 2003 budget included the following:

- Resources to continue the development of a second business park as part of an ongoing effort to strengthen and diversify the tax base,
- Funding for the development of the entire 30/60 corridor in College Station, an area bounded by State Highway 60 on the north and State Highway 30 on the south and identified as an area ripe for development, and
- Funding for the continued development of a hotel/conference center.

CAPITAL ASSETS

The City of College Station's investment in capital assets for its governmental and business-type activities as of September 30, 2003 amounted to \$293,999,515 (net of accumulated depreciation). This investment in capital assets includes land, utility systems, buildings and building improvements, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress.

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2003
(Unaudited)

**Capital Assets at Year End
Net of Accumulated Depreciation**

	Governmental Activities	Business-Type Activities	Total
Land	\$19,714,327	\$672,811	\$20,387,138
Utility Systems	-	132,632,271	132,632,271
Buildings and Building Improvements	17,995,750	5,442,667	23,438,417
Improvements Other than Buildings	7,794,091	-	7,794,091
Machinery and Equipment	9,303,164	106,846	9,410,010
Infrastructure	55,373,740	-	55,373,740
Construction in Progress	13,843,104	31,120,744	44,963,848
	<u>\$124,024,176</u>	<u>\$169,975,339</u>	<u>\$293,999,515</u>

Major capital projects completed by the City during the 2003 fiscal year include the following:

- A new \$3.2 million Municipal Court Building. In addition to Court and Legal staff, the building houses Fire Administration and Brazos Valley Solid Waste Management personnel,
- A \$1.2 million rehab of Fire Station 2,
- A \$3.2 million regional athletic park (Veteran's Park),
- The Second Street Promenade in the Northgate area (\$675,000),
- A \$1.4 million extension of George Bush Drive East,
- New electric services and system extensions totaling \$1.4 million,
- Overhead and underground electric system improvements totaling \$1.6 million
- Thoroughfare street lighting improvements totaling \$440,566,
- A \$3.1 million new elevated water storage tower, and
- A \$285,910 upgrade to the Hensel Park sewer lift station.

Of significance is \$10.2 million in developer capital contributions during fiscal year 2003. These contributions accounted for approximately 48.8 percent of the \$19.5 million increase in capital assets.

Additional information on the City's capital assets can be found in Note IV-D to the financial statements on pages 52 - 54.

DEBT ADMINISTRATION

At the end of the 2003 fiscal year, the City of College Station had total debt outstanding of \$155,375,000. Of this amount, \$75,695,000 (48.7 percent) comprised debt backed by the full faith and credit of the City . The remaining debt is revenue bonds secured by specified revenue sources.

Year-End Outstanding Debt Payable

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	\$43,170,000	\$ -	\$43,170,000
Revenue Bonds	-	79,680,000	79,680,000
Certificates of Obligation	32,525,000	-	32,525,000
	<u>\$75,695,000</u>	<u>\$79,680,000</u>	<u>\$155,375,000</u>

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003

(Unaudited)

The City's total debt increased by \$2,195,000 (1.4 percent) during the current fiscal year. The change in total debt was a result of the following:

- Issuance of \$4.79 million in general obligation bonds, \$1.78 million in certificates of obligation, and \$16.01 million in utility revenue bonds; and
- Retirement of \$3.285 million in general obligation bonds, \$2.535 million in certificates of obligation, and \$14.565 million in utility revenue bonds.

Included in this debt activity was the issuance of \$11.16 million in utility system revenue bonds to refinance previously outstanding revenue bonds totaling \$10.75 million. As a result of this refunding, the City will reduce its total debt service payments over the next six (6) years by approximately \$885,000.

The City's General Obligation and Certificates of Obligation are rated AA- by Standard & Poors ("S&P") and Aa1 by Moody's Investors Service ("Moody's"). The underlying ratings for the City's revenue bonds are A+ by S&P and A3 by Moody's. Because the City's last bond issue was insured, those bonds were rated AAA with S&P and Aaa with Moody's.

Additional information on the City's long-term debt can be found in Note IV-G to the financial statements on pages 55 - 59 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of College Station has continued to grow and has not experienced some of the more severe economic downturns faced by other cities, both in the state and in the nation. Indicators of that growth include the following:

- An estimated population increase of 41.5 percent for the period of 1990 through 2003,
- An approximate \$142 million increase to the ad valorem tax base during fiscal year 2003 and a 41.7 percent increase in value of new development for the same period,
- A local economy that has maintained an unemployment rate of less than 4 percent since 1990,
- Sales tax revenue that grew 2.8 percent during the fiscal year, and
- A six (6) percent increase in electric customer connections during the current fiscal year.

Part of the reason the City has been insulated from some of the effects of the slower national and state economy is due to the major influence of Texas A&M University on the local economy. However, because of some slight budget reductions at Texas A&M, the City's proposed fiscal year 2004 budget was prepared conservatively with recommendations for maintaining current service levels. As a result, the proposed ad valorem tax rate for the 2004 fiscal year remains at \$0.4777 per \$100 valuation (\$0.1946 for operations and maintenance and \$0.2831 for debt service). This proposed tax rate will meet the debt service obligations of the City and provide operations and maintenance funding in the General Fund.

Current and anticipated growth in the community has resulted in increased demands for services and has put pressure on the City's utility systems. Consequently, the 2004 proposed budget includes a four (4) percent revenue increase in the Sewer Fund. This rate increase is needed to fund the expansion of the Lick Creek Wastewater Treatment Plant and other capital projects needed to maintain, rehabilitate, and expand the sewer system infrastructure in order to keep up with the growth. No electric, water, sanitation, or drainage rate increases are proposed in the 2004 fiscal year budget.

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2003

(Unaudited)

The fiscal year 2004 proposed budget for capital improvements totals \$34,919,321. The City anticipates significant expenditures for infrastructure rehabilitation and improvements in the Southside area, an older part of the City. These projects include rehabilitation of utilities, drainage ways, and streets. Some of the more significant projects are as follows:

- Street rehabilitation in the Southside area (\$1.2 million),
- Extension of Longmire Drive (\$2.2 million),
- Widening of Greens Prairie Road (\$3.7 million),
- Extension of Dartmouth Drive (\$3.4 million),
- Expansion of the Lincoln Center (\$623,000),
- Development of Woodway Park (\$700,000),
- Construction of Fire Station #5 (\$1.3 million), and
- Construction of the Spring Creek Business Park (\$2.3 million)

It is anticipated that the City will issue \$8.72 million in certificates of obligation during fiscal year 2004 to help fund electric and sewer capital projects. However, no debt issues are planned for water capital improvements since these projects will be funded using current revenues. In addition, the City plans to issue general obligation bonds for the following: \$855,000 for drainage improvements, \$1.05 million for streets, \$550,000 for traffic projects, \$150,000 for parks projects, and \$4.355 million for public facilities. An additional \$505,000 in certificates of obligation will be issued for Phase II of the Business Park.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of College Station's financial position for all who have an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of College Station
Fiscal Services Department
ATTN: Director of Fiscal Services
P.O. Box 9960
College Station, Texas 77842-9960

or visit our website at <http://www.cstx.gov>.

CITY OF COLLEGE STATION, TEXAS

Statement of Net Assets

As of September 30, 2003

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in Cash and Cash Equivalents	\$ 29,605,118	\$ 8,694,946	\$ 38,300,064
Equity in Investments	45,195,119	13,273,083	58,468,202
Receivables, net	3,039,738	9,097,396	12,137,134
Internal Balances	(373,704)	373,704	0
Inventories	171,431	1,344,451	1,515,882
Prepaid Costs	35,848	0	35,848
Restricted Assets			
Equity in Cash and Cash Equivalents	268,288	9,253,299	9,521,587
Equity in Investments	409,550	14,125,424	14,534,974
Receivables, net	0	62,139	62,139
Equity in Joint Venture	0	7,606,185	7,606,185
Deferred Charges, net	0	809,961	809,961
Capital Assets:			
Land and Construction in Progress	33,557,431	31,793,555	65,350,986
Other Capital Assets, net of accumulated depreciation	90,466,745	138,181,784	228,648,529
Total Assets	202,375,564	234,615,927	436,991,491
Liabilities			
Accounts Payable	2,893,220	8,499,332	11,392,552
Accrued Interest Payable	0	3,941	3,941
Retainage Payable	234,130	0	234,130
Refundable Deposits	25,814	0	25,814
Claims Payable	418,859	0	418,859
Accrued Liabilities	1,285,438	458,667	1,744,105
Customer Construction Advances	63,958	92,152	156,110
Other Deferred Revenues	714,813	822	715,635
Liabilities Payable from Restricted Assets			
Accounts Payable	0	836	836
Accrued Interest Payable	469,476	642,102	1,111,578
Retainage Payable	0	157,460	157,460
Accrued Liabilities	29,378	15,836	45,214
Refundable Deposits	0	1,106,239	1,106,239
Non-current liabilities			
Due within one year:			
Compensated Absences	80,413	15,984	96,397
Bonds and Certificates of Obligation Payable	5,680,000	4,025,000	9,705,000
Due in more than one year:			
Bonds and Certificates of Obligation Payable	70,015,000	75,655,000	145,670,000
Unamortized Premium on Bonds	0	(435,753)	(435,753)
Compensated Absences	1,564,267	287,270	1,851,537
Total Liabilities	83,474,766	90,524,888	173,999,654
Net Assets			
Invested in Capital Assets, net of related debt	78,791,820	109,857,913	188,649,733
Restricted for:			
Debt Service	1,346,593	2,466,731	3,813,324
Other	10,685,396	0	10,685,396
Unrestricted	28,076,989	31,766,395	59,843,384
Total Net Assets	\$ 118,900,798	\$ 144,091,039	\$ 262,991,837

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

CITY OF COLLEGE STATION
Statement of Activities
For the Year Ended September 30, 2003

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General Government	\$ 7,857,618	\$ 516,258	\$ 1,462,949	\$ 0
Fiscal Services	1,834,859	327,188	0	0
Police	9,374,251	3,215,162	149,829	0
Fire	7,102,089	637,443	279,030	0
Development Services	1,651,761	1,104,793	0	0
Public Works	5,242,162	1,237,447	0	6,399,178
Parks and Recreation	6,361,728	1,399,390	0	0
Office of Technology and Information Services	2,919,155	0	0	0
Interest on long-term debt	3,643,268	0	0	0
Unallocated Depreciation	2,543,780	0	0	0
Total governmental activities	<u>48,530,671</u>	<u>8,437,681</u>	<u>1,891,808</u>	<u>6,399,178</u>
Business-type activities:				
Electric	43,299,695	46,592,459	0	425,613
Water	6,283,025	8,861,195	50,700	2,045,171
Sewer	7,347,315	9,159,142	0	1,416,845
Sanitation	4,419,352	5,986,207	0	0
Cedar Creek Condominiums	0	4,341	0	0
Northgate Parking	461,394	545,566	0	0
Total business-type activities	<u>61,810,781</u>	<u>71,148,910</u>	<u>50,700</u>	<u>3,887,629</u>
Total primary government	<u><u>\$ 110,341,452</u></u>	<u><u>\$ 79,586,591</u></u>	<u><u>\$ 1,942,508</u></u>	<u><u>\$ 10,286,807</u></u>

General Revenue:
Property taxes
Sales taxes
Franchise taxes
Hotel/Motel taxes
Unrestricted investment earnings
Gain on sale of capital assets
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

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

**Net Revenue (Expense) and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (5,878,411)	\$ 0	\$ (5,878,411)
(1,507,671)	0	(1,507,671)
(6,009,260)	0	(6,009,260)
(6,185,616)	0	(6,185,616)
(546,968)	0	(546,968)
2,394,463	0	2,394,463
(4,962,338)	0	(4,962,338)
(2,919,155)	0	(2,919,155)
(3,643,268)	0	(3,643,268)
(2,543,780)	0	(2,543,780)
<u>(31,802,004)</u>	<u>0</u>	<u>(31,802,004)</u>

0	3,718,377	3,718,377
0	4,674,041	4,674,041
0	3,228,672	3,228,672
0	1,566,855	1,566,855
0	4,341	4,341
0	84,172	84,172
<u>0</u>	<u>13,276,458</u>	<u>13,276,458</u>
<u>\$ (31,802,004)</u>	<u>\$ 13,276,458</u>	<u>\$ (18,525,546)</u>

\$ 13,441,000	\$ 0	\$ 13,441,000
14,027,489	0	14,027,489
1,688,947	0	1,688,947
2,120,015	0	2,120,015
1,739,929	1,126,900	2,866,829
19,563	0	19,563
<u>6,856,352</u>	<u>(6,856,352)</u>	<u>0</u>
<u>39,893,295</u>	<u>(5,729,452)</u>	<u>34,163,843</u>
8,091,291	7,547,006	15,638,297
110,809,507	136,544,033	247,353,540
<u>\$ 118,900,798</u>	<u>\$ 144,091,039</u>	<u>\$ 262,991,837</u>

CITY OF COLLEGE STATION, TEXAS

Balance Sheet

Governmental Funds

As of September 30, 2003

	General	Debt Service	Streets Projects	Other Governmental Funds	Total Governmental Funds
Assets and Other Debits					
Assets					
Equity in Cash and Cash Equivalents	\$ 4,771,083	\$ 659,180	\$ 8,520,371	\$ 11,943,224	\$ 25,893,858
Equity in Investments	7,283,195	1,006,257	13,006,589	18,231,673	39,527,714
Receivables					
Accrued Interest	37,049	4,140	63,595	88,905	193,689
Grants	87,528	0	0	323,399	410,927
Letter of Credit	25,000	0	0	0	25,000
Accounts	499,079	0	246,774	211,977	957,830
Special Assessments	21,796	0	0	0	21,796
Taxes	1,352,185	205,357	0	0	1,557,542
Notes and Loans	0	0	0	9,356	9,356
Other	12,513	0	0	0	12,513
Less Allowance for					
Uncollectible Accounts	(48,865)	0	(246,774)	(18,973)	(314,612)
Due from Other Funds	19,271	0	0	0	19,271
Inventories	54,825	0	0	2,373	57,198
Restricted Assets					
Equity in Cash and Cash Equivalents	268,288	0	0	0	268,288
Equity in Investments	409,550	0	0	0	409,550
Total Assets	\$ 14,792,497	\$ 1,874,934	\$ 21,590,555	\$ 30,791,934	\$ 69,049,920
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 1,094,055	\$ 0	\$ 723,793	\$ 831,172	\$ 2,649,020
Retainage Payable	4,511	0	95,753	133,866	234,130
Due to Other Funds	0	0	0	200,000	200,000
Refundable Deposits	5,403	0	0	20,411	25,814
Accrued Liabilities	1,218,955	33,270	0	(998)	1,251,227
Customer Construction Advances	32,963	0	30,995	0	63,958
Other Deferred Revenues	1,156,897	205,357	0	11,975	1,374,229
Liabilities Payable from Restricted Assets					
Accrued Liabilities	29,378	0	0	0	29,378
Total Liabilities	3,542,162	238,627	850,541	1,196,426	5,827,756
Fund Balances					
Reserved	1,728,294	1,636,307	20,740,014	18,743,573	42,848,188
Unreserved					
Designated for subsequent					
Years Expenditures	0	0	0	982,237	982,237
Undesignated	9,522,041	0	0	9,869,698	19,391,739
Total Fund Balances	11,250,335	1,636,307	20,740,014	29,595,508	63,222,164
Total Liabilities and Fund Balances	\$ 14,792,497	\$ 1,874,934	\$ 21,590,555	\$ 30,791,934	\$ 69,049,920

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

CITY OF COLLEGE STATION, TEXAS
 Reconciliation of Governmental Funds Balance Sheet
 to the Statement of Net Assets
 As of September 30, 2003

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

Total Fund Balance per balance sheet:	\$	63,222,164
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		115,593,538
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		659,416
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, fleet maintenance, equipment replacement and print/mail, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.		17,194,410
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(77,768,730)</u>
Net Assets of governmental activities:	\$	<u><u>118,900,798</u></u>

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

CITY OF COLLEGE STATION, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2003

	General	Debt Service	Streets Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 20,994,078	\$ 7,645,600	\$ 0	\$ 2,637,773	\$ 31,277,451
Licenses and Permits	1,012,960	0	0	0	1,012,960
Intergovernmental	487,934	0	8,400	1,454,549	1,950,883
Charges for Services	2,403,316	0	0	206,740	2,610,056
Fines, Forfeits and Penalties	2,654,154	0	0	3,489	2,657,643
Special Assessments	0	0	0	1,035,023	1,035,023
Investment Income	281,092	90,104	483,575	688,255	1,543,026
Rents and Royalties	112,993	0	0	120,033	233,026
Loan Repayments	0	0	0	11,322	11,322
Contributions	20,987	0	106,871	348,055	475,913
Reimbursed Expenditures	7,258	0	0	0	7,258
Other	182,810	0	95,553	57,042	335,405
Total Revenues	28,157,582	7,735,704	694,399	6,562,281	43,149,966
Expenditures					
Current					
General Government	3,471,279	0	293,800	0	3,765,079
Fiscal Services	2,319,008	0	0	0	2,319,008
Police	9,143,331	0	0	0	9,143,331
Fire	6,989,125	0	0	0	6,989,125
Development Services	1,935,277	0	0	0	1,935,277
Public Works	5,292,243	0	0	0	5,292,243
Economic and Community Development	6,369	0	0	0	6,369
Parks and Recreation	6,279,342	0	0	0	6,279,342
Office of Technology and Information Services	2,320,950	0	0	0	2,320,950
Library	681,350	0	0	0	681,350
Reimbursed Administrative	(6,013,085)	0	250,000	2,059,556	(3,703,529)
Contributions	445,251	0	0	1,128,400	1,573,651
Community Development Block Grant	0	0	0	222,169	222,169
Home Grant	0	0	0	408,779	408,779
Other	91,428	0	268,708	264,701	624,837
Capital Outlay	673,305	0	3,188,075	7,425,068	11,286,448
Debt Service					
Principal Retirement	0	5,820,000	0	0	5,820,000
Interest Payments	0	3,647,529	0	0	3,647,529
Issuance Costs	41,098	392	42,087	34,758	118,335
Fiscal Charges	0	12,500	0	0	12,500
Intergovernmental	0	0	223,608	0	223,608
Total Expenditures	33,676,271	9,480,421	4,266,278	11,543,431	58,966,401
Deficiency of Revenues Under Expenditures	(5,518,689)	(1,744,717)	(3,571,879)	(4,981,150)	(15,816,435)
Other Financing Sources (Uses)					
Proceeds from Long-Term Debt	1,000,000	0	2,473,000	3,097,000	6,570,000
Sale of Capital Assets	19,563	67,311	(78,441)	11,130	19,563
Transfers In	6,741,826	958,500	98,790	111,574	7,910,690
Transfers Out	(1,103,590)	0	0	(890,004)	(1,993,594)
Total Other Financing Sources (Uses)	6,657,799	1,025,811	2,493,349	2,329,700	12,506,659
Net Change in Fund Balances	1,139,110	(718,906)	(1,078,530)	(2,651,450)	(3,309,776)
Fund Balances, October 1	10,111,225	2,355,213	21,818,544	32,246,958	66,531,940
Fund Balances, September 30	<u>\$ 11,250,335</u>	<u>\$ 1,636,307</u>	<u>\$ 20,740,014</u>	<u>\$ 29,595,508</u>	<u>\$ 63,222,164</u>

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

CITY OF COLLEGE STATION, TEXAS
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended September 30, 2003

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

Net change in fund balance - total governmental funds	\$	(3,309,776)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		5,041,727
The effect of various miscellaneous transactions involving capital assets is to increase net assets.		6,399,178
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		27,648
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 governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.		(750,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(89,894)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, fleet maintenance, equipment replacement and Print/Mail, to individual funds. The net revenues of certain activities of internal service funds is reported within governmental activities.		<u>772,408</u>
Change in Net Assets of governmental activities:	\$	<u><u>8,091,291</u></u>

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

City of College Station, Texas
Statement of Net Assets
Proprietary Funds
As of September 30, 2003

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds 2003	Internal Service Funds
Current Assets						
Equity in Cash and Cash Equivalents	\$ 1,688,473	\$ 4,622,471	\$ 1,461,950	\$ 892,190	\$ 8,665,084	\$ 3,741,122
Equity in Investments	2,577,503	7,056,334	2,231,709	1,361,952	13,227,498	5,712,990
Receivables, net	6,354,877	986,965	971,135	770,846	9,083,823	179,270
Inventories	1,002,027	288,362	19,777	34,285	1,344,451	114,233
Prepaid Costs	0	0	0	0	0	35,848
Total Current Assets	11,622,880	12,954,132	4,684,571	3,059,273	32,320,856	9,783,463
Restricted Assets						
Equity in Cash and Cash Equivalents	3,651,400	2,972,399	2,629,500	0	9,253,299	0
Equity in Investments	5,573,966	4,537,452	4,014,006	0	14,125,424	0
Receivables, net	24,812	18,724	18,603	0	62,139	0
Total Restricted Assets	9,250,178	7,528,575	6,662,109	0	23,440,862	0
Advance to Other Funds	200,000	0	0	0	200,000	0
Equity in Joint Venture	0	0	0	7,606,185	7,606,185	0
Deferred Charges						
Water Well	0	1,167,075	0	0	1,167,075	0
Bond Issuance Costs	278,669	247,020	357,245	0	882,934	0
Accumulated Amortization	(61,455)	(1,109,711)	(68,882)	0	(1,240,048)	0
Total Deferred Charges	217,214	304,384	288,363	0	809,961	0
Capital Assets						
Utility Plant	81,998,169	60,409,385	59,170,659	0	201,578,213	0
Buildings	0	0	0	5,723,063	5,723,063	746,575
Machinery and Equipment	0	0	0	1,411,242	1,411,242	20,604,879
Accumulated Depreciation	(35,594,167)	(18,596,627)	(15,486,939)	(1,584,792)	(71,262,525)	(12,189,025)
Construction in Progress	3,368,689	13,405,377	14,346,678	0	31,120,744	0
Land	0	0	0	672,811	672,811	0
Total Capital Assets, net of accumulated depreciation	49,772,691	55,218,135	58,030,398	6,222,324	169,243,548	9,162,429
Total Assets	71,062,963	76,005,226	69,665,441	16,887,782	233,621,412	18,945,892
Liabilities						
Current Liabilities						
Accounts Payable	6,877,323	1,270,736	95,107	248,625	8,491,791	251,741
Accrued Interest Payable	0	0	0	3,941	3,941	0
Retainage Payable	0	0	0	0	0	0
Interfund Payable	0	0	0	0	0	19,271
Accrued Liabilities	256,816	37,755	46,256	85,205	426,032	66,846
Customer Construction Advances	24,382	55,640	12,130	0	92,152	0
Other Deferred Revenues	822	0	0	0	822	0
Claims Payable	0	0	0	0	0	418,859
Total Current Liabilities	7,159,343	1,364,131	153,493	337,771	9,014,738	756,717
Current Liabilities Payable from Restricted Assets						
Accounts Payable	836	0	0	0	836	0
Accrued Interest Payable	136,590	215,687	289,825	0	642,102	0
Retainage Payable	0	118,865	38,595	0	157,460	0
Accrued Liabilities	13,174	0	2,662	0	15,836	0
Refundable Deposits	959,501	144,838	0	1,900	1,106,239	0
Revenue Bonds	1,053,250	1,157,068	1,814,682	0	4,025,000	0
Total Current Liabilities Payable from Restricted Assets	2,163,351	1,636,458	2,145,764	1,900	5,947,473	0

City of College Station, Texas
Statement of Net Assets
Proprietary Funds
As of September 30, 2003

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds 2003	Internal Service Funds
Noncurrent Liabilities						
Revenue Bonds	17,575,987	26,071,617	32,007,396	0	75,655,000	0
Unamortized Premium on Bonds	(143,435)	(42,653)	(249,665)	0	(435,753)	0
Accrued Vacation	127,104	46,077	57,603	31,055	261,839	81,841
Total Noncurrent Liabilities	<u>17,559,656</u>	<u>26,075,041</u>	<u>31,815,334</u>	<u>31,055</u>	<u>75,481,086</u>	<u>81,841</u>
Total Liabilities	<u>26,882,350</u>	<u>29,075,630</u>	<u>34,114,591</u>	<u>370,726</u>	<u>90,443,297</u>	<u>838,558</u>
Net Assets						
Invested in Capital Assets, net of related debt	38,920,619	35,087,170	28,896,009	6,222,324	109,126,122	9,162,429
Restricted for:						
Debt Service	535,361	412,131	1,519,239	0	2,466,731	0
Unrestricted	4,724,633	11,430,295	5,135,602	10,294,732	31,585,262	8,944,905
Total Net Assets	<u>\$ 44,180,613</u>	<u>\$ 46,929,596</u>	<u>\$ 35,550,850</u>	<u>\$ 16,517,056</u>	143,178,115	<u>\$ 18,107,334</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					912,924	
Net assets business-type activities					<u>\$ 144,091,039</u>	

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

CITY OF COLLEGE STATION, TEXAS
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2003

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenues						
Electric Sales	\$ 45,480,173	\$ 0	\$ 0	\$ 0	\$ 45,480,173	\$ 0
Water Sales	0	8,029,071	0	0	8,029,071	0
Sewer Service	0	0	8,523,513	0	8,523,513	0
Garbage Collection Fees	0	0	0	4,659,525	4,659,525	0
Charges for Services	0	0	0	541,571	541,571	6,423,682
Other	1,085,424	568,096	359,969	10,022	2,023,511	5,389,123
Total Operating Revenues	46,565,597	8,597,167	8,883,482	5,211,118	69,257,364	11,812,805
Operating Expenses						
Electric Operations	40,100,091	0	0	0	40,100,091	0
Salaries and Benefits	0	1,241,608	1,400,243	1,542,963	4,184,814	2,273,036
Supplies	0	73,666	265,261	206,639	545,566	794,619
Maintenance	0	63,267	153,525	488,982	705,774	163,289
Purchased Professional Services	0	139,723	156,739	328,157	624,619	63,753
Claims	0	0	0	0	0	100,318
Administration Fees	0	0	0	0	0	350,769
Premiums	0	0	0	0	0	977,586
Purchased Property Services	0	867,255	489,902	1,197,700	2,554,857	56,407
Other Purchased Services	0	145,206	261,269	431,938	838,413	3,926,591
Reimbursed Administrative	0	1,160,270	1,057,053	416,871	2,634,194	1,183,646
Depreciation	2,210,537	1,031,967	1,759,172	177,128	5,178,804	2,723,472
Other	0	154,045	56,427	22,938	233,410	36,893
Total Operating Expenses	42,310,628	4,877,007	5,599,591	4,813,316	57,600,542	12,650,379
Operating Income	4,254,969	3,720,160	3,283,891	397,802	11,656,822	(837,574)
Nonoperating Revenues (Expenses)						
Investment Income	370,522	439,285	266,272	48,719	1,124,798	199,005
Reimbursed Expenses	26,862	5,055	25,557	1,440	58,914	63,486
Grants	0	50,700	0	0	50,700	0
Earnings in Joint Venture	0	0	0	1,316,660	1,316,660	0
Interest Expense	(736,076)	(1,332,355)	(1,708,902)	0	(3,777,333)	0
Other, net	(114,261)	258,973	250,103	5,169	399,984	93,419
Total Nonoperating Revenues (Expenses)	(452,953)	(578,342)	(1,166,970)	1,371,988	(826,277)	355,910
Income Before Capital Contributions and Transfers	3,802,016	3,141,818	2,116,921	1,769,790	10,830,545	(481,664)
Capital Contributions	425,613	2,045,171	1,416,845	0	3,887,629	0
Transfers In	0	0	0	0	0	1,159,582
Transfers Out	(4,778,314)	(911,412)	(832,648)	(331,836)	(6,854,210)	(222,468)
Change in Net Assets	(550,685)	4,275,577	2,701,118	1,437,954	7,863,964	455,450
Beginning Net Assets	44,731,298	42,654,019	32,849,732	15,079,102		17,651,884
Ending Net Assets	\$ 44,180,613	\$ 46,929,596	\$ 35,550,850	\$ 16,517,056		\$ 18,107,334
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(316,958)	
Change in net assets of business-type activities					<u>7,547,006</u>	

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



CITY OF COLLEGE STATION, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2003

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 46,506,490	\$ 8,735,538	\$ 8,875,278	\$ 5,246,513	\$ 69,363,819	\$ 11,832,544
Cash Payments to Suppliers for Goods and Services	(35,707,181)	(1,773,113)	(2,636,902)	(3,081,284)	(43,198,480)	(7,739,308)
Cash Payments to Employees for Services	(2,197,748)	(1,251,318)	(1,402,678)	(1,535,864)	(6,387,608)	(2,269,365)
Customer Deposits Received	45,092	24,498	0	0	69,590	0
Customer Deposits Returned	0	0	0	(50)	(50)	0
Cash Received for Reimbursed Expenses	26,862	5,055	25,557	1,440	58,914	63,486
Cash Received from Grants	0	50,700	0	0	50,700	0
Cash Received for Miscellaneous Revenues	0	258,973	283,832	6,896	549,701	62,472
Cash Received from Other Funds	0	0	0	0	0	62,161
Cash Paid to Other Funds	0	0	0	0	0	(50,233)
Cash Paid for Miscellaneous Expenses	(113,728)	(53,128)	0	(4,231)	(171,087)	(38,201)
Net Cash Provided by Operating Activities	8,559,787	5,997,205	5,145,087	633,420	20,335,499	1,923,556
Cash Flows from Noncapital Financing Activities:						
Transfers In from Other Funds	0	0	0	0	0	1,161,082
Transfers Out to Other Funds	(4,778,314)	(911,412)	(832,648)	(331,836)	(6,854,210)	(222,468)
Net Cash Provided (Used) by Noncapital Financing Activities	(4,778,314)	(911,412)	(832,648)	(331,836)	(6,854,210)	938,614
Cash Flows from Capital and Related Financing Activities:						
Acquisition and Construction of Capital Assets	(9,203,777)	(3,942,586)	(2,667,993)	(23,500)	(15,837,856)	(2,549,100)
Proceeds from Sale of Assets	0	0	0	0	0	225,400
Principal Paid on Revenue Bonds	(960,350)	(1,142,300)	(1,712,350)	0	(3,815,000)	0
Interest Paid on Revenue Bonds	(756,227)	(1,400,313)	(1,792,892)	0	(3,949,432)	0
Fees Paid to Fiscal Agent	(3,638)	(2,676)	(4,374)	0	(10,688)	0
Proceeds from Revenue Bonds	4,850,000	0	0	0	4,850,000	0
Issuance Costs Paid on Revenue Bonds	(38,397)	(7,322)	(4,374)	0	(50,093)	0
Net Cash Used by Capital and Related Financing Activities	(6,112,389)	(6,495,197)	(6,181,983)	(23,500)	(18,813,069)	(2,323,700)
Cash Flows from Investing Activities:						
Purchase of Investments	(32,712,749)	(45,616,056)	(25,106,488)	(5,141,848)	(108,577,141)	(21,882,771)
Proceeds from Sale and Maturities of Investment Securities	31,628,022	43,228,322	24,314,072	4,660,309	103,830,725	20,154,263
Investment Income	425,691	497,509	299,943	53,759	1,276,902	215,900
Net Cash Used by Investing Activities	(659,036)	(1,890,225)	(492,473)	(427,780)	(3,469,514)	(1,512,608)
Net Decrease in Cash and Cash Equivalents	(2,989,952)	(3,299,629)	(2,362,017)	(149,696)	(8,801,294)	(974,138)
Cash and Cash Equivalents, Oct. 1	8,329,825	10,894,499	6,453,467	1,041,886	26,719,677	4,715,260
Cash and Cash Equivalents, Sept. 30	\$ 5,339,873	\$ 7,594,870	\$ 4,091,450	\$ 892,190	\$ 17,918,383	\$ 3,741,122

CITY OF COLLEGE STATION, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2003

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Operating Income (Loss)	\$ 4,254,969	\$ 3,720,160	\$ 3,283,891	\$ 397,802	\$ 11,656,822	\$ (837,574)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation, Bad Debt Expense, Inventory Loss	2,467,191	1,078,605	1,809,545	177,128	5,532,469	2,723,472
Provision for Uncollectible Accounts	32,273	1,437	7,184	2,347	43,241	0
Miscellaneous Nonoperating Revenues	26,862	314,728	309,389	8,336	659,315	125,958
Miscellaneous Nonoperating Expenses	(113,728)	(53,128)	0	(4,231)	(171,087)	(63,010)
Changes in Assets and Liabilities:				0		
Change in Accounts Receivable	(70,583)	138,371	(8,204)	35,395	94,979	53,275
Change in Other Receivables	11,476	0	0	0	11,476	0
Change in Due from Other Funds	0	0	0	0	0	62,161
Change in Inventory	(54,304)	43,123	(2,617)	(31,469)	(45,267)	(5,717)
Change in Prepaid Costs	0	0	0	0	0	32,363
Change in Accounts Payable	2,079,866	752,258	(248,035)	50,633	2,634,722	(379,208)
Change in Due to Other Funds	0	0	0	0	0	(50,233)
Change in Claims Payable	0	0	0	0	0	267,362
Change in Accrued Liabilities	(127,766)	(16,151)	(3,762)	(7,417)	(155,096)	(2,834)
Change in Refundable Deposits	45,092	24,498	0	(50)	69,540	0
Change in Accrued Vacation	8,439	(6,696)	(2,304)	4,946	4,385	(2,459)
Total Adjustments	4,304,818	2,277,045	1,861,196	235,618	8,678,677	2,761,130
Net Cash Provided by Operating Activities	<u>\$ 8,559,787</u>	<u>\$ 5,997,205</u>	<u>\$ 5,145,087</u>	<u>\$ 633,420</u>	<u>\$ 20,335,499</u>	<u>\$ 1,923,556</u>

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



Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

I. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of College Station, Texas ("City"), the financial reporting entity presented in these financial statements, was incorporated in 1938 and is a municipal corporation incorporated under the provisions of H.B. 901 of the Texas Legislature. The City operates under a Council-Manager form of government and provides such services as authorized by its charter to advance the welfare, health, comfort, safety and convenience of the City and its inhabitants.

The City of College Station entered into a joint venture in 1990 with the City of Bryan, Texas creating the Brazos Valley Solid Waste Management Agency ("BVSWMA"). BVSWMA was formed to combine landfill operations for the two cities. It is subject to joint control, and each City holds a 50% interest and ownership in BVSWMA. The City's equity interest in BVSWMA is reported in the Sanitation Fund. (See Note V-C).

The financial statements of the City have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to state and local governments. The more significant of the City's accounting policies are described below.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, claims, and judgments, are recorded only when payment is due.

Property taxes, other local taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, therefore, have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Debt Service Fund* accounts for the financial resources accumulated for the payment of principal, interest and related costs on long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify that the amounts are restricted exclusively for debt service expenditures.

The *Streets Capital Projects Fund* accounts for the costs of new street construction, street improvements, and traffic signalization made with funds provided by proceeds from the sale of general obligation bonds and by investing those proceeds.

The City reports the following major proprietary funds:

The *Electric Fund* accounts for the activities necessary to provide electric services to the residents of the City. These activities include administration, distribution system operations and maintenance, transmission system operations and maintenance, new construction, and financing and related debt service. Billing and collection services are accounted for as an internal service fund.

The *Water Fund* accounts for the activities necessary to provide water services to the residents of the City. These activities include administrative services, water production and distribution system operations and maintenance, new construction, financing and related debt service. Billing and collection services are accounted for as an internal service fund.

The *Sewer Fund* accounts for the activities necessary to provide sewer collection and treatment services to the residents of the City. These activities include administrative services, wastewater system operations and maintenance, new construction, financing and related debt service. Billing and collection services are accounted for as an internal service fund.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Additionally, the City reports the following fund types:

Internal service funds account for activities related to the operation and maintenance of the City's radio and telephone systems; administration of health insurance provided to City employees; the City's risk management activities, including general liability, unemployment, and workers' compensation claims and associated administrative expenses on a cost reimbursement basis; utility billing and collection activities related to the City's electric, water, and sewer utilities and residential and commercial garbage collection; activities related to the management of the City's vehicles and heavy equipment, including preventative maintenance and vehicle repair; activities related to the City's printing and mail operations; and activities related to the purchase and replacement of vehicles and large motorized equipment, telephone and radio systems, and technological infrastructure equipment not budgeted in other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to not follow subsequent private sector guidance.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments-in-lieu of taxes, indirect costs and franchise fees, and other charges between the City's Electric, Water, and Sewer funds because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including electric, water, sewer, and sanitation fees, equipment purchase amounts, and risk management charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Implementation of New Accounting Principles

In fiscal year 2003, the City adopted seven new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

GASB Statement No. 33--Accounting and Financial Reporting for Nonexchange Transactions ("GASB 33")

Statement No. 33 prescribes accounting and financial reporting standards for nonexchange transactions. It applies to those nonexchange transactions involving financial or capital resources but does not apply to other resources, such as contributed services. In prior years, capital contributions were recorded as a direct addition to the contributed capital equity account. GASB 33 requires contributions of capital assets be recorded as revenue in the Statement of Revenues, Expenses and Changes in Fund Net Assets.

Capital contributions in the City's electric, water and sewer funds amounted to \$3.8 million. Capital contributions recorded as revenue for governmental activities totaled \$6.4 million. For reporting purposes these revenues are shown in the statement of activities as capital contributions program revenue.

GASB Statement No. 34--Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments ("GASB 34")

Statement No. 34 affects the manner in which the City records transactions and presents financial information. The goal of Statement No. 34 is to make the Comprehensive Annual Financial Reports (CAFRs) of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private sector financial reports. GASB Statement No. 34 establishes new requirements and a new reporting model for state and local governments that more closely resemble private sector financial reporting.

The governmental fund financial statements continue to be presented as a building block for the new GASB 34 statements. However, the following are new sections not previously included in the CAFR:

- a. *Management's Discussion and Analysis*--GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private sector organizations.
- b. *Government-Wide Financial Statements*--The reporting model includes financial statements prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities but also capital and other long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets--The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). The City now reports all capital assets in the government-wide statement of net assets, and reports depreciation expense--the cost of "using up" capital assets--in the statement of activities. The net assets of the City are broken down into three categories: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted.

Statement of Activities--The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

The government-wide financial statements split the City programs between governmental and business-type activities. The beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from the previous year. The beginning net asset amount for governmental activities reflects fund balance for governmental funds at October 1, 2002 adjusted for the conversion to the accrual basis of accounting and the consolidation of internal service fund's net assets.

As a result of implementing GASB 34, the previously reported governmental fund balance reconciles to net assets of the governmental activities as of October 1, 2002 as follows:

Fund Balance October 1, 2002	\$	66,531,940
Net Capital Assets		104,152,633
Long-term Liabilities		(76,455,099)
Interest Expense		(473,737)
Deferred Revenue		631,768
Internal Service Fund Assets		16,422,002
Net Assets, October 1, 2002	\$	<u>110,809,507</u>

GASB Statement No. 36--Recipient Reporting for Certain Shared Nonexchange Revenues ("GASB 36")

GASB Statement No. 36 amends GASB Statement No. 33 with respect to the manner in which shared nonexchange revenues are accounted for by recipient governments.

GASB Statement No. 37--Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus ("GASB 37")

This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

GASB Statement No. 38--Certain Financial Statement Note Disclosures ("GASB 38")

This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

GASB Statement No. 39--Determining Whether Certain Organizations Are Component Units ("GASB 39")

This statement establishes additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

GASB Statement No. 41--Budgetary Comparison Schedules--Perspective Differences--An Amendment of GASB Statement No. 34 ("GASB 41")

This statement amends paragraph 130 of Statement No. 34 and applies to all state and local governments.

GASB Interpretation No. 6--Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

GASB Interpretation No. 6 clarifies the application of existing standards for distinguishing the respective portions of certain types of liabilities that should be reported as (a) governmental fund liabilities and expenditures and (b) general long-term liabilities of the City.

E. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash and cash equivalents are short term highly liquid investments that are (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Therefore, for purposes of the statement of cash flows, cash and cash equivalents (including restricted assets) include demand accounts, repurchase agreements, and government securities and agency notes with original maturities of three months or less when purchased.

All cash, except for petty cash accounts, is deposited with the City's depository bank (First American Bank, Bryan, Texas) in interest bearing accounts or is invested.

The City uses a pooling method to account for cash and cash equivalents. Equity in cash and cash equivalents and interest income from the cash pool is allocated to the participating funds on a monthly basis. The amount of the allocation is determined by calculating a ratio of each fund's equity in the pool to the total pool.

Investments

Investments are made in accordance with the City's Investment Policy which was adopted by the City Council in June 2003. This policy is applicable to all City funds and permits investment in obligations of the U.S. Government or its agencies, repurchase agreements, commercial paper, certificates of deposit, guaranteed investment contracts, public funds investment pools, and money market mutual funds. This policy states that the Director of Fiscal Services shall designate the City's Investment Officer with whom responsibility and authority for investment transactions reside.

The investments purchased under the provisions of the Investment Policy are managed to maintain liquidity for meeting the City's needs for cash and to limit potential market risks in periods of rising interest rates which depress the market value of securities. As a guideline, maturity of securities should not exceed five years for cash management purposes, with an optimum weighted average maturity of less than two years. Investments in securities of a longer maturity than two years are considered prudent for funds maintained for capital construction and debt service funds, if necessary to meet projected disbursement schedules.

As a general guideline, the City's cash management portfolio is designed with the objective of meeting, over the course of full market cycles, the average return on three-month U.S.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Treasury Bills, or the average rate of federal funds, whichever is higher. These indices are considered benchmarks for riskless investment transactions and therefore comprise a standard for the portfolio's rate of return. The investment program seeks to augment rates of return above this level. In a diversified portfolio, measured losses are inevitable and must be considered within the context of the overall portfolio. The objective in investment of construction funds is at least to match inflation increases in construction costs.

Active portfolio management includes the practice of selling securities prior to maturity and using the proceeds to purchase other securities. Such "swaps" are performed for a variety of valid reasons: to lengthen maturities as interest rates rise, to secure market profits and shorten maturities as interest rates fall, and to take advantage of the differences in relative yield between different types of securities and varying maturities. "Swap" analysis is the responsibility of the City Investment Officer and the decision to execute the "swap" rests with him. To protect the portfolio from imprudent trading, no security may be sold until such time as the current market value of the security plus interest earned from date of purchase is at least equal to the purchase price of that security.

State statutes authorize the City to invest in fully-insured time deposits, direct debt securities of the United States or its agencies, and fully collateralized repurchase agreements. The repurchase agreements must be purchased pursuant to a master repurchase agreement which specifies that the transaction be held in a safekeeping account subject to the control and custody of the City.

Investments in security repurchase agreements may be made only with the City's depository bank, with state or national banks domiciled in the state of Texas, or with securities dealers reporting to the Federal Reserve Bank of New York ("Primary I. Dealers"). All securities are purchased delivery-vs.-payment and held in the City's name in a safekeeping account at JP Morgan Chase Bank.

Investments of all funds consist mainly of U. S. Treasury and Agency securities, flexible repurchase agreements, and investments in public funds investment pools (TexPool). Investments are stated at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

The City also uses a pooling method to account for investments. Equity in investments and interest income from the investment pool is allocated to the participating funds on a monthly basis and is determined by calculating a ratio of each fund's equity in the investment pool to the total pool.

GASB Statement No. 31 provides that governmental entities may report all investments at fair value or they may elect to report certain money market investments and participating interest-earning investment contracts at amortized cost. The City has elected to report all investments at fair value.

Inventories and Prepaid Costs

Inventories are accounted for using the consumption method and are valued at year-end based on cost, with cost determined using an average cost method.

Payments made to vendors for services that will benefit periods beyond September 30, 2003, are recorded as prepaid costs with a reserve for prepaid items recognized in the governmental funds in the fund level financial statements to signify that a portion of fund balance is not available for other subsequent expenditures.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Interfund Transactions and Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Restricted Assets

In the Enterprise Funds, proceeds of utility revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, customer utility deposits are classified as restricted assets because the deposit remains the property of the customer and is not available for operations. In the General Fund, restricted assets are comprised of Municipal Court cash bonds, Municipal Court security funds, Municipal Court technology funds, and police seizure funds, all of which are not available for operations.

Investment in Joint Venture

The Proprietary Funds' investment in joint venture is recorded using the equity method of accounting. Required disclosures concerning the joint venture are presented in Note V-C.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Assets owned by the electric utility are capitalized in accordance with Federal Energy Regulatory Commission (FERC) guidelines. Furthermore, assets owned by either the water or sewer utilities are capitalized in accordance with the National Association of Regulatory Utility Commissioners (NARUC) guidelines. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. In accordance with Financial Accounting Standards Board Statement No. 71, interest is not capitalized during construction of capital assets of business-type activities because interest is recovered currently in the City's established rate.

Beginning in FY 03 the estimated useful lives for the utility systems have been adjusted prospectively to coordinate with FERC or NARUC standards. All other estimated lives have been adjusted to comply with GFOA recommended practices guidelines.

Depreciation of all assets is recorded and calculated using the straight-line method over the following estimated useful lives:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Electric System	1-50 Years
Water System	2-50 Years
Sewer System	2-50 Years
Infrastructure	10-50 Years
Buildings and Building Improvements	5-50 Years
Land Improvements	10-45 Years
Machinery and Equipment	5-20 Years
Motor Vehicles	3-12 Years
Furniture, Fixtures and Office Equipment	5-20 Years

The amounts reported for governmental-type infrastructure are based on historical data and are subject to adjustments as a result of an appraisal to be conducted during fiscal year 2004.

Compensated Absences

Employees are credited with vacation at rates of 10 to 20 days per year, depending upon length of service. Carryover of unused vacation time from one year to the next is allowed for a maximum of two years. Upon termination, the respective employees are paid for any accrued vacation not taken (up to the two-year maximum). Accumulated vacation is accrued when earned in the government-wide and proprietary fund financial statements. No liability has been recorded in the governmental fund financial statements.

Employees are credited with sick leave at the rate of one day per month. There is no maximum to the number of sick days that each employee can accumulate. Because the City does not pay employees for unused accumulated sick leave, no related liability has been recorded in the financial statements.

Long-Term Obligations

In the government-wide financial statements and in the fund financial statements for the proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amounts on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

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

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

E. Budgetary Control

The City follows these procedures in establishing the budgetary data:

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means for financing them.
2. All budget requests are compiled by the Office of Budget and Strategic Planning and then presented with comparative and supporting data to the Mayor and City Council for review.
3. Public hearings are properly advertised and conducted at City Hall for taxpayer comments.
4. Prior to September 27, the budget is legally enacted through passage of an ordinance.
5. The City Council must approve all transfers of budgeted amounts between departments within any fund and any revision that alters the total expenditures of any fund. An amount is also budgeted each year for contingencies which may arise. The Council has authorized the City Manager to make budget transfers for contingencies if the amount does not exceed \$15,000. All other transfers must be approved by City Council. City Council may transfer amounts among individual budget line items within major expenditure categories during the year, but no such transfer may increase the overall total budget. Budgeted amounts as originally adopted were not significantly changed by such transfers during the year.
6. In accordance with the City Charter, the budget may be amended after the following conditions are met: (a) The City Manager certifies that there are available revenues in excess of those estimated in the budget. (b) The City Council holds a public hearing on the supplemental appropriation. (c) The City Council approves the supplemental appropriation. Management may not amend the budget without seeking the approval of the City Council.

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance--total governmental funds* and *net assets--governmental activities* as reported in the government-wide statement of net assets. The details of this \$55,678,634 difference are as follows:

When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of Capital Assets	\$ 145,302,009
Accumulated Depreciation	(29,708,471)
Net Capital Assets	<u>\$ 115,593,538</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

reported as fund liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net assets.

Bonds Payable	\$ (75,695,000)
Accrued Interest Payable	(469,476)
Compensated Absences	(1,604,254)
	<u>\$ (77,768,730)</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and, thus, are not included in fund balance. Deferred revenue for emergency medical services, paving assessments, and property taxes shown on the governmental fund statements is not deferred on the statement of net assets.

Deferred property tax revenue	\$ 331,582
Deferred emergency medical services revenue	306,037
Paving assessment revenue	21,796
	<u>\$ 659,415</u>

Internal service funds are used by management to charge certain activities, such as self insurance, print-mail services, and fleet maintenance, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

\$ 17,194,410

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances--total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$5,041,727 difference are as follows:

Capital Outlay	\$ 9,011,549
Depreciation Expense	<u>(3,969,822)</u>
Net Adjustment to increase <i>net changes in fund balances--total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 5,041,727</u>

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The details of the \$6,399,178 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not a financial resource.	<u>\$ 6,399,178</u>
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Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$750,000 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and certificates of obligation	\$ 6,570,000
Principal Payments	<u>(5,820,000)</u>
Net Adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 750,000</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$89,894 difference are as follows:

Compensated absences	\$ 94,155
Accrued interest	<u>(4,261)</u>
Net Adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 89,894</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Council approved two budget amendments during fiscal year 2003. Those budgets amendments included the following appropriations:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Gainsharing	\$ 171,094
Fire Equipment	128,760
Professional Services for Cable	
Franchise Renewal	100,000
Street Improvement Land Purchase	115,000
Parks Summer Tennis Program	5,500
Arts Council Building	200,000
Water/Sewer Taps	100,000
Workers' Compensation Claims	100,000
Electric Litigation Settlement	8,700,000

1. Budget appropriations are adopted at the fund level for all funds except the General Fund. In the General Fund, budget appropriations are adopted at the department level. Expenditures in excess of appropriations for each fund are prohibited by the City Charter. Appropriations which have not been expended or lawfully encumbered lapse at the end of the budget year.
2. Formal budgetary integration is legally enacted and employed as a management control device during the year for all funds.
3. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities.

B. Excess of Expenditures Over Appropriations

The amounts of any excesses of expenditures/expenses over appropriations during fiscal year 2003, and the funds in which they occurred are as follows:

Fund	Amount
Debt Service	\$ 15,663
Fleet Maintenance	129,121
Print/Mail	47,603
Property and Casualty	85,352
Workers' Compensation	149,790

Unbudgeted interest expense on the 2003 Certificate of Obligation led to the \$15,663 excess in the Debt Service Fund. Higher than expected expenses for supplies resulted in the \$129,121 excess in the Fleet Maintenance Fund, and the \$47,603 excess in the Print/Mail Services Fund is a result of higher than expected salaries and benefits, supplies and capital outlay expenditures.

In the Property and Casualty and Workers' Compensation Funds, higher than expected expenses for claims, administration fees, and premiums resulted in the \$85,352 and \$149,790 excess.

C. Deficit Fund Balance / Unreserved Retained Earnings

The Communication Services Fund, Fleet Maintenance Fund, Print/Mail Fund, and Workers' Compensation Fund ended the fiscal year with an Unreserved Retained Earnings deficit. The

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

\$31,351 deficit in the Communication Services Fund, the \$42,350 deficit in the Fleet Maintenance Fund, and the \$2,584 deficit in the Print/Mail Fund are all primarily due to unbudgeted depreciation expense. The \$21,673 deficit in the Workers' Compensation Fund is primarily due to higher than expected expenses for claims and premiums.

IV. Detailed Notes on All Funds

A. Change in Accounting Policy

The City implemented GASB 34 for the fiscal year ended September 30, 2003. The following adjustments were made in order to properly state beginning net assets using the full accrual method of accounting:

Restatement of Beginning Net Assets for Governmental Funds

Net Assets:

Fund balance at September 30, 2002, as previously reported for:

Governmental fund types

General	\$ 10,111,225
Special Revenue	15,616,606
Debt Service	2,355,213
Capital Projects	37,705,829
Cemetery Perpetual Care	743,067
Total fund balances at September 30, 2002 as previously reported	<u>66,531,940</u>

Prior period adjustments

GASB Statement No. 34 adjustments

Beginning residual balances from internal activities accounted for as Internal Service Funds	16,422,002
Net capital assets	104,152,633
Long-term liabilities - Prior Years Compensated Absences	(1,510,099)
Long-term liabilities - Debt	(74,945,000)
Interest expense related to prior years	(473,737)
Deferred revenue related to prior years	631,768
	<u>44,277,567</u>

Net Assets - Governmental Funds at October 1, 2002	<u>\$ 110,809,507</u>
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In addition several adjustments were made to the fund financial statements in order to properly record the activity in accordance with the recent accounting pronouncements.

B. Cash and Investments

Deposits

State statutes require that all deposits in financial institutions be fully collateralized with depository insurance or by U.S. Government obligations or its agencies and instrumentalities or by direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. At year end, the City's demand deposits at First American Bank were entirely covered by federal depository insurance or by

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

collateral held by the City's custodial bank (Federal Home Loan Bank of Dallas) in the City's name. At year end, the carrying amount of the City's demand deposits was \$1,062,363, and the bank balance was \$1,339,853.

Investments

The City's investment program is guided by State statutes, by various City ordinances, and by the City's investment policy which amplifies those guidelines and prescribes how the City will operate its investment program in accordance with applicable laws and regulations. This policy further sets forth (a) the basic principles governing the investment of City funds, (b) the objectives of the City's investment program, and (c) the authority, responsibilities, limitations, documentation and requirements to be used in the administration and operation of the City's investment program.

Investments authorized by the City's investment policy are those approved by the revised State of Texas Public Funds Investment Act of 1997 and the Texas Public Funds Collateral Act of 1989. These investments include the following:

- Obligations of the United States or its agencies and instrumentalities;
- Direct obligations of the State of Texas or its agencies;
- Other obligations, the principal of and interest on which is unconditionally guaranteed or insured by the State of Texas or the United States or its agencies;
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;
- Certificates of deposit issued by state and national banks domiciled in Texas that are secured by obligations qualified as acceptable collateral;
- Certificates of deposit issued by savings and loan associations domiciled in Texas that are secured by obligations qualified as acceptable collateral;
- Prime domestic bankers' acceptances;
- Commercial paper with a stated maturity of 270 days or less from the date of issuance that is rated not less than "A-1," "P-1," or its equivalent;
- Fully collateralized repurchase agreements having a defined termination date, secured by qualified obligations, pledged with a third party, and placed through a primary government securities dealer as defined by the Federal Reserve, or a bank domiciled in Texas;
- Money-market mutual funds that are SEC registered no-load funds with dollar-weighted average portfolio maturity of 120 days or less; or
- Public funds investment pools.

The City's investment policy prohibits the substitution of collateral on repurchase agreements without prior approval by the City. Also, reverse repurchase agreements are prohibited by the policy.

The City's investment portfolio is comprised of the following classifications of securities:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

	<u>As a Percentage</u>
Bank Demand Accounts	1.00%
U.S. Treasury Securities	1.50%
U.S. Government Agencies and Instrumentalities Securities	59.00%
Texas Local Government Investment Pool	24.00%
Fidelity Money Market Mutual Fund	9.50%
Flexible Repurchase	5.00%
Total	<u>100.00%</u>

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes securities that are insured or registered, or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered securities, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered securities, with securities held by the counterparty in the City's name, or held by the counterparty's trust department or agent, but not in the City's name.

All securities held at September 30, 2003 were Category 1 investments with the exception of Texpool. The fair value of all investments was as follows:

	<u>Fair Value</u>
Bank Demand Accounts	\$ 1,208,248
U.S. Treasury Securities	1,812,372
U.S. Government Agencies and Instrumentalities Securities	71,286,648
Texas Local Government Investment Pool	28,997,959
Fidelity Money Market Mutual Fund	11,478,359
Flexible Repurchase	6,041,241
Total	<u>\$ 120,824,827</u>

"TexPool" is a local government investment pool created and managed by the Texas State Treasurer to invest funds on behalf of Texas political subdivisions. The pool operates on a \$1.00 net asset value basis and allows same day or next day redemptions and deposits. Interest is allocated daily based on portfolio earnings and participant account balances. The City's investment in TexPool is stated at cost, which approximates fair value. The fair value of Texpool's investments as a whole was at least 102% of the book value as of September 30, 2003. The fair value of the City's investment is the same as the value of the pool shares.

TexPool is not managed by the City, and the City does not possess securities that exist in either physical or book entry form. Consequently, these securities have not been classified.

Under the Texas Public Funds Investment Act, TexPool must maintain an AAA or equivalent rating from at least one nationally recognized rating agency. TexPool is currently rated AAAM by Standard and Poor's.

The revenue bond ordinances require disclosure of the investments held by the reserve fund. Sufficient investments exist in the pool to adequately meet reserve fund requirements. A detailed list of those securities is available in the office of the Director of Fiscal Services.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

C. Receivables

Receivables as of year end for the City's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities:

	General	Debt Service	Streets Projects	Nonmajor	Internal Service Fund Allocation	Total
Taxes:						
Property	\$ 126,225	\$ 205,357	\$ -	\$ -	\$ -	\$ 331,582
Beverage	108,557	-	-	-	-	108,557
Sales Tax	1,117,403	-	-	-	-	1,117,403
Subtotal Taxes	<u>1,352,185</u>	<u>205,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,557,542</u>
Accrued Interest	37,049	4,140	63,595	88,905	26,093	219,782
Grants	87,528	-	-	323,399	-	410,927
Accounts/Charges for Services	499,079	-	246,774	211,977	142,315	1,100,145
Special Assessments	21,796	-	-	-	-	21,796
Miscellaneous	37,513	-	-	9,356	-	46,869
Total Gross Governmental	<u>2,035,150</u>	<u>209,497</u>	<u>310,369</u>	<u>633,637</u>	<u>168,408</u>	<u>3,357,061</u>
Less Allowance for Uncollectible	<u>(48,865)</u>	<u>-</u>	<u>(246,774)</u>	<u>(18,973)</u>	<u>(2,711)</u>	<u>(317,323)</u>
Net Total Receivables	<u>\$ 1,986,285</u>	<u>\$ 209,497</u>	<u>\$ 63,595</u>	<u>\$ 614,664</u>	<u>\$ 165,697</u>	<u>\$ 3,039,738</u>

Business-type Activities:

	Electric	Water	Sewer	Nonmajor	Internal Service Fund Allocation	Total
Accrued Interest	\$ 11,152	\$ 30,243	\$ 11,124	\$ 5,610	\$ 166	\$ 58,295
Accounts/Charges for Services	6,732,462	996,484	1,038,125	596,222	18,154	9,381,447
Miscellaneous	1,106,193	-	-	215,493	8,945	1,330,631
Total Gross Major Enterprise	<u>7,849,807</u>	<u>1,026,727</u>	<u>1,049,249</u>	<u>817,325</u>	<u>27,265</u>	<u>10,770,373</u>
Less Allowance for Uncollectible	<u>(1,494,930)</u>	<u>(39,762)</u>	<u>(78,114)</u>	<u>(46,479)</u>	<u>(13,692)</u>	<u>(1,672,977)</u>
Net Total Receivables	<u>\$ 6,354,877</u>	<u>\$ 986,965</u>	<u>\$ 971,135</u>	<u>\$ 770,846</u>	<u>\$ 13,573</u>	<u>\$ 9,097,396</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property Tax	\$ 331,583	\$ -	\$ 331,583
Special Assessments	21,796	-	21,796
Fines and Penalties	-	677,838	677,838
Emergency Services	306,037	-	306,037
Other	36,975	-	36,975
	<u>\$ 696,391</u>	<u>\$ 677,838</u>	<u>\$ 1,374,229</u>

D. Capital Assets

Capital asset activity for the year ended September 30, 2003 was as follows:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 18,240,824	\$ 1,473,503	\$ -	\$ 19,714,327
Construction in Progress	18,000,215	11,227,758	(15,384,869)	13,843,104
Total Capital Assets, Not Being Depreciated	36,241,039	12,701,261	(15,384,869)	33,557,431
Capital Assets, Being Depreciated				
Buildings and Building Improvements	18,739,391	3,913,006	-	22,652,397
Improvements Other Than Buildings	10,469,640	3,189,044	-	13,658,684
Machinery and Equipment	25,278,189	2,832,690	(1,941,048)	26,169,831
Infrastructure	58,129,552	10,969,551	-	69,099,103
Total Capital Assets, Being Depreciated	112,616,772	20,904,291	(1,941,048)	131,580,015
Less Accumulated Depreciation for:				
Buildings and Building Improvements	4,288,635	368,012	-	4,656,647
Improvements Other Than Buildings	5,324,444	540,149	-	5,864,593
Machinery and Equipment	14,522,563	3,858,331	(1,514,227)	16,866,667
Infrastructure	11,850,216	1,875,147	-	13,725,363
Total Accumulated Depreciation	35,985,858	6,641,639	(1,514,227)	41,113,270
Total Capital Assets Being Depreciated, Net	76,630,914	14,262,652	(426,821)	90,466,745
Governmental Type Activities Capital Assets, Net	\$ 112,871,953	\$ 26,963,913	\$ (15,811,690)	\$ 124,024,176
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 672,811	\$ -	\$ -	\$ 672,811
Construction in Progress	28,078,744	13,146,015	(10,104,015)	31,120,744
Total Capital Assets, Not Being Depreciated	28,751,555	13,146,015	(10,104,015)	31,793,555
Capital Assets, Being Depreciated				
Electric System	79,373,678	4,887,640	(747,132)	83,514,186
Water System	56,947,504	3,482,701	(20,819)	60,409,386
Sewer System	56,734,151	2,466,226	(29,717)	59,170,660
Buildings and Building Improvements	5,608,687	114,376	-	5,723,063
Improvements Other Than Buildings	-	-	-	-
Machinery and Equipment	1,567,168	69,875	(225,801)	1,411,242
Total Capital Assets, Being Depreciated	200,231,188	11,020,818	(1,023,469)	210,228,537
Less Accumulated Depreciation for:				
Electric System	34,454,084	2,262,193	(337,884)	36,378,393
Water System	17,593,109	1,031,967	(28,447)	18,596,629
Sewer System	13,728,525	1,788,749	(30,335)	15,486,939
Buildings and Building Improvements	140,179	140,217	-	280,396
Improvements Other Than Buildings	-	-	-	-
Machinery and Equipment	1,456,060	36,911	(188,575)	1,304,396
Total Accumulated Depreciation	67,371,957	5,260,037	(585,241)	72,046,753
Total Capital Assets Being Depreciated, Net	132,859,231	5,760,781	(438,228)	138,181,784
Business Type Activities Capital Assets, Net	\$ 161,610,786	\$ 18,906,796	\$ (10,542,243)	\$ 169,975,339

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Depreciation expense was charged to governmental activities of the City as follows:

Development Services	\$ 18,744
Fire	97,797
Fiscal Services	54,072
General Government	48,028
Office of Technology and Information Services	351,430
Parks and Recreation	598,987
Police	99,599
Public Works	157,385
Non-departmental	2,543,780
Total Depreciation Expense	<u>\$ 3,969,822</u>

E. Interfund Transactions

Transfers between funds during the year were as follows:

	Transfers In	Transfers Out	Governmental Activities, net	Business-type Activities, net
General Fund	\$ 6,741,826	\$ (1,103,590)	\$ 5,638,236	\$ -
Debt Service Fund	958,500	-	958,500	-
Special Revenue Funds:				
Community Development	-	(147,504)	(147,504)	-
Convention Center	-	(742,500)	(742,500)	-
Hotel/Motel	-	-	-	-
Melrose TIF	652	-	652	-
Parks Escrow	1,040	-	1,040	-
Capital Projects Funds:				
Business Park Projects	-	-	-	-
Drainage Projects	34,432	-	34,432	-
General Government Projects	75,450	-	75,450	-
Parks Projects	-	-	-	-
Streets Projects	98,790	-	98,790	-
Enterprise Funds:				
Electric	-	(4,778,314)	-	(4,778,314)
Water	-	(911,412)	-	(911,412)
Sewer	-	(832,648)	-	(832,648)
Sanitation	-	(331,468)	-	(331,468)
Parking	-	(368)	-	(368)
Internal Service Funds:				
Communication Services	49,300	(1,363)	47,937	-
Employee Benefits	-	-	-	-
Equipment Replacement	972,144	(216,000)	756,144	-
Fleet Maintenance	-	(2,708)	(2,708)	-
Print-Mail Services	-	(255)	(255)	-
Property and Casualty	22,500	-	22,500	-
Unemployment	-	-	-	-
Utility Billing	-	(2,142)	-	(2,142)
Workers' Compensation	115,638	-	115,638	-
	<u>\$ 9,070,272</u>	<u>\$ (9,070,272)</u>	<u>\$ 6,856,352</u>	<u>\$ (6,856,352)</u>

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

The composition of due to/due from balances as of September 30, 2003 is as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Fleet Maintenance Fund	\$19,271
Electric Fund	Hotel/Motel Tax Fund	\$200,000

F. Deferred Charges

See Note IV C.

G. Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2003 is as follows:

	<u>Beginning Balance</u>	<u>Incurred/ Issued</u>	<u>Matured/ Retired</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$41,665,000	\$4,790,000	\$3,285,000	\$43,170,000	\$2,875,000
Certificates of Obligation	33,280,000	1,780,000	2,535,000	32,525,000	2,805,000
Accrued Vacation	1,547,337	1,069,681	972,338	1,644,680	80,413
Governmental Activity Long Term Debt	<u>\$76,492,337</u>	<u>\$7,639,681</u>	<u>\$6,792,338</u>	<u>\$77,339,680</u>	<u>\$5,760,413</u>
Business-type Activities:					
Utility Revenue Bonds	\$78,235,000	\$16,010,000	\$14,565,000	\$79,680,000	\$4,025,000
Accrued Vacation:					
Electric Fund	118,665	131,849	123,409	127,105	3,198
Water Fund	52,773	49,679	56,375	46,077	3,171
Sewer Fund	59,908	50,866	53,171	57,603	3,853
Other Enterprise	73,172	90,823	91,526	72,469	5,762
Business-type Activity Long Term Debt	<u>\$78,539,518</u>	<u>\$16,333,217</u>	<u>\$14,889,481</u>	<u>\$79,983,254</u>	<u>\$4,040,984</u>

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Long-term debt at September 30, 2003 includes the following individual issues (not including unamortized premiums or discounts):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
General Obligation Bonds:						
1991 Issue	6.00-8.00	12/23/91	2/15/12	\$ 4,625,000	\$ 3,875,000	\$ 750,000
1994 Issue	5.50-7.50	8/15/94	2/14/14	6,250,000	3,200,000	3,050,000
1995 Issue	5.10-7.00	8/1/95	2/15/13	4,700,000	1,450,000	3,250,000
1996 Issue and Refunding	4.70-7.50	12/1/96	2/15/15	11,845,000	6,450,000	5,395,000
1998 Issue	4.50-6.50	4/1/98	2/15/17	6,200,000	940,000	5,260,000
1999 Issue	3.40-5.40	4/15/99	2/15/17	6,230,000	895,000	5,335,000
2000 Issue	5.00-7.00	4/13/00	2/15/18	8,460,000	1,545,000	6,915,000
2001 Issue	5.00-7.00	8/1/01	2/15/17	4,140,000	1,465,000	2,675,000
2002 Issue	4.25-6.25	3/1/02	2/15/21	6,445,000	695,000	5,750,000
2003 Issue	3.00-5.00	7/9/03	2/15/23	4,790,000	-	4,790,000
				<u>\$ 63,685,000</u>	<u>\$ 20,515,000</u>	<u>\$ 43,170,000</u>
Certificates of Obligation:						
1998 Issue	4.55-7.30	4/1/98	2/15/17	\$ 5,500,000	\$ 835,000	\$ 4,665,000
2000 Issue	5.00-7.00	4/13/00	2/15/18	4,050,000	945,000	3,105,000
2000A Issue	4.75-6.75	8/1/00	2/15/20	8,100,000	1,335,000	6,765,000
2001 Issue	3.50-5.00	8/2/01	2/15/20	3,650,000	920,000	2,730,000
2002 Issue	3.50-5.125	3/1/02	2/15/20	14,480,000	1,000,000	13,480,000
2003 Issue	2.50-3.25	12/5/02	2/15/08	1,000,000	-	1,000,000
2003A Issue	3.0-4.25	7/9/03	2/15/23	780,000	-	780,000
				<u>\$ 37,560,000</u>	<u>\$ 5,035,000</u>	<u>\$ 32,525,000</u>
Utility Revenue Bonds:						
1994 Issue	5.40-6.40	10/1/94	2/1/04	\$ 16,500,000	\$ 15,675,000	\$ 825,000
1995 Issue	5.25-6.25	8/1/95	2/1/16	6,000,000	2,100,000	3,900,000
1996 Issue	4.15-5.60	12/1/96	2/1/17	10,110,000	2,835,000	7,275,000
1998 Issue	4.55-6.50	4/1/98	2/1/17	2,700,000	425,000	2,275,000
2000 Issue	5.00-7.00	4/13/00	2/15/18	10,500,000	975,000	9,525,000
2001 Issue	3.50-5.50	8/1/01	2/15/21	23,500,000	1,315,000	22,185,000
2002 Issue	4.00-6.00	3/1/02	2/15/22	18,215,000	530,000	17,685,000
2003 Issue Refunding	3.50-4.25	12/5/02	2/1/14	11,160,000	-	11,160,000
2003A Issue	2.50-4.25	7/9/03	2/15/23	4,850,000	-	4,850,000
				<u>\$ 103,535,000</u>	<u>\$ 23,855,000</u>	<u>\$ 79,680,000</u>

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

The annual requirements to amortize debt outstanding as of September 30, 2003 follows. Due to the nature of the obligation for accrued vacation, annual requirements to amortize such obligations are not determinable and have not been included in the following summary:

Year Ended September 30,	Governmental Activities					
	General Obligation		Certificates of Obligation			
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 2,875,000	2,074,199	\$ 2,805,000	\$ 1,506,320		
2005	2,640,000	1,904,989	2,940,000	1,360,454		
2006	2,480,000	1,772,597	2,405,000	1,237,781		
2007	2,590,000	1,648,470	2,075,000	1,140,797		
2008	2,680,000	1,520,654	1,900,000	1,054,145		
2009-2013	15,020,000	5,477,286	7,600,000	4,216,951		
2014-2018	11,865,000	1,997,911	9,430,000	2,081,466		
2019-2023	3,020,000	281,700	3,370,000	190,765		
	<u>\$ 43,170,000</u>	<u>\$ 16,677,806</u>	<u>\$ 32,525,000</u>	<u>\$ 12,788,679</u>		

Year Ended September 30,	Business-Type Activities					
	Electric		Water		Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 1,053,250	\$ 785,373	\$ 1,157,068	\$ 1,276,969	\$ 1,814,682	\$ 1,698,164
2005	1,256,500	722,089	1,258,700	1,224,548	1,894,800	1,596,642
2006	1,269,000	673,697	1,309,300	1,167,298	1,941,700	1,493,537
2007	1,064,750	628,524	1,182,000	1,112,451	1,898,250	1,395,787
2008	1,082,250	587,329	1,242,850	1,059,629	1,949,900	1,306,178
2009-2013	5,689,250	2,234,762	7,213,000	4,305,735	10,577,750	5,006,596
2014-2018	4,325,250	1,075,432	8,799,100	2,344,115	9,360,650	2,307,650
2019-2023	2,982,500	317,690	5,025,850	449,017	4,331,650	384,943
	<u>\$ 18,722,750</u>	<u>\$ 7,024,896</u>	<u>\$ 27,187,868</u>	<u>\$ 12,939,762</u>	<u>\$ 33,769,382</u>	<u>\$ 15,189,497</u>

The City intends to retire all of its general long-term liabilities, plus interest, from ad valorem taxes. The proprietary fund type long-term debt will be repaid, plus interest, from the operating revenues of the Electric, Water, and Sewer Funds.

General Obligation Bonds and Certificates

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The City is required by bond covenants to create from ad valorem tax revenues a sinking fund sufficient to pay the current interest and principal installments as they become due. In addition to the sinking fund, there are a number of limitations and restrictions contained in the various general obligation bond and certificate indentures. The City is in compliance with the significant limitations and restrictions at September 30, 2003.

On July 9, 2003 the City issued \$4.79 million in General Obligation Bonds with a true interest cost of 3.75%. The proceeds from the sale of the bonds will be used for street projects, traffic

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

management projects, drainage projects, a new fire station, city facilities, and to pay the costs incurred in connection with the issuance of the bonds.

On December 5, 2002 the City issued \$1 million in Certificates of Obligation for the purchase of equipment and to pay the costs of the debt issuance. The true interest rate of this debt is 3.31%. The City also issued \$780,000 in Certificates of Obligation on July 9, 2003, the proceeds of which are to be used for streets projects and for the payment of costs incurred in connection with the debt issuance. The true interest rate of this debt is 3.83%.

Revenue Bonds

Utility system revenue bonds are secured by the net revenues of the Electric, Water, and Sewer Funds as defined in the respective bond indentures. The City pledges income derived from the acquired or constructed assets to pay the debt service. In addition, the City is required to maintain debt service funds and bond reserve funds for all outstanding revenue bonds. Amounts in the reserve fund are to be used to pay principal and interest on outstanding bonds at any time sufficient funds are not available in the bond interest and redemption fund. The bond indentures require that the City accumulate reserves to an amount equal to the average annual principal and interest requirements of all outstanding bonds secured by the net revenues of the system.

On July 9, 2003 the City issued \$4.85 million in utility revenue bonds with a true interest cost of 3.79%. Proceeds from the sale of the bonds will be used for electric, water and sewer system improvements and for payment of the costs incurred in connection with the issuance of the bonds.

Arbitrage Compliance

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the City to rebate to the federal government excess arbitrage earnings from bond proceeds. As of September 30, 2003, the City is not obligated to pay any future rebates.

Defeasance

On December 5, 2002 the City issued \$11.16 million in revenue refunding bonds with an average interest rate of 4.02% to refund \$10.75 million of Series 1993, 1993 Refunding, and 1994 with an average interest rate of 5.93%. As a result of this refunding, the City will reduce its total debt service payments over the next 6 years by approximately \$885,000 and will obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$720,738. The proceeds from the issuance of the bonds were used to purchase U.S. Government securities that were placed in an irrevocable trust with an escrow agent to provide debt service payments on the bonds being refunded. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the business-type activities column of the City's financial statements.

In prior years, the city defeased certain revenue refunding bonds totaling \$50,330,000 and certain general obligation bonds and certificates of obligation totaling \$18,392,126 by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

At September 30, 2003, the outstanding principal balance of the defeased revenue refunding bonds was \$1,400,000 and the outstanding principal balance of the defeased general obligation bonds and certificates of obligation was \$4,655,000.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

The assets, liabilities, and financial transactions of all of these trust accounts and the liability for refunded (defeased) bonds are not reflected in the financial statements of the City.

The tables below reflect refunded debt outstanding at September 30, 2003 and net of any amounts to be paid or retired by the trustee on October 1, 2003:

Refunded in Year Ended September 30, 2003

Utility System Revenue & Refunding Bonds, Series 1993	\$2,500,000
Utility System Revenue Bonds, Series 1994	8,250,000
	<u>\$10,750,000</u>

Refunded in Prior Years

Utility System Revenue Bonds, Series 1990	\$1,400,000
General Obligation Bonds, Series 1984	450,000
General Obligation Bonds, Series 1989	450,000
General Obligation & Refunding Bonds, Series 1991	1,425,000
General Obligation Refunding Bonds, Series 1996	2,330,000
	<u>\$6,055,000</u>

H. Reservations/Designations of Fund Balances and Net Assets

Fund balances for governmental activities have been reserved or designated at September 30, 2003 as follows:

	<u>Reserved</u>	<u>Designated</u>
Governmental Activities:		
General Fund:		
Reserved for Encumbrances	\$ 1,305,936	\$ -
Reserved for Inventory	54,825	-
Reserved for Police Seizure	15,402	-
Reserved for Court Technology	195,731	-
Reserved for Court Security	138,053	-
Reserved for Court Efficiency Improvements	18,347	-
Debt Service:		
Reserved for Bond Debt Service	1,636,307	-
Streets Projects:		
Reserved for Encumbrances	5,531,771	-
Reserved for Capital Projects	15,208,243	-
Other Governmental Funds:		
Reserved for Encumbrances	3,684,226	-
Reserved for Capital Projects	14,175,871	-
Reserved for Endowment	883,476	-
Designated for Convention Center	-	982,237
Total	<u>\$ 42,848,188</u>	<u>\$ 982,237</u>

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

V. OTHER INFORMATION

A. Property Taxes

Property tax is levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council.

Taxes are due October 1 and are delinquent after the following January 31. Tax liens are automatic and become enforceable as of January 1 of each year. Taxes become delinquent February 1 and are subject to interest and penalty charges. The tax rate to finance general governmental services including debt service was 47.77 cents per \$100 of assessed valuation for the year ended September 30, 2003. Under current state statutes, the City's ability to increase the levy for property taxation is subject to a maximum rate of \$2.50 per \$100 valuation.

The Brazos County Appraisal District ("Appraisal District") is responsible for the recording and appraisal of property for all taxing units in Brazos County. The Appraisal District is required to assess property at 100 percent of its appraised value. Real property must be reappraised at least every three years. The City may, at its own expense, require annual reviews by the Appraisal District through various appeals and, if necessary, legal action. Under this system, if the rate, excluding tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than eight (8) percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight (8) percent above the tax rate of the previous year.

Brazos County bills and collects the property taxes for the City.

B. Risk Management

A government entity, such as the City of College Station, is faced with many risks. These risks can be generally subdivided into four categories of loss: direct property loss, indirect property loss, liability loss, and personnel losses. The City employs a combination of risk management strategies to provide acceptable levels of protection regarding these potential risks.

The City is insured by the Texas Municipal League Intergovernmental Risk Pool, (TMLIRP) for all of its real and personal property and mobile equipment. TMLIRP is funded by calculated contributions from the City's operating funds and provides all of the claims handling for these lines of coverage. The City carries a \$100,000.00 deductible per occurrence on its property insurance policy with TMLIRP. Property insurance covers all direct losses and some indirect losses.

On all lines of liability coverage, the City is self-insured. The City has procured excess liability coverage through State National Insurance Company that is A.M. Best rated A-VII. The self-insured retention ("SIR") is \$250,000.00 per claim. The claims are handled by a third party claims administrator ("TPA") located in Houston, Texas.

The City is also self-insured on its workers' compensation coverage. The City opted for excess workers' compensation coverage with a SIR of \$250,000 per claim feature. The City's carrier is State National Insurance Company, and the TPA handles all of the workers' compensation claims. In the event of a simultaneous liability and workers' compensation claim, only one SIR applies.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

The City's runoff claims for liability and worker compensation is estimated to be less than \$150,000.00. Historically, the City's incurred but not reported claims are immaterial to its approach to claim funding.

Lastly, the City also uses its Unemployment Fund to account for self-insurance activity involving claims filed under unemployment compensation laws. Monthly contributions based on a percentage of payroll are determined each year during the budget process and are used to fund this activity.

Settlements have not exceeded coverages for each of the past three fiscal years.

The liabilities for insurance claims reported in each of the funds are based on Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and if the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims. Changes in the balances of claims liabilities for the self-insurance funds that are accounted for as Internal Service Funds for fiscal years 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Unpaid Claims, October 1	\$151,495	\$412,677
Incurred Claims (including IBNR's)	826,091	846,134
Claims Paid	<u>(558,727)</u>	<u>(1,107,316)</u>
Unpaid Claims, September 30	<u>\$418,859</u>	<u>\$151,495</u>

C. Joint Venture

In May 1990, the City of College Station joined the City of Bryan in creating BVSWMMA. The primary purpose of BVSWMMA is to achieve economy of scale savings for the participants through joint ownership and use of regional waste management facilities. Each city holds a 50% interest and ownership in BVSWMMA.

BVSWMMA is governed by an Administrative Board of Trustees ("Board") comprised of the City Manager and a staff person from each city; in addition, the Mayors of each city serve alternating two-year terms on the Board. The Board has complete responsibility for the daily operating activities of BVSWMMA. After Board approval, the BVSWMMA annual budget is presented for approval by both cities as a part of their regular budget.

The City's share of BVSWMMA's change in net assets for fiscal 2003 was \$1,316,660.

The following is a summary of information from the audited financial statements of BVSWMMA as of September 30, 2003:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

	<u>2003</u>
Assets:	
Current Assets	\$ 12,157,013
Capital Assets	
(Net of \$4,223,732 Accumulated Depreciation)	4,031,163
Deferred Landfill Permits	
(Net of \$355,233 Accumulated Amortization)	<u>2,169,484</u>
Total Assets	<u>18,357,660</u>
Liabilities:	
Current Liabilities	586,729
Noncurrent Liabilities:	
Accrued Post Closure Maintenance Costs	<u>2,558,562</u>
Total Liabilities	<u>3,145,291</u>
Net Assets:	
Invested in Capital Assets	4,031,163
Unrestricted	<u>11,181,206</u>
Total Net Assets	<u>\$ 15,212,369</u>
Program Revenues	\$ 5,383,382
Program Expenses	<u>3,068,038</u>
Program Income	2,315,344
General Revenues	<u>317,975</u>
Change in Net Assets	<u>\$ 2,633,319</u>

A copy of BVSWMA's separate audited financial statements may be obtained from the City's Fiscal Services Department.

D. RETIREMENT PLAN

The City has adopted GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and GASB Statement No. 27, Accounting for Pensions by State and Local Government Employees. These statements require the following disclosures:

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of 774 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

establishment of the plan. Monetary credits for service since the plan began are 200 percent of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit Rate:	6%
Matching Ratio (City to Employee):	2 to 1
Members Vested After:	5 years

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2002 valuation is effective for rates beginning January 2004).

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

The following is a schedule of actuarial liabilities and funding progress:

Actuarial Valuation Date	12/31/2002
Actuarial Value of Assets	\$ 57,742,291
Actuarial Accrued Liability	\$ 68,424,249
Percentage Funded	84.4%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	\$ 10,681,958
Annual Covered Payroll	\$ 27,784,120
UAAL as a Percentage of Covered Payroll	38.4%
Net Pension Obligation (NPO) at Beginning of Period	\$ -
Plus Annual Pension Cost:	
Annual Required Contribution (ARC)	2,694,930
Less Contributions Made	<u>2,694,930</u>
NPO at the End of the Period	<u><u>\$ -</u></u>

Actuarial assumptions as of the latest actuarial valuation are as follows:

Actuarial Cost Method:	Unit Credit
Amortization Method:	Level Percent of Payroll
Remaining Amortization Period:	25 Years--Open Period
Asset Valuation Method:	Amortized Cost (to accurately reflect the requirements of GASB Statement No. 25, paragraphs 36e and 138)
Investment Rate of Return:	8%
Projected Salary Increases:	None
Includes Inflation at:	None
Cost-of-Living Adjustments:	None

Each of the 774 Municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12-31-02 valuations are contained in the 2002 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Applicable historical trend information concerning this plan is presented on the next page:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Fiscal Year Ending	Annual Required Contribution (ARC)	Contributions Made	Net Pension Obligation
1994	\$ 980,194	\$ 980,194	\$ -
1995	1,028,586	1,028,586	-
1996	1,107,037	1,107,037	-
1997	1,299,737	1,299,737	-
1998	1,662,022	1,662,022	-
1999	1,965,749	1,965,749	-
2000	2,154,204	2,154,204	-
2001	2,272,217	2,272,217	-
2002	2,511,159	2,511,159	-
2003	2,694,930	2,694,930	-

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Actuarial Liability (AAL)	Unfunded Accrued Actuarial Liability (UAAL)	Net Assets Available as a Percent of Pension Benefit Obligation
12/31/1993	\$ 19,345,662	\$ 22,717,522	\$ 3,371,860	85%
12/31/1994	21,696,264	26,863,012	4,893,748	82%
12/31/1995	26,004,146	31,518,807	5,514,661	83%
12/31/1996	30,332,645	36,941,994	6,609,349	82%
12/31/1997	34,566,021	42,100,099	7,534,078	82%
12/31/1998	38,759,223	45,574,205	6,814,982	85%
12/31/1999	43,010,803	49,987,308	6,976,505	86%
12/31/2000	47,880,750	55,811,761	7,931,011	86%
12/31/2001	52,927,528	61,856,550	8,929,022	86%
12/31/2002	57,742,291	68,424,249	10,681,958	84%

Actuarial Valuation Date	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/1993	\$ 16,049,130	21%
12/31/1994	17,086,936	29%
12/31/1995	17,581,968	31%
12/31/1996	18,001,720	37%
12/31/1997	17,839,856	42%
12/31/1998	19,339,128	35%
12/31/1999	20,803,862	34%
12/31/2000	23,651,256	34%
12/31/2001	25,422,558	35%
12/31/2002	27,784,120	38%

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Post Retirement/Employment Benefits

In addition to providing pension benefits, the City provides certain health care benefits for retired employees as established by City Resolution No. 9-13-90-5.10, which was passed and approved by the City Council on September 13, 1990. According to this resolution, employees who retire while working for the City and their dependents are eligible to remain on the City's health plan as long as the employee makes monthly premium payments. During fiscal year 2003, twelve former employees were covered under this arrangement. Prior to the passage of this resolution, employees who reached retirement while working for the City were eligible to remain on the City's self-insured health plan and have their monthly premiums paid for by the City. During fiscal year 2003, one retiree was covered under this plan; however, claims filed by this retiree were not material.

The City also provides health benefits as required by the Federal Government under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). COBRA requires employers that sponsor group health plans to provide continuation of group coverage to employees and their dependents under certain circumstances where coverage would otherwise end. Terminated employees who qualify under COBRA pay premium costs for themselves and dependents.

Expenditures are recognized as claims are submitted. COBRA participants are reimbursed at the same levels as active employees. The amount of expenditures related to COBRA claims for the year ended September 30, 2003 was not material. As of September 30, 2003 the City has 10 COBRA participants.

E. Segment Information

The City issues revenue bonds to finance its electric, water, and sewer utility capital improvements. Summary financial information for each fund with outstanding revenue supported debt is presented below. The Electric Fund provides electric service to the City's residents and includes transmission and distribution systems. The Water Fund provides water services to the residents of the City and includes water production and distribution. The Sewer Fund operates the City's wastewater collection, pumping, and treatment systems. The Electric, Water, and Sewer funds are accounted for separately. However, their revenue bonds carry a combined pledge of revenues from all three systems.

Segment information for the year ended September 30, 2003 is as follows:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets

	Electric Fund	Water Fund	Sewer Fund
Charges for Services (Pledged Against Bonds)	\$ 46,565,597	\$ 8,597,167	\$ 8,883,482
Operating Expense Before Depreciation	(40,100,091)	(3,845,040)	(3,840,419)
Operating Income Before Depreciation (Pledged Against Bonds)	6,465,506	4,752,127	5,043,063
Depreciation Expense	(2,210,537)	(1,031,967)	(1,759,172)
Operating Income	4,254,969	3,720,160	3,283,891
Nonoperating Revenues (Expenses):			
Investment Earnings	370,522	439,285	266,272
Intergovernmental Transfers In	-	-	-
Intergovernmental Transfers Out	(4,778,314)	(911,412)	(832,648)
Interest Expense	(736,076)	(1,332,355)	(1,708,902)
Other, Net	(87,399)	314,728	275,660
Capital Contributions	425,613	2,045,171	1,416,845
Change in Net Assets	(550,685)	4,275,577	2,701,118
Beginning Net Assets	44,731,298	42,654,019	32,849,732
Ending Net Assets	<u>\$ 44,180,613</u>	<u>\$ 46,929,596</u>	<u>\$ 35,550,850</u>

Condensed Statement of Net Assets

	Electric Fund	Water Fund	Sewer Fund
Assets:			
Current Assets	\$ 11,622,880	\$ 12,954,132	\$ 4,684,571
Due from Other Funds	200,000	-	-
Restricted Assets	9,250,178	7,528,575	6,662,109
Deferred Charges	217,214	304,384	288,363
Capital Assets, Net of Accumulated Depreciation	49,772,691	55,218,135	58,030,398
Total Assets	<u>71,062,963</u>	<u>76,005,226</u>	<u>69,665,441</u>
Liabilities:			
Current Liabilities	7,159,343	1,364,131	153,493
Current Liabilities Payable from Restricted Assets	2,163,351	1,636,458	2,145,764
Noncurrent Liabilities	17,559,656	26,075,041	31,815,334
Total Liabilities	<u>26,882,350</u>	<u>29,075,630</u>	<u>34,114,591</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	38,920,619	35,087,170	28,896,009
Unrestricted	535,361	412,131	1,519,239
Total Net Assets	<u>\$ 44,180,613</u>	<u>\$ 46,929,596</u>	<u>\$ 35,550,850</u>

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Condensed Statement of Cash Flows

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Net Cash Provided (Used) by:			
Operating Activities	\$ 8,559,787	\$ 5,997,205	\$ 5,145,087
Noncapital Financing Activities	(4,778,314)	(911,412)	(832,648)
Capital and Related Financing Activities	(6,112,389)	(6,495,197)	(6,181,983)
Investing Activities	(659,036)	(1,890,225)	(492,473)
Net Decrease	(2,989,952)	(3,299,629)	(2,362,017)
Beginning Cash and Cash Equivalents	8,329,825	10,894,499	6,453,467
Ending Cash and Cash Equivalents	<u>\$ 5,339,873</u>	<u>\$ 7,594,870</u>	<u>\$ 4,091,450</u>

F. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code ("IRC") 457. The plan, as amended, is available to all employees and permits them to defer a portion of their salary until future years. The plan funds are not available to employees until termination, retirement, death, or emergency.

All amounts of compensation deferred under the plan (until paid or made available to the employee or other beneficiary) were placed in trust for the exclusive benefit of the participants and the beneficiaries. This action is in accordance with changes made to IRC Section 457. Since the City is no longer the Plan Administrator or the trustee, the assets of the plan are no longer a reportable fund in the City's basic financial statements.

G. Commitments and Contingencies

Construction Commitments

The City has active construction projects as of September 30, 2003. At year-end, the construction commitments with contractors for specific projects were as follows:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2003

Project Name	Spent to Date	Remaining Commitment
Water Well #6 and Water Line	\$ 1,490,039	\$ 619,854
University Drive Sidewalk Project	49,307	33,778
Copperfield Parkway Extension	646,310	1,269,006
Carter Creek Lift Pump	8,275	282,125
Traffic Signalization	63,471	243,924
Pebble Creek Parkway Rehab	-	90,212
Lick Creek Park Site Development	302,062	121,453
Miller Park Playground Improvements	-	88,899
Longmire Drive Extension	255,956	62,074
Anderson Street Sidewalks	27,558	151,397
George Bush Drive East Widening	406,728	892,822
Wolf Pen Creek Lower Trails Phase I	1,042,971	157,978
Wolf Pen Creek Marquee	17,848	88,253
Park Place Water Improvements	2,820,144	171,708
	<u>\$ 7,130,669</u>	<u>\$ 4,273,483</u>

H. Bonds Available for Sale

Authorized general obligation bonds available for future issue are as follows:

	Year Authorized	Unissued Amount
Public Buildings	1984	\$ 700,000
Street Improvements	1984	500,000
Drainage Improvements	1998	855,000
Total		<u>\$ 2,055,000</u>

I. Revenue Bond Coverage

All the net revenues of the Electric, Water, and Sewer Funds are pledged for the payment of debt service of the revenue bonds and other indebtedness payable from those revenues. Net revenues, as defined by the revenue bond resolutions, include substantially all of the revenues and expenses of the above named funds other than certain interest income and expense, and depreciation and amortization. These bond resolutions further require that the net revenues, as defined, equal at least 1.40 times the average annual debt service on all revenue bonds and other indebtedness payable from those revenues and 1.25 times the maximum annual debt service on all revenue bonds and other indebtedness payable from those revenues. The maximum annual debt service is defined as the maximum principal and interest payments to be paid in any one year remaining in the life of the bonds, and the average annual debt service is defined as the sum of all principal and interest payments due over the remaining life of the bonds divided by the remaining life of the bonds. The City is in compliance with these requirements.

CITY OF COLLEGE STATION, TEXAS
Schedule of Funding Progress
Texas Municipal Retirement System
Last Ten Fiscal Years

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/1994	\$ 19,345,662	\$ 22,717,522	\$ 3,371,860	85.2%	\$ 16,049,130	21.0%
12/31/1995	21,696,264	26,863,012	5,166,748	80.8%	17,086,936	30.2%
12/31/1996	26,004,146	31,518,807	5,514,661	82.5%	17,581,968	31.4%
12/31/1997	30,332,645	36,941,994	6,609,349	82.1%	18,001,720	36.7%
12/31/1998	34,566,021	42,100,099	7,534,078	82.1%	17,839,856	42.2%
12/31/1999	38,759,223	45,574,205	6,814,982	85.0%	19,339,128	35.2%
12/31/2000	43,010,803	49,987,308	6,976,505	86.0%	20,803,862	33.5%
12/31/2001	47,880,750	55,811,761	7,931,011	85.8%	23,651,256	33.5%
12/31/2002	52,927,528	61,856,550	8,929,022	85.6%	25,422,558	35.1%
12/31/2003	57,742,291	68,424,249	10,681,958	84.4%	27,784,120	38.4%

*Assets are stated at cost as of December 31 of the preceding year.

CITY OF COLLEGE STATION, TEXAS
Schedule of Revenues, Expenditures and Changes
in Fund Balance Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended September 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues			
Taxes	\$ 20,981,161	\$ 20,995,505	\$ 14,344
Licenses and Permits	860,600	1,012,960	152,360
Intergovernmental	507,595	487,934	(19,661)
Charges for Services	1,974,824	2,403,316	428,492
Fines, Forfeits and Penalties	1,903,110	2,658,015	754,905
Investment Income	381,000	306,118	(74,882)
Rents and Royalties	113,860	112,993	(867)
Contributions	16,500	20,987	4,487
Reimbursed Expenditures	6,500	7,258	758
Other	153,650	186,352	32,702
Total Revenues	<u>26,898,800</u>	<u>28,191,438</u>	<u>1,292,638</u>
Expenditures			
Current			
General Government	3,560,143	3,476,247	(83,896)
Fiscal Services	2,379,060	2,312,629	(66,431)
Police	9,328,304	9,127,628	(200,676)
Fire	7,102,878	6,965,582	(137,296)
Development Services	1,950,999	1,933,490	(17,509)
Public Works	5,526,005	5,428,711	(97,294)
Parks and Recreation	6,343,466	6,271,038	(72,428)
Office of Technology and Information Services	3,173,794	3,001,222	(172,572)
Nondepartmental			
Reimbursed Administrative	(6,064,414)	(6,013,085)	51,329
Contributions	196,998	422,498	225,500
Other	1,409,183	70,128	(1,339,055)
Capital Outlay	1,123,051	677,158	(445,893)
Total Expenditures	<u>36,029,467</u>	<u>33,673,246</u>	<u>(2,356,221)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,130,667)</u>	<u>(5,481,808)</u>	<u>3,648,859</u>
Other Financing Sources (Uses)			
Sale of General Fixed Assets	30,900	19,563	(11,337)
Operating Transfers In	6,740,200	6,741,826	1,626
Operating Transfer Out	(106,861)	(142,963)	(36,102)
Total Other Financing Sources (Uses)	<u>6,664,239</u>	<u>6,618,426</u>	<u>(45,813)</u>
Net Change in Fund Balances	(2,466,428)	1,136,618	3,603,046
Fund Balances, October 1	10,111,225	10,111,225	0
Fund Balances, September 30	<u>\$ 7,644,797</u>	<u>\$ 11,247,843</u>	<u>\$ 3,603,046</u>

CITY OF COLLEGE STATION, TEXAS
 Adjustments to General Fund Revenues and
 Expenditures To Reconcile From
 Budget Basis to GAAP Basis
 For the Fiscal Year Ended September 30, 2003

Net change in fund balance - Budget Basis	\$ 1,136,618
Revenues	
Market Adjustment for Investments	(24,994)
Other	(7,961)
Expenditures	
Bad Debt Expense	(43,727)
Payroll Accrual, net	(54,139)
Capitalize/Reclass Assets	163,706
Reclass Expense	(26,707)
Other	(3,686)
	(3,686)
Net change in fund balance - GAAP Basis	\$ 1,139,110



COMBINING FINANCIAL STATEMENTS NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development - to account for funds granted to the City by the Federal Department of Housing and Urban Development for use on various community improvement projects.

Convention Center - to account for the receipt and expenditure of funds received by the City in the operation and maintenance of a convention center. Revenues associated with this fund are derived from the hotel and motel occupancy tax and convention center rentals.

Hotel/Motel Tax - to account for the receipt and expenditure of funds received by the City from the assessment of hotel and motel occupancy tax. Usage of funds is restricted to the construction and maintenance of convention and civic facilities and to the promotion of tourism and arts within the City.

Melrose Apartment Tax Increment Financing District - to account for the receipt and expenditure of funds received by the City from the creation of a tax increment financing district for the Melrose Apartments.

Parks Escrow - to account for the receipt and expenditure of funds received by the City from residential land developers, who dedicate land, or money in lieu of land, for use in the development of neighborhood parks in residential areas.

Wolf Pen Creek Tax Increment Financing District - to account for the receipt and expenditure of funds received by the City from the creation of a tax increment financing district for the Wolf Pen Creek area.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital improvements other than those financed by proprietary funds and trust funds.

Business Park - to account for the cost of street, water, and sewer improvements at the College Station Business Park.

Drainage Projects - to account for the cost of drainage improvements made with funds provided by a drainage utility fee and proceeds from the sale of general obligation funds.

General Government Projects - to account for the cost of new building construction and building improvements made with funds provided by proceeds from the sale of general obligation bonds.

Parks Projects - to account for the costs of new parks and improvements to existing parks made with funds provided from the sale of general obligation bonds.

PERMANENT FUNDS

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

Cemetery Perpetual Care Fund - to account for principal trust amounts received and related interest income for the College Station cemetery.

CITY OF COLLEGE STATION, TEXAS

Combining Balance Sheet
Nonmajor Governmental Funds
As of September 30, 2003

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
Current Assets				
Equity in Cash and Cash Equivalents	\$ 5,551,214	\$ 6,045,190	\$ 346,820	\$ 11,943,224
Equity in Investments	8,474,088	9,228,155	529,430	18,231,673
Receivables				
Accrued Interest	41,433	44,968	2,504	88,905
Grants	323,399	0	0	323,399
Accounts	80,381	123,003	8,593	211,977
Loans	9,356	0	0	9,356
Less Allowance for Uncollectible Accounts	(2,363)	(10,546)	(6,064)	(18,973)
Inventories	0	0	2,373	2,373
Total Assets	<u><u>\$ 14,477,508</u></u>	<u><u>\$ 15,430,770</u></u>	<u><u>\$ 883,656</u></u>	<u><u>\$ 30,791,934</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 536,668	\$ 294,324	\$ 180	\$ 831,172
Retainage Payable	117,294	16,572	0	133,866
Interfund Payable	200,000	0	0	200,000
Refundable Deposits	20,411	0	0	20,411
Accrued Liabilities	(1,242)	244	0	(998)
Other Deferred Revenues	11,975	0	0	11,975
Total Liabilities	<u><u>885,106</u></u>	<u><u>311,140</u></u>	<u><u>180</u></u>	<u><u>1,196,426</u></u>
Fund Balances				
Reserved				
Reserved for Encumbrances	2,740,467	943,759	0	3,684,226
Reserved for Capital Projects	0	14,175,871	0	14,175,871
Reserved for Perpetual Care	0	0	883,476	883,476
Unreserved				
Designated for				
Subsequent Years Expenditures	982,237	0	0	982,237
Undesignated	9,869,698	0	0	9,869,698
Total Fund Balances	<u><u>13,592,402</u></u>	<u><u>15,119,630</u></u>	<u><u>883,476</u></u>	<u><u>29,595,508</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 14,477,508</u></u>	<u><u>\$ 15,430,770</u></u>	<u><u>\$ 883,656</u></u>	<u><u>\$ 30,791,934</u></u>

CITY OF COLLEGE STATION, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue
As of September 30, 2003

	Community Development	Convention Center	Hotel/Motel Tax	Parks Escrow	Wolf Pen Creek Tax Increment Financing District	Total
Current Assets						
Equity in Cash and Cash Equivalents	\$ 232,639	\$ 2,864,725	\$ 846,356	\$ 628,430	\$ 979,064	\$ 5,551,214
Equity in Investments	355,130	4,373,085	1,291,987	959,317	1,494,569	8,474,088
Receivables						
Accrued Interest	0	22,947	6,233	4,550	7,703	41,433
Grants	323,399	0	0	0	0	323,399
Accounts	1,200	0	79,181	0	0	80,381
Loans	9,356	0	0	0	0	9,356
Less Allowance for Uncollectible						
Accounts	(1,200)	0	(1,163)	0	0	(2,363)
Total Assets	\$ 920,524	\$ 7,260,757	\$ 2,222,594	\$ 1,592,297	\$ 2,481,336	\$ 14,477,508
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 181,815	\$ 259,127	\$ 85,151	\$ 0	\$ 10,575	\$ 536,668
Retainage Payable	342	47,314	10,492	0	59,146	117,294
Interfund Payable	0	0	200,000	0	0	200,000
Refundable Deposits	0	0	20,411	0	0	20,411
Accrued Liabilities	(1,290)	0	48	0	0	(1,242)
Other Deferred Revenues	8,016	0	3,959	0	0	11,975
Total Liabilities	188,883	306,441	320,061	0	69,721	885,106
Fund Balances						
Reserved						
Reserved for Encumbrances	268,551	2,093,840	182,945	54,403	140,728	2,740,467
Unreserved						
Designated for Subsequent						
Years Expenditures	0	982,237	0	0	0	982,237
Undesignated	463,090	3,878,239	1,719,588	1,537,894	2,270,887	9,869,698
Total Fund Balances	731,641	6,954,316	1,902,533	1,592,297	2,411,615	13,592,402
Total Liabilities and Fund Balances	\$ 920,524	\$ 7,260,757	\$ 2,222,594	\$ 1,592,297	\$ 2,481,336	\$ 14,477,508

CITY OF COLLEGE STATION, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects Funds
As of September 30, 2003

	Business Park	Drainage Projects	General Government Projects	Parks Projects	Total
Current Assets					
Equity in Cash and Cash Equivalents	\$ 912,867	\$ 3,022,410	\$ 1,964,371	\$ 145,542	\$ 6,045,190
Equity in Investments	1,393,517	4,613,795	2,998,669	222,174	9,228,155
Receivables					
Accrued Interest	6,691	22,084	14,758	1,435	44,968
Grants	0	0	0	0	0
Accounts	0	123,003	0	0	123,003
Less Allowance for Uncollectible					
Accounts	0	(10,546)	0	0	(10,546)
Total Assets	<u>\$ 2,313,075</u>	<u>\$ 7,770,746</u>	<u>\$ 4,977,798</u>	<u>\$ 369,151</u>	<u>\$ 15,430,770</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 4,565	\$ 1,224	\$ 251,642	\$ 36,893	\$ 294,324
Retainage Payable	0	0	0	16,572	16,572
Accrued Liabilities	0	0	0	244	244
Total Liabilities	<u>4,565</u>	<u>1,224</u>	<u>251,642</u>	<u>53,709</u>	<u>311,140</u>
Fund Balances					
Reserved					
Reserved for Encumbrances	0	201,460	573,673	168,626	943,759
Reserved for Capital Projects	2,308,510	7,568,062	4,152,483	146,816	14,175,871
Total Fund Balances	<u>2,308,510</u>	<u>7,769,522</u>	<u>4,726,156</u>	<u>315,442</u>	<u>15,119,630</u>
Total Liabilities and Fund Balances	<u>\$ 2,313,075</u>	<u>\$ 7,770,746</u>	<u>\$ 4,977,798</u>	<u>\$ 369,151</u>	<u>\$ 15,430,770</u>

CITY OF COLLEGE STATION, TEXAS
 Balance Sheet
 Nonmajor Governmental Fund - Permanent Fund
 Cemetery Perpetual Care Fund
 As of September 30, 2003

Current Assets	
Equity in Cash and Cash Equivalents	\$ 346,820
Equity in Investments	529,430
Receivables	
Accrued Interest	2,504
Accounts	8,593
Allowance for Uncollectible Accounts	(6,064)
Inventories	2,373
Total Assets	<u><u>\$ 883,656</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	<u>\$ 180</u>
Total Liabilities	<u>180</u>
Fund Balances	
Reserved	
Reserved for Perpetual Care	<u>883,476</u>
Total Fund Balances	<u>883,476</u>
Total Liabilities and Fund Balances	<u><u>\$ 883,656</u></u>

CITY OF COLLEGE STATION, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2003

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues				
Taxes	\$ 2,637,773	\$ 0	\$ 0	\$ 2,637,773
Charges for Services	18,400	62,536	125,804	206,740
Intergovernmental	1,446,747	7,802	0	1,454,549
Special Assessment	0	1,035,023	0	1,035,023
Fines, Forfeits and Penalties	3,489	0	0	3,489
Investment Income	340,842	328,004	19,409	688,255
Rents and Royalties	120,033	0	0	120,033
Loan Repayments	11,322	0	0	11,322
Contributions	309,000	37,621	1,434	348,055
Other	45,841	11,201	0	57,042
Total Revenues	<u>4,933,447</u>	<u>1,482,187</u>	<u>146,647</u>	<u>6,562,281</u>
Expenditures				
Current				
Community Development				
Block Grant	222,169	0	0	222,169
Home Grant	408,779	0	0	408,779
Reimbursed Administrative	1,308,808	750,748	0	2,059,556
Contributions	1,128,400	0	0	1,128,400
Other	162,520	95,943	6,238	264,701
Capital Outlay	2,838,663	4,586,405	0	7,425,068
Debt Issuance Costs	0	34,758	0	34,758
Total Expenditures	<u>6,069,339</u>	<u>5,467,854</u>	<u>6,238</u>	<u>11,543,431</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,135,892)</u>	<u>(3,985,667)</u>	<u>140,409</u>	<u>(4,981,150)</u>
Other Financing Sources (Uses)				
Proceeds from Long-Term Debt Issuance	0	3,097,000	0	3,097,000
Sale of Capital Assets	0	11,130	0	11,130
Transfers In	1,692	109,882	0	111,574
Transfers Out	(890,004)	0	0	(890,004)
Total Other Financing Sources (Uses)	<u>(888,312)</u>	<u>3,218,012</u>	<u>0</u>	<u>2,329,700</u>
Net Change in Fund Balances	<u>(2,024,204)</u>	<u>(767,655)</u>	<u>140,409</u>	<u>(2,651,450)</u>
Fund Balances, October 1	15,616,606	15,887,285	743,067	32,246,958
Fund Balances, September 30	<u>\$ 13,592,402</u>	<u>\$ 15,119,630</u>	<u>\$ 883,476</u>	<u>\$ 29,595,508</u>

CITY OF COLLEGE STATION, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds - Special Revenue Funds

For the Fiscal Year Ended September 30, 2003

	Community Development	Convention Center	Hotel/Motel Tax	Melrose Apartment Tax Increment Financing District	Parks Escrow	Wolf Pen Creek Tax Increment Financing District	Total
Revenues							
Taxes	\$ 0	\$ 0	\$ 2,120,015	\$ 0	\$ 0	\$ 517,758	\$ 2,637,773
Charges for Services	0	0	18,400	0	0	0	18,400
Intergovernmental	1,446,747	0	0	0	0	0	1,446,747
Fines, Forfeits and Penalties	0	0	3,489	0	0	0	3,489
Investment Income	0	192,499	50,315	524	34,183	63,321	340,842
Rents and Royalties	0	0	120,033	0	0	0	120,033
Loan Repayments	11,322	0	0	0	0	0	11,322
Contributions	0	0	0	0	309,000	0	309,000
Other	26,851	16,301	217	0	0	2,472	45,841
Total Revenues	<u>1,484,920</u>	<u>208,800</u>	<u>2,312,469</u>	<u>524</u>	<u>343,183</u>	<u>583,551</u>	<u>4,933,447</u>
Expenditures							
Current							
Community Development							
Block Grant	222,169	0	0	0	0	0	222,169
Home Grant	408,779	0	0	0	0	0	408,779
Reimbursed Administrative	680,231	50,000	573,577	0	5,000	0	1,308,808
Contributions	0	0	1,128,400	0	0	0	1,128,400
Other	1,200	9	161,072	0	0	239	162,520
Capital Outlay	0	1,771,504	0	96,000	67,000	904,159	2,838,663
Total Expenditures	<u>1,312,379</u>	<u>1,821,513</u>	<u>1,863,049</u>	<u>96,000</u>	<u>72,000</u>	<u>904,398</u>	<u>6,069,339</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>172,541</u>	<u>(1,612,713)</u>	<u>449,420</u>	<u>(95,476)</u>	<u>271,183</u>	<u>(320,847)</u>	<u>(1,135,892)</u>
Other Financing Sources (Uses)							
Transfers In	0	0	0	652	1,040	0	1,692
Transfers Out	(147,504)	(250,000)	0	0	0	(492,500)	(890,004)
Total Other Financing Sources (Uses)	<u>(147,504)</u>	<u>(250,000)</u>	<u>0</u>	<u>652</u>	<u>1,040</u>	<u>(492,500)</u>	<u>(888,312)</u>
Net Change in Fund Balances	25,037	(1,862,713)	449,420	(94,824)	272,223	(813,347)	(2,024,204)
Fund Balances, October 1	706,604	8,817,029	1,453,113	94,824	1,320,074	3,224,962	15,616,606
Fund Balances, September 30	<u>\$ 731,641</u>	<u>\$ 6,954,316</u>	<u>\$ 1,902,533</u>	<u>\$ 0</u>	<u>\$ 1,592,297</u>	<u>\$ 2,411,615</u>	<u>\$ 13,592,402</u>

CITY OF COLLEGE STATION, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Funds - Capital Projects Funds

For the Fiscal Year Ended September 30, 2003

	Business Park	Drainage Projects	General Government Projects	Parks Projects	Total
Revenues					
Charges for Services	\$ 0	\$ 0	\$ 0	\$ 62,536	\$ 62,536
Intergovernmental	0	0	10	7,792	7,802
Special Assessment	0	1,035,023	0	0	1,035,023
Investment Income	53,902	159,238	100,644	14,220	328,004
Contributions	0	0	37,621	0	37,621
Other	0	6,625	2,828	1,748	11,201
Total Revenues	53,902	1,200,886	141,103	86,296	1,482,187
Expenditures					
Current					
Reimbursed Administrative	50,000	620,748	60,000	20,000	750,748
Other	0	54,734	41,209	0	95,943
Capital Outlay	4,656	339,143	3,733,174	509,432	4,586,405
Debt Service					
Issuance Costs	0	11,764	22,994	0	34,758
Total Expenditures	54,656	1,026,389	3,857,377	529,432	5,467,854
Excess (Deficiency) of Revenues Over (Under) Expenditures	(754)	174,497	(3,716,274)	(443,136)	(3,985,667)
Other Financing Sources					
Proceeds from Long-Term Debt					
Issuance	0	1,000,000	2,097,000	0	3,097,000
Sale of Capital Assets	0	0	10,530	600	11,130
Transfers In	0	34,432	75,450	0	109,882
Total Other Financing Sources	0	1,034,432	2,182,980	600	3,218,012
Net Change in Fund Balances	(754)	1,208,929	(1,533,294)	(442,536)	(767,655)
Fund Balances, October 1	2,309,264	6,560,593	6,259,450	757,978	15,887,285
Fund Balances, September 30	\$ 2,308,510	\$ 7,769,522	\$ 4,726,156	\$ 315,442	\$ 15,119,630

CITY OF COLLEGE STATION, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Fund - Permanent Fund
Cemetery Perpetual Care Fund
For the Fiscal Year Ended September 30, 2003

Revenues	
Sale of Cemetery Lots	\$ 125,804
Investment Income	19,409
Contributions	1,434
Other	<u>0</u>
Total Revenues	<u>146,647</u>
Expenditures	
Other	<u>6,238</u>
Total Expenditures	<u>6,238</u>
Excess of Revenues Over Expenditures	<u>140,409</u>
Fund Balance, October 1	<u>743,067</u>
Fund Balance, September 30	<u><u>\$ 883,476</u></u>



COMBINING FINANCIAL STATEMENTS

NONMAJOR ENTERPRISE FUNDS

Sanitation - to account for all sanitation collection and disposal activities by the City for both residential and commercial residents.

Cedar Creek Condominiums - to account for revenues and expenses related to the operation and maintenance of the Cedar Creek Condominiums.

Northgate Parking Garage - to account for revenues and expenses related to the operation and maintenance of the Northgate parking garage and parking lot.

City of College Station, Texas
Combining Statement of Net Assets
Nonmajor Enterprise Funds
As of September 30, 2003

	Sanitation	Cedar Creek Condominiums	Northgate Parking Garage	Total
Current Assets				
Equity in Cash and Cash Equivalents	\$ 357,525	\$ 98,986	\$ 435,679	\$ 892,190
Equity in Investments	545,771	151,105	665,076	1,361,952
Receivables, net	547,339	202,971	20,536	770,846
Inventories	34,285	0	0	34,285
Total Current Assets	1,484,920	453,062	1,121,291	3,059,273
Equity in Joint Venture	7,606,185	0	0	7,606,185
Capital Assets				
Buildings	0	0	5,723,063	5,723,063
Machinery and Equipment	1,282,939	0	128,303	1,411,242
Accumulated Depreciation	(1,250,848)	0	(333,944)	(1,584,792)
Construction in Progress	0	0	0	0
Land	0	0	672,811	672,811
Total Capital Assets, net of accumulated depreciation	32,091	0	6,190,233	6,222,324
Total Assets	9,123,196	453,062	7,311,524	16,887,782
Liabilities				
Current Liabilities				
Accounts Payable	99,001	142,980	6,644	248,625
Accrued Interest Payable	3,941	0	0	3,941
Interfund Payable	76,807	0	8,398	85,205
Total Current Liabilities	179,749	142,980	15,042	337,771
Current Liabilities Payable from Restricted Assets				
Refundable Deposits	0	0	1,900	1,900
Total Current Liabilities Payable from Restricted Assets	0	0	1,900	1,900
Noncurrent Liabilities				
Accrued Vacation	30,581	0	474	31,055
Total Noncurrent Liabilities	30,581	0	474	31,055
Total Liabilities	210,330	142,980	17,416	370,726
Net Assets				
Invested in Capital Assets, net of related debt	32,091	0	6,190,233	6,222,324
Unrestricted	8,880,775	310,082	1,103,875	10,294,732
Total Net Assets	\$ 8,912,866	\$ 310,082	\$ 7,294,108	\$ 16,517,056

CITY OF COLLEGE STATION, TEXAS

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Nonmajor Enterprise Funds

For the Fiscal Year Ended September 30, 2003

	Sanitation	Cedar Creek Condominiums	Northgate Parking Garage	Total
Operating Revenues				
Garbage Collection Fees	\$ 4,659,525	\$ 0	\$ 0	\$ 4,659,525
Charges for Services		0	541,571	541,571
Other	10,022	0	0	10,022
Total Operating Revenues	<u>4,669,547</u>	<u>0</u>	<u>541,571</u>	<u>5,211,118</u>
Operating Expenses				
Salaries and Benefits	1,382,654	0	160,309	1,542,963
Supplies	192,478	0	14,161	206,639
Maintenance	476,976	0	12,006	488,982
Purchased Professional Services	269,476	0	58,681	328,157
Purchased Property Services	1,155,103	0	42,597	1,197,700
Other Purchased Services	427,239	0	4,699	431,938
Reimbursed Administrative	416,871	0	0	416,871
Depreciation	11,250	0	165,878	177,128
Other	21,368	0	1,570	22,938
Total Operating Expenses	<u>4,353,415</u>	<u>0</u>	<u>459,901</u>	<u>4,813,316</u>
Operating Income	<u>316,132</u>	<u>0</u>	<u>81,670</u>	<u>397,802</u>
Nonoperating Revenues (Expenses)				
Investment Income	24,455	2,502	21,762	48,719
Reimbursed Expenses	0	0	1,440	1,440
Earnings in Joint Venture	1,316,660	0	0	1,316,660
Other, Net	(1,727)	4,341	2,555	5,169
Total Nonoperating Revenues (Expenses)	<u>1,339,388</u>	<u>6,843</u>	<u>25,757</u>	<u>1,371,988</u>
Income Before Transfers	1,655,520	6,843	107,427	1,769,790
Transfers Out	<u>(331,468)</u>	<u>0</u>	<u>(368)</u>	<u>(331,836)</u>
Change in Net Assets	1,324,052	6,843	107,059	1,437,954
Beginning Net Assets	7,588,814	303,239	7,187,049	15,079,102
Ending Net Assets	<u>\$ 8,912,866</u>	<u>\$ 310,082</u>	<u>\$ 7,294,108</u>	<u>\$ 16,517,056</u>

CITY OF COLLEGE STATION, TEXAS
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2003

	Sanitation	Cedar Creek Condominiums	Northgate Parking Garage	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 4,662,732	\$ 0	\$ 583,781	\$ 5,246,513
Cash Payments to Suppliers for Goods and Services	(2,954,747)	0	(126,537)	(3,081,284)
Cash Payments to Employees for Services	(1,375,988)	0	(159,876)	(1,535,864)
Customer Deposits Returned	0	0	(50)	(50)
Cash Received for Reimbursed Expenses	0	0	1,440	1,440
Cash Received for Miscellaneous Revenues	0	4,341	2,555	6,896
Cash Paid for Miscellaneous Expenses	(1,728)	(2,503)	0	(4,231)
Net Cash Provided by Operating Activities	330,269	1,838	301,313	633,420
Cash Flows from Noncapital Financing Activities:				
Transfers Out to Other Funds	(331,468)	0	(368)	(331,836)
Net Cash Used by Noncapital Financing Activities	(331,468)	0	(368)	(331,836)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(23,500)	0	0	(23,500)
Net Cash Used by Capital and Related Financing Activities	(23,500)	0	0	(23,500)
Cash Flows from Investing Activities:				
Purchase of Investments	(2,124,693)	(586,514)	(2,430,641)	(481,539)
Proceeds from Sale and Maturities of Investment Securities	1,991,280	547,963	2,121,066	0
Investment Income	27,650	2,502	23,607	53,759
Net Cash Used by Investing Activities	(105,763)	(36,049)	(285,968)	(427,780)
Net Increase (Decrease) in Cash and Cash Equivalents	(130,462)	(34,211)	14,977	(149,696)
Cash and Cash Equivalents, Oct. 1	487,987	133,197	420,702	1,041,886
Cash and Cash Equivalents, Sept. 30	\$ 357,525	\$ 98,986	\$ 435,679	\$ 892,190
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 316,132	\$ 0	\$ 81,670	\$ 397,802
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Cash Provided by Operating Activities:				
Depreciation, Bad Debt Expense, Inventory Loss	11,250	0	165,878	177,128
Provision for Uncollectible Accounts	827	0	1,520	2,347
Miscellaneous Nonoperating Revenues	0	4,341	3,995	8,336
Miscellaneous Nonoperating Expenses	(1,728)	(2,503)	0	(4,231)
Changes in Assets and Liabilities:				
Change in Accounts Receivable	(6,815)	0	42,210	35,395
Change in Inventory	(31,469)	0	0	(31,469)
Change in Accounts Payable	45,218	0	5,415	50,633
Change in Accrued Liabilities	(8,052)	0	635	(7,417)
Change in Refundable Deposits	0	0	(50)	(50)
Change in Accrued Vacation	4,906	0	40	4,946
Total Adjustments	14,137	1,838	219,643	235,618
Net Cash Provided by Operating Activities	\$ 330,269	\$ 1,838	\$ 301,313	\$ 633,420

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)**

Debt Service and Special Revenue Funds

CITY OF COLLEGE STATION, TEXAS
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2003

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Taxes	\$ 7,689,713	\$ 7,689,713	\$ 7,645,600	\$ (44,113)
Investment Income	100,000	100,000	85,295	(14,705)
Accrued Bond Interest	0	0	7,605	7,605
Other	0	0	67,311	67,311
Total Revenues	<u>7,789,713</u>	<u>7,789,713</u>	<u>7,805,811</u>	<u>16,098</u>
Expenditures				
Debt Service				
Principal Payments	5,820,000	5,820,000	5,820,000	0
Interest Payments	3,629,760	3,629,760	3,647,529	17,769
Fiscal Charges	6,000	6,000	12,500	6,500
Debt Issuance Cost	8,998	8,998	392	(8,606)
Total Expenditures	<u>9,464,758</u>	<u>9,464,758</u>	<u>9,480,421</u>	<u>15,663</u>
Deficiency of Revenues Under Expenditures	<u>(1,675,045)</u>	<u>(1,675,045)</u>	<u>(1,674,610)</u>	<u>435</u>
Other Financing Sources				
Transfers In	958,500	958,500	958,500	0
Total Other Financing Sources	<u>958,500</u>	<u>958,500</u>	<u>958,500</u>	<u>0</u>
Net Change in Fund Balances	(716,545)	(716,545)	(716,110)	435
Fund Balances, October 1	2,376,726	2,376,726	2,376,726	0
Fund Balances, September 30	<u>\$ 1,660,181</u>	<u>\$ 1,660,181</u>	<u>\$ 1,660,616</u>	<u>\$ 435</u>

CITY OF COLLEGE STATION, TEXAS
Adjustments to Debt Service Revenues
To Reconcile From Budget Basis to GAAP Basis
Debt Service Fund
For the Fiscal Year Ended September 30, 2003

Change in Fund Balance - Budget Basis	\$ (716,110)
Revenues	
Market Adjustment for Investments	<u>(2,796)</u>
Change in Fund Balance - GAAP Basis	<u><u>\$ (718,906)</u></u>

CITY OF COLLEGE STATION, TEXAS
Community Development Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2003

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Intergovernmental				
Community Development Block Grant	\$ 2,418,262	\$ 2,418,262	\$ 844,425	\$ (1,573,837)
Home Grant	1,636,420	1,636,420	602,322	(1,034,098)
Loan Repayments	0	0	10,751	10,751
Interest on Loans	0	0	571	571
Other	20,000	20,000	26,851	6,851
Total Revenues	<u>4,074,682</u>	<u>4,074,682</u>	<u>1,484,920</u>	<u>(2,589,762)</u>
Expenditures				
Community Development Block Grant	2,438,262	2,438,262	222,169	(2,216,093)
Home Grant	1,636,420	1,636,420	408,779	(1,227,641)
Reimbursed Administrative	0	0	680,231	680,231
Affordable Housing	100,000	100,000	0	(100,000)
Total Expenditures	<u>4,174,682</u>	<u>4,174,682</u>	<u>1,311,179</u>	<u>(2,863,503)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>173,741</u>	<u>273,741</u>
Other Financing Uses				
Transfers Out	0	0	(147,504)	(147,504)
Total Other Financing Uses	<u>0</u>	<u>0</u>	<u>(147,504)</u>	<u>(147,504)</u>
Net Change in Fund Balances	(100,000)	(100,000)	26,237	126,237
Fund Balances, October 1	276,092	276,092	276,092	0
Fund Balances, September 30	<u>\$ 176,092</u>	<u>\$ 176,092</u>	<u>\$ 302,329</u>	<u>\$ 126,237</u>

See reconciliation to GAAP basis on page 96.

CITY OF COLLEGE STATION, TEXAS
Convention Center Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2003

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Investment Income	\$ 400,000	\$ 400,000	\$ 207,994	\$ (192,006)
Total Revenues	<u>400,000</u>	<u>400,000</u>	<u>207,994</u>	<u>(192,006)</u>
Expenditures				
Current				
Other Purchased Services	0	0	9	9
Reimbursed Administrative	50,000	50,000	50,000	0
Capital Outlay	9,170,000	9,170,000	1,762,103	(7,407,897)
Total Expenditures	<u>9,220,000</u>	<u>9,220,000</u>	<u>1,812,112</u>	<u>(7,407,888)</u>
Deficiency of Revenues Under Expenditures	<u>(8,820,000)</u>	<u>(8,820,000)</u>	<u>(1,604,118)</u>	<u>7,215,882</u>
Other Financing Sources (Uses)				
Transfers In	1,100,000	1,100,000	0	(1,100,000)
Transfers Out	(230,000)	(230,000)	(250,000)	(20,000)
Other	0	0	16,301	16,301
Total Other Financing Sources (Uses)	<u>870,000</u>	<u>870,000</u>	<u>(233,699)</u>	<u>(1,103,699)</u>
Net Change in Fund Balances	(7,950,000)	(7,950,000)	(1,837,817)	6,112,183
Fund Balances, October 1	8,796,349	8,796,349	8,796,349	0
Fund Balances, September 30	<u>\$ 846,349</u>	<u>\$ 846,349</u>	<u>\$ 6,958,532</u>	<u>\$ 6,112,183</u>

See reconciliation to GAAP basis on page 96.

CITY OF COLLEGE STATION, TEXAS
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2003

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Taxes	\$ 1,926,009	\$ 2,015,000	\$ 2,120,015	\$ 105,015
Charges for Services	25,341	17,520	18,400	880
Fines, Forfeits and Penalties	0	0	2,889	2,889
Investment Income	79,577	75,000	54,524	(20,476)
Rents and Royalties	114,668	114,800	120,033	5,233
Other	0	6,900	816	(6,084)
Total Revenues	<u>2,145,595</u>	<u>2,229,220</u>	<u>2,316,677</u>	<u>87,457</u>
Expenditures				
Current				
Development Services	196,062	416,000	54,247	(361,753)
Reimbursed Administrative	266,297	734,983	573,577	(161,406)
Contributions	1,140,400	1,128,400	1,128,400	0
Other	11,829	6,200	105,904	99,704
Debt Service				
Principal Retirement	148,052	40,000	0	(40,000)
Contingency	0	25,000	0	(25,000)
Total Expenditures	<u>1,762,640</u>	<u>2,350,583</u>	<u>1,862,128</u>	<u>(488,455)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>382,955</u>	<u>(121,363)</u>	<u>454,549</u>	<u>575,912</u>
Other Financing Uses				
Transfers Out	0	(600,000)	0	600,000
Total Other Financing Uses	<u>0</u>	<u>(600,000)</u>	<u>0</u>	<u>600,000</u>
Net Change in Fund Balances	382,955	(721,363)	454,549	1,175,912
Fund Balances, October 1	1,353,645	1,353,645	1,353,645	0
Fund Balances, September 30	<u>\$ 1,736,600</u>	<u>\$ 632,282</u>	<u>\$ 1,808,194</u>	<u>\$ 1,175,912</u>

See reconciliation to GAAP basis on page 96.

CITY OF COLLEGE STATION, TEXAS
Melrose Apartment Tax Increment Financing District Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2003

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Investment Income	\$ 2,000	\$ 2,000	\$ 524	\$ (1,476)
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>524</u>	<u>(1,476)</u>
Expenditures				
Capital Outlay	96,000	96,000	96,000	0
Total Expenditures	<u>96,000</u>	<u>96,000</u>	<u>96,000</u>	<u>0</u>
Deficiency of Revenues Under Expenditures	(94,000)	(94,000)	(95,476)	(1,476)
Other Financing Sources				
Transfers In	<u>0</u>	<u>0</u>	<u>652</u>	<u>652</u>
Net Change in Fund Balances	(94,000)	(94,000)	(94,824)	(824)
Fund Balances, October 1	93,160	93,160	93,160	0
Fund Balances, September 30	<u>\$ (840)</u>	<u>\$ (840)</u>	<u>\$ (1,664)</u>	<u>\$ (824)</u>

See reconciliation to GAAP basis on page 96.

CITY OF COLLEGE STATION, TEXAS
Parks Escrow Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2003

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Investment Income	\$ 5,000	\$ 5,000	\$ 37,256	\$ 32,256
Other	50,000	50,000	309,000	259,000
Total Revenues	<u>55,000</u>	<u>55,000</u>	<u>346,256</u>	<u>291,256</u>
Expenditures				
Current				
Reimbursed Administrative	5,000	5,000	5,000	0
Other	0	8,000	0	(8,000)
Capital Outlay	1,259,000	1,251,000	67,000	(1,184,000)
Total Expenditures	<u>1,264,000</u>	<u>1,264,000</u>	<u>72,000</u>	<u>(1,192,000)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,209,000)</u>	<u>(1,209,000)</u>	<u>274,256</u>	<u>1,483,256</u>
Other Financing Sources				
Transfers In	0	0	1,040	1,040
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>1,040</u>	<u>1,040</u>
Net Change in Fund Balances	(1,209,000)	(1,209,000)	275,296	1,484,296
Fund Balances, October 1	1,319,858	1,319,858	1,319,858	0
Fund Balances, September 30	<u>\$ 110,858</u>	<u>\$ 110,858</u>	<u>\$ 1,595,154</u>	<u>\$ 1,484,296</u>

See reconciliation to GAAP basis on page 96.

CITY OF COLLEGE STATION
 Wolf Pen Creek Tax Increment Financing District Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 For the Fiscal Year Ended September 30, 2003

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Taxes	\$ 498,000	\$ 498,000	\$ 517,758	\$ 19,758
Investment Income	60,000	60,000	68,523	8,523
Other	0	0	2,472	2,472
Total Revenues	<u>558,000</u>	<u>558,000</u>	<u>588,753</u>	<u>30,753</u>
Expenditures				
Current				
Parks and Recreation	700	700	241	(459)
Capital Outlay	1,910,000	1,910,000	879,425	(1,030,575)
Total Expenditures	<u>1,910,700</u>	<u>1,910,700</u>	<u>879,666</u>	<u>(1,031,034)</u>
Deficiency of Revenues Under Expenditures	<u>(1,352,700)</u>	<u>(1,352,700)</u>	<u>(290,913)</u>	<u>1,061,787</u>
Other Financing Uses				
Transfers Out	(492,500)	(492,500)	(492,500)	0
Total Other Financing Uses	<u>(492,500)</u>	<u>(492,500)</u>	<u>(492,500)</u>	<u>0</u>
Net Change in Fund Balances	(1,845,200)	(1,845,200)	(783,413)	1,061,787
Fund Balances, October 1	3,231,563	3,231,563	3,231,563	0
Fund Balances, September 30	<u>\$ 1,386,363</u>	<u>\$ 1,386,363</u>	<u>\$ 2,448,150</u>	<u>\$ 1,061,787</u>

See reconciliation to GAAP basis on page 96.

CITY OF COLLEGE STATION, TEXAS
 Adjustments to Special Revenue Fund Revenues and
 Expenditures to Reconcile from Budget Basis to GAAP Basis
 For the Fiscal Year Ended September 30, 2003

	Community Development	Convention Center	Hotel/Motel Tax	Melrose Apartment Tax Increment Financing District	Parks Escrow	Wolf Pen Creek Tax Increment Financing District
Change in Fund Balance - Budget Basis	\$ 26,237	\$ (1,837,817)	\$ 454,549	\$ (94,824)	\$ 275,296	\$ (783,413)
Revenues:						
Market Adjustment for Investments	-	(15,495)	(4,208)	-	(3,073)	(5,202)
Expenditures:						
Bad Debt Expense	(1,200)	-	(921)	-	-	
Capitalized Salaries	-	(6,218)	-	-	-	(24,732)
Reclass Expense	-	(3,183)	-	-	-	-
Change in Fund Balance - GAAP Basis	<u>\$ 25,037</u>	<u>\$ (1,862,713)</u>	<u>\$ 449,420</u>	<u>\$ (94,824)</u>	<u>\$ 272,223</u>	<u>\$ (813,347)</u>

COMBINING FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

Communication Services - to account for the activities related to the operation and maintenance of the City's radio and telephone systems.

Employee Benefits - to account for self-insurance activity related to administration of the City's health benefits plan.

Equipment Replacement - to account for the purchase of City equipment such as vehicles and large motorized equipment, the telephone and radio systems, and replacement assets for existing technological infrastructure equipment not budgeted in other funds.

Fleet Maintenance - to account for all activities related to the management of the City's vehicles and heavy equipment, including preventive maintenance and vehicle repair activities.

Print-Mail Services - to account for the activities related to the City's printing and mailing operations.

Property and Casualty - to account for insurance activity relating to all claims filed for liability cases (both injury and property) and property losses incurred for City property.

Unemployment - to account for self-insurance activity on claims filed under unemployment compensation laws.

Utility Billing - to account for the billing and collection activities relating to the City's electric, water, and sewer utilities and residential and commercial garbage collection.

Workers' Compensation - to account for self-insurance activity relating to administration of the City's workers' compensation plan.

CITY OF COLLEGE STATION, TEXAS

Internal Service Funds

Combining Statement of Net Assets

As of September 30, 2003

	<u>Communication Services</u>	<u>Employee Benefits</u>	<u>Equipment Replacement</u>	<u>Fleet Maintenance</u>
Current Assets				
Equity in Cash and Cash Equivalents	\$ 2,075	\$ 622,202	\$ 2,870,170	\$ 0
Equity in Investments	5,227	949,809	4,381,397	0
Receivables				
Accrued Interest	(18)	4,173	20,502	(245)
Accounts	0	4,047	0	5,924
Other	0	0	0	0
Less Allowance for Uncollectible Accounts	0	(1,059)	0	0
Inventories	0	0	0	85,254
Prepaid Costs	0	0	0	0
Total Current Assets	<u>7,284</u>	<u>1,579,172</u>	<u>7,272,069</u>	<u>90,933</u>
Capital Assets				
Buildings	0	0	0	746,575
Machinery and Equipment	1,207,944	0	17,526,180	208,820
Accumulated Depreciation	(979,009)	0	(9,917,456)	(390,252)
Total Capital Assets	<u>228,935</u>	<u>0</u>	<u>7,608,724</u>	<u>565,143</u>
Total Assets	<u>236,219</u>	<u>1,579,172</u>	<u>14,880,793</u>	<u>656,076</u>
Liabilities				
Current Liabilities				
Accounts Payable	20,196	53,373	35,900	70,246
Due to Other Funds	0	0	0	19,271
Claims Payable	0	0	0	0
Accrued Liabilities	9,617	0	0	17,628
Total Current Liabilities	<u>29,813</u>	<u>53,373</u>	<u>35,900</u>	<u>107,145</u>
Noncurrent Liabilities				
Accrued Vacation	8,822	0	0	26,138
Total Noncurrent Liabilities	<u>8,822</u>	<u>0</u>	<u>0</u>	<u>26,138</u>
Total Liabilities	<u>38,635</u>	<u>53,373</u>	<u>35,900</u>	<u>133,283</u>
Net Assets				
Invested in Capital Assets	228,935	0	7,608,724	565,143
Unreserved Retained Earnings (Deficits)	(31,351)	1,525,799	7,236,169	(42,350)
Total Net Assets	<u>\$ 197,584</u>	<u>\$ 1,525,799</u>	<u>\$ 14,844,893</u>	<u>\$ 522,793</u>

Print/Mail Services	Property and Casualty	Unemployment	Utility Billing	Workers' Compensation	Total
\$ 914	\$ 122,797	\$ 39,311	\$ 29,862	\$ 53,791	\$ 3,741,122
1,395	187,454	60,010	45,585	82,113	5,712,990
(93)	988	287	166	499	26,259
0	132,344	0	18,154	0	160,469
0	0	0	8,945	0	8,945
0	(1,652)	0	(13,692)	0	(16,403)
28,979	0	0	0	0	114,233
11,848	0	0	0	24,000	35,848
<u>43,043</u>	<u>441,931</u>	<u>99,608</u>	<u>89,020</u>	<u>160,403</u>	<u>9,783,463</u>
0	0	0	0	0	746,575
145,918	0	0	1,516,017	0	20,604,879
(118,082)	0	0	(784,226)	0	(12,189,025)
<u>27,836</u>	<u>0</u>	<u>0</u>	<u>731,791</u>	<u>0</u>	<u>9,162,429</u>
<u>70,879</u>	<u>441,931</u>	<u>99,608</u>	<u>820,811</u>	<u>160,403</u>	<u>18,945,892</u>
33,195	27,942	0	7,541	3,348	251,741
0	0	0	0	0	19,271
0	240,131	0	0	178,728	418,859
6,966	0	0	32,635	0	66,846
<u>40,161</u>	<u>268,073</u>	<u>0</u>	<u>40,176</u>	<u>182,076</u>	<u>756,717</u>
<u>5,466</u>	<u>0</u>	<u>0</u>	<u>41,415</u>	<u>0</u>	<u>81,841</u>
<u>5,466</u>	<u>0</u>	<u>0</u>	<u>41,415</u>	<u>0</u>	<u>81,841</u>
<u>45,627</u>	<u>268,073</u>	<u>0</u>	<u>81,591</u>	<u>182,076</u>	<u>838,558</u>
27,836	0	0	731,791	0	9,162,429
(2,584)	173,858	99,608	7,429	(21,673)	8,944,905
<u>\$ 25,252</u>	<u>\$ 173,858</u>	<u>\$ 99,608</u>	<u>\$ 739,220</u>	<u>\$ (21,673)</u>	<u>\$ 18,107,334</u>

CITY OF COLLEGE STATION, TEXAS
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2003

	Communication Services	Employee Benefits	Equipment Replacement	Fleet Maintenance
Operating Revenues				
Charges for Services	\$ 626,652	\$ 0	\$ 2,115,381	\$ 1,380,311
Premiums	0	4,497,134	0	0
Other	0	0	0	0
Total Operating Revenues	<u>626,652</u>	<u>4,497,134</u>	<u>2,115,381</u>	<u>1,380,311</u>
Operating Expenses				
Salaries and Benefits	314,308	0	0	629,453
Supplies	85,569	0	0	545,881
Maintenance	83,460	0	3,510	26,084
Purchased Professional Services	11,936	0	0	2,535
Purchased Property Services	11,375	0	0	16,203
Other Purchased Services	25,442	2,338	0	25,983
Claims	0	10,137	0	0
Administration Fees	0	49,424	0	0
Premiums	0	3,664,830	0	0
Reimbursed Administrative	85,000	54,949	0	137,177
Depreciation	100,012	0	2,538,411	24,183
Other	0	94	0	16,177
Total Operating Expenses	<u>717,102</u>	<u>3,781,772</u>	<u>2,541,921</u>	<u>1,423,676</u>
Operating Income	<u>(90,450)</u>	<u>715,362</u>	<u>(426,540)</u>	<u>(43,365)</u>
Nonoperating Revenues (Expenses)				
Investment Income	(709)	31,923	156,303	(1,311)
Reimbursed Expenses	0	423	21,582	364
Other, Net	1,500	18,806	83,868	781
Total Nonoperating Revenues (Expenses)	<u>791</u>	<u>51,152</u>	<u>261,753</u>	<u>(166)</u>
Income Before Transfers	<u>(89,659)</u>	<u>766,514</u>	<u>(164,787)</u>	<u>(43,531)</u>
Transfers				
Transfers In	49,300	0	972,144	0
Transfers Out	(1,363)	0	(216,000)	(2,708)
Total Transfers	<u>47,937</u>	<u>0</u>	<u>756,144</u>	<u>(2,708)</u>
Change in Net Assets	(41,722)	766,514	591,357	(46,239)
Beginning Net Assets	239,306	759,285	14,253,536	569,032
Ending Net Assets	<u>\$ 197,584</u>	<u>\$ 1,525,799</u>	<u>\$ 14,844,893</u>	<u>\$ 522,793</u>

Print/Mail	Property and Casualty	Unemployment	Utility Billing	Workers' Compensation	Total
\$ 376,337	\$ 0	\$ 0	\$ 1,925,001	\$ 0	\$ 6,423,682
0	395,175	0	0	348,632	5,240,941
0	0	0	141,320	6,862	148,182
<u>376,337</u>	<u>395,175</u>	<u>0</u>	<u>2,066,321</u>	<u>355,494</u>	<u>11,812,805</u>
189,142	0	0	1,140,133	0	2,273,036
108,667	0	0	54,502	0	794,619
10,517	0	0	39,718	0	163,289
107	16,880	0	23,415	8,880	63,753
40,301	0	0	32,439	0	100,318
9,789	0	0	287,217	0	350,769
0	478,240	15,439	0	473,770	977,586
0	5,218	0	0	1,765	56,407
0	159,261	0	0	102,500	3,926,591
47,327	131,990	0	595,212	131,991	1,183,646
9,210	0	0	51,656	0	2,723,472
0	12,785	0	7,837	0	36,893
<u>415,060</u>	<u>804,374</u>	<u>15,439</u>	<u>2,232,129</u>	<u>718,906</u>	<u>12,650,379</u>
<u>(38,723)</u>	<u>(409,199)</u>	<u>(15,439)</u>	<u>(165,808)</u>	<u>(363,412)</u>	<u>(837,574)</u>
(785)	7,151	2,416	2,102	1,915	199,005
0	41,117	0	0	0	63,486
0	0	0	115	(11,651)	93,419
<u>(785)</u>	<u>48,268</u>	<u>2,416</u>	<u>2,217</u>	<u>(9,736)</u>	<u>355,910</u>
<u>(39,508)</u>	<u>(360,931)</u>	<u>(13,023)</u>	<u>(163,591)</u>	<u>(373,148)</u>	<u>(481,664)</u>
0	22,500	0	0	115,638	1,159,582
<u>(255)</u>	<u>0</u>	<u>0</u>	<u>(2,142)</u>	<u>0</u>	<u>(222,468)</u>
<u>(255)</u>	<u>22,500</u>	<u>0</u>	<u>(2,142)</u>	<u>115,638</u>	<u>937,114</u>
(39,763)	(338,431)	(13,023)	(165,733)	(257,510)	455,450
65,015	512,289	112,631	904,953	235,837	17,651,884
<u>\$ 25,252</u>	<u>\$ 173,858</u>	<u>\$ 99,608</u>	<u>\$ 739,220</u>	<u>\$ (21,673)</u>	<u>\$ 18,107,334</u>

CITY OF COLLEGE STATION, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2003

	Communication Services	Employee Benefits	Equipment Replacement	Fleet Maintenance	Print/Mail Services
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 626,652	\$ 4,497,134	\$ 2,115,381	\$ 1,382,963	\$ 376,337
Cash Payments to Suppliers for Goods and Services	(291,068)	(4,133,491)	5,272	(750,351)	(193,083)
Cash Payments to Employees for Services	(312,645)	0	0	(624,737)	(189,131)
Cash Received for Reimbursed Expenses	0	423	21,582	364	0
Cash Received for Miscellaneous Revenues	0	18,806	42,770	781	0
Cash Received from Other Funds	0	(1,418)	69,503	(5,924)	0
Cash Paid to Other Funds	(51,419)	0	0	1,186	0
Cash Paid for Miscellaneous Expenses	0	0	(18,713)	0	0
Net Cash Provided (Used) by Operating Activities	(28,480)	381,454	2,235,795	4,282	(5,877)
Cash Flows from Noncapital Financing Activities:					
Transfers In from Other Funds	50,800	0	972,144	0	0
Transfers Out to Other Funds	(1,363)	0	(216,000)	(2,708)	(255)
Net Cash Provided (Used) by Noncapital Financing Activities	49,437	0	756,144	(2,708)	(255)
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(12,524)	0	(2,523,003)	0	(4,628)
Proceeds from Sale of Assets	0	0	225,400	0	0
Net Cash Used by Capital and Related Financing Activities:	(12,524)	0	(2,297,603)	0	(4,628)
Cash Flows from Investing Activities:					
Purchase of Investments	(16,091)	(3,495,242)	(16,642,349)	0	(11,119)
Proceeds from Sale and Maturities of Investment Securities	10,863	3,075,382	15,186,935	0	16,053
Investment Income	(1,130)	33,463	168,621	(1,574)	(750)
Net Cash Provided (Used) by Investing Activities:	(6,358)	(386,397)	(1,286,793)	(1,574)	4,184
Net Increase (Decrease) in Cash and Cash Equivalents	2,075	(4,943)	(592,457)	0	(6,576)
Cash and Cash Equivalents, Oct. 1	0	627,145	3,462,627	0	7,490
Cash and Cash Equivalents, Sept. 30	\$ 2,075	\$ 622,202	\$ 2,870,170	\$ -	\$ 914
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (90,450)	\$ 715,362	\$ (426,540)	\$ (43,365)	\$ (38,723)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	100,012	0	2,538,411	24,183	9,210
Miscellaneous Nonoperating Revenues	0	19,229	64,352	1,145	0
Miscellaneous Nonoperating Expenses	0	0	(18,713)	0	0
Change in Assets and Liabilities:					
Change in Accounts Receivable	0	1,059	0	2,652	0
Change in Due from Other Funds	0	(1,418)	69,503	(5,924)	0
Change in Inventories	0	0	0	(5,283)	(434)
Change in Prepaid Costs	0	0	0	0	2,363
Change in Accounts Payable	14,057	(352,778)	8,782	27,309	22,784
Change in Due to Other Funds	(51,419)	0	0	1,186	0
Change in Claims Payable	0	0	0	0	0
Change in Accrued Liabilities	(1,169)	0	0	(1,332)	(66)
Change in Accrued Vacation	489	0	0	3,711	(1,011)
Total Adjustments	61,970	(333,908)	2,662,335	47,647	32,846
Net Cash Provided (Used) by Operating Activities	\$ (28,480)	\$ 381,454	\$ 2,235,795	\$ 4,282	\$ (5,877)

Property and Casualty	Unemployment	Utility Billing	Workers' Compensation	Total
\$ 401,460	\$ 0	\$ 2,077,123	\$ 355,494	\$ 11,832,544
(713,413)	(20,410)	(1,038,331)	(604,433)	(7,739,308)
0	0	(1,142,852)	0	(2,269,365)
41,117	0	0	0	63,486
0	0	115	0	62,472
0	0	0	0	62,161
0	0	0	0	(50,233)
0	0	(7,837)	(11,651)	(38,201)
<u>(270,836)</u>	<u>(20,410)</u>	<u>(111,782)</u>	<u>(260,590)</u>	<u>1,923,556</u>
22,500	0	0	115,638	1,161,082
0	0	(2,142)	0	(222,468)
<u>22,500</u>	<u>0</u>	<u>(2,142)</u>	<u>115,638</u>	<u>938,614</u>
0	0	(8,945)	0	(2,549,100)
0	0	0	0	225,400
<u>0</u>	<u>0</u>	<u>(8,945)</u>	<u>0</u>	<u>(2,323,700)</u>
(848,566)	(242,505)	(236,920)	(389,979)	(21,882,771)
912,921	236,076	280,916	435,117	20,154,263
8,786	2,742	2,725	3,017	215,900
<u>73,141</u>	<u>(3,687)</u>	<u>46,721</u>	<u>48,155</u>	<u>(1,512,608)</u>
(175,195)	(24,097)	(76,148)	(96,797)	(974,138)
297,992	63,408	106,010	150,588	4,715,260
<u>\$ 122,797</u>	<u>\$ 39,311</u>	<u>\$ 29,862</u>	<u>\$ 53,791</u>	<u>\$ 3,741,122</u>
<u>\$ (409,199)</u>	<u>\$ (15,439)</u>	<u>\$ (165,808)</u>	<u>\$ (363,412)</u>	<u>\$ (837,574)</u>
0	0	51,656	0	2,723,472
41,117	0	115	0	125,958
	0	(32,646)	(11,651)	(63,010)
7,937	0	41,627	0	53,275
0	0	0	0	62,161
0	0	0	0	(5,717)
0	0	0	30,000	32,363
(96,928)	(4,971)	(811)	3,348	(379,208)
0	0	0	0	(50,233)
186,237	0	0	81,125	267,362
0	0	(267)	0	(2,834)
0	0	(5,648)	0	(2,459)
<u>138,363</u>	<u>(4,971)</u>	<u>54,026</u>	<u>102,822</u>	<u>2,761,130</u>
<u>\$ (270,836)</u>	<u>\$ (20,410)</u>	<u>\$ (111,782)</u>	<u>\$ (260,590)</u>	<u>\$ 1,923,556</u>



**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**



CITY OF COLLEGE STATION, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
As of September 30, 2003

Governmental funds capital assets:	
Building and Building Improvements	\$ 21,905,822
Improvements	13,658,683
Machinery and Equipment	7,080,970
Infrastructure	69,099,103
Construction in Progress	13,843,104
Land	19,714,327
	<u>\$ 145,302,009</u>
Investments in governmental funds capital assets by source:	
Capital Projects	\$ 108,604,464
General Fund Revenues	6,584,066
Special Revenue Funds	3,980,769
Contributions	26,132,710
	<u>\$ 145,302,009</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of College Station
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 For the Year Ended September 30, 2003

Function and Activity	Total	Buildings	Land	Improvements Other than Bldg	Machine/Tool Equipment	Infrastructure
Development Services:						
Development Services Administration	\$ 18,670	\$ -	\$ -	\$ -	\$ 18,670	\$ -
Engineering	61,420	-	-	-	61,420	-
Planning	40,014	-	-	-	40,014	-
	<u>120,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,104</u>	<u>-</u>
Fire:						
Emergency Medical Services	183,109	-	-	-	183,109	-
Fire Administration	38,307	-	-	-	38,307	-
Fire Prevention	30,876	-	-	-	30,876	-
Fire Suppression	671,459	-	-	-	671,459	-
	<u>923,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>923,751</u>	<u>-</u>
Fiscal Services:						
Accounting	13,511	-	-	-	13,511	-
Fiscal Administration	40,113	-	-	-	40,113	-
Municipal Court	241,609	-	-	-	241,609	-
Purchasing	5,700	-	-	-	5,700	-
Risk Management	-	-	-	-	-	-
	<u>300,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,933</u>	<u>-</u>
General Government:						
Budget/Research	11,085	-	-	-	11,085	-
Community Development	114,315	-	20,840	-	93,475	-
City Manager	14,993	-	-	-	14,993	-
City Programs	1,437,504	-	1,437,504	-	-	-
City Secretary	10,324	-	-	-	10,324	-
Economic Development	20,568	-	14,470	-	6,098	-
Human Resources	7,452	-	-	-	7,452	-
Legal	9,871	-	-	-	9,871	-
Capital Projects	15,287,007	-	14,786,656	-	-	500,351
Public Relations	9,714	-	-	-	9,714	-
	<u>16,922,833</u>	<u>-</u>	<u>16,259,470</u>	<u>-</u>	<u>163,012</u>	<u>500,351</u>
Office of Technology and Information Services:						
Geographic Information Systems	134,575	-	-	-	134,575	-
Library Services	511,481	-	40,000	-	471,481	-
Management Information Systems	1,158,268	-	-	-	1,158,268	-
OTIS Administration	72,208	-	-	-	72,208	-
	<u>1,876,532</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>1,836,532</u>	<u>-</u>
Police:						
Criminal Investigation	67,828	-	-	-	67,828	-
Communications/Jail	87,453	-	-	-	87,453	-
Police Administration	12,973	-	-	-	12,973	-
Professional Standards	-	-	-	-	-	-
Quartermaster	3,890	-	-	-	3,890	-
Special Services	-	-	-	-	-	-
Technical Services	-	-	-	-	-	-
Uniform Patrol	349,991	-	-	-	349,991	-
	<u>522,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,135</u>	<u>-</u>
Parks and Recreation:						
Forestry	67,365	-	-	-	67,365	-
Parks Administration	79,779	-	-	36,599	43,180	-
Parks Maintenance/Operations	285,627	-	-	45,021	240,606	-
Capital Projects	14,239,421	707,701	634,579	12,897,141	-	-
Recreation	42,102	-	-	-	42,102	-
Special Facilities	43,430	-	-	-	43,430	-
	<u>14,757,724</u>	<u>707,701</u>	<u>634,579</u>	<u>12,978,761</u>	<u>436,683</u>	<u>-</u>

City of College Station
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 For the Year Ended September 30, 2003

Function and Activity	Total	Buildings	Land	Improvements Other than Bldg	Machine/Tool Equipment	Infrastructure
Public Works:						
Drainage Maintenance	20,258	-	-	-	20,258	-
Engineering	71,135	-	-	-	71,135	-
Facilities Maintenance	23,715	5,255	-	-	18,460	-
Public Works Administration	24,641	-	-	-	24,641	-
Capital Projects	4,657,971	-	857,750	-	-	3,800,221
Streets Maintenance	356,325	-	-	-	356,325	-
Traffic Signs/Markings	-	-	-	-	-	-
Traffic Signals	-	-	-	-	-	-
	<u>5,154,045</u>	<u>5,255</u>	<u>857,750</u>	<u>-</u>	<u>490,819</u>	<u>3,800,221</u>
Other:						
Non-departmental	90,880,848	21,192,866	1,922,528	679,922	2,287,001	64,798,531
	<u>90,880,848</u>	<u>21,192,866</u>	<u>1,922,528</u>	<u>679,922</u>	<u>2,287,001</u>	<u>64,798,531</u>
Construction in Progress	13,843,104	2,766,689	-	543,959	936,476	9,595,980
	<u>13,843,104</u>	<u>2,766,689</u>	<u>-</u>	<u>543,959</u>	<u>936,476</u>	<u>9,595,980</u>
Total governmental funds capital assets	<u>\$ 145,302,009</u>	<u>\$ 24,672,511</u>	<u>\$ 19,714,327</u>	<u>\$ 14,202,642</u>	<u>\$ 8,017,446</u>	<u>\$ 78,695,083</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of College Station
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended September 30, 2003

Function and Activity	Governmental Funds Capital Assets 9/30/02	Additions	Retirements	Governmental Funds Capital Assets 9/30/03
Development Services:				
Development Services Administration	\$ 18,670	\$ -	\$ -	\$ 18,670
Engineering	61,420	-	-	61,420
Planning	40,014	-	-	40,014
	<u>120,104</u>	<u>-</u>	<u>-</u>	<u>120,104</u>
Fire:				
Emergency Medical Services	183,109	-	-	183,109
Fire Administration	38,307	-	-	38,307
Fire Prevention	30,876	-	-	30,876
Fire Suppression	656,557	14,902	-	671,459
	<u>908,849</u>	<u>14,902</u>	<u>-</u>	<u>923,751</u>
Fiscal Services:				
Accounting	13,511	-	-	13,511
Fiscal Administration	40,113	-	-	40,113
Municipal Court	216,524	25,085	-	241,609
Purchasing	5,700	-	-	5,700
Risk Management	-	-	-	-
	<u>275,848</u>	<u>25,085</u>	<u>-</u>	<u>300,933</u>
General Government:				
Budget/Research	11,085	-	-	11,085
Community Development	93,475	20,840	-	114,315
City Manager	14,993	-	-	14,993
City Programs	1,437,504	-	-	1,437,504
City Secretary	10,324	-	-	10,324
Economic Development	20,568	-	-	20,568
Human Resources	7,452	-	-	7,452
Legal	9,871	-	-	9,871
Capital Projects	14,786,656	500,351	-	15,287,007
Public Relations	9,714	-	-	9,714
	<u>16,401,642</u>	<u>521,191</u>	<u>-</u>	<u>16,922,833</u>
Office of Technology and Information Services:				
Geographic Information Systems	134,575	-	-	134,575
Library Services	471,481	40,000	-	511,481
Management Information Systems	1,135,993	22,275	-	1,158,268
OTIS Administration	72,208	-	-	72,208
	<u>1,814,257</u>	<u>62,275</u>	<u>-</u>	<u>1,876,532</u>
Police:				
Criminal Investigation	60,363	7,465	-	67,828
Communications/Jail	56,242	31,211	-	87,453
Police Administration	12,973	-	-	12,973
Professional Standards	-	-	-	-
Quartermaster	3,890	-	-	3,890
Special Services	-	-	-	-
Technical Services	-	-	-	-
Uniform Patrol	349,991	-	-	349,991
	<u>483,459</u>	<u>38,676</u>	<u>-</u>	<u>522,135</u>

City of College Station
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 For the Year Ended September 30, 2003

Function and Activity	Governmental Funds Capital Assets 9/30/02	Additions	Retirements	Governmental Funds Capital Assets 9/30/03
Parks and Recreation:				
Forestry	67,365	-	-	67,365
Parks Administration	79,779	-	-	79,779
Parks Maintenance/Operations	265,684	19,943	-	285,627
Capital Projects	10,427,686	3,811,735	-	14,239,421
Recreation	42,102	-	-	42,102
Special Facilities	43,430	-	-	43,430
	<u>10,926,046</u>	<u>3,831,678</u>	<u>-</u>	<u>14,757,724</u>
Public Works:				
Drainage Maintenance	20,258	-	-	20,258
Engineering	33,402	37,733	-	71,135
Facilities Maintenance	23,715	-	-	23,715
Public Works Administration	24,641	-	-	24,641
Capital Projects	-	4,657,971	-	4,657,971
Streets Maintenance	356,325	-	-	356,325
Traffic Signs/Markings	-	-	-	-
Traffic Signals	-	-	-	-
	<u>458,341</u>	<u>4,695,704</u>	<u>-</u>	<u>5,154,045</u>
Other:				
Non-departmental	80,690,334	10,378,327	(187,813)	90,880,848
	<u>80,690,334</u>	<u>10,378,327</u>	<u>(187,813)</u>	<u>90,880,848</u>
Construction in Progress	<u>18,000,215</u>	<u>11,227,758</u>	<u>(15,384,869)</u>	<u>13,843,104</u>
Total governmental funds capital assets	<u>\$ 130,079,095</u>	<u>\$ 30,795,596</u>	<u>\$ (15,572,682)</u>	<u>\$ 145,302,009</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.





CITY OF COLLEGE STATION, TEXAS
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS (1)

Fiscal Year	General Government	Fiscal Services	Police	Fire	Development Services	Public Works	Parks and Recreation	Office of Technology and Information Services	Interest on Long-Term Debt	Unallocated Depreciation	Electric	Water	Sewer	Other Business Types	Total
2003	\$ 7,857,618	\$ 1,834,859	\$ 9,374,251	\$ 7,102,089	\$ 1,651,761	\$ 5,242,162	\$ 6,361,728	\$ 2,919,155	\$ 3,643,268	\$ 2,543,780	\$ 43,299,695	\$ 6,283,025	\$ 7,347,315	\$ 4,880,746	\$ 110,341,462

(1)The City of College Station first applied GASB statement no. 34 in fiscal year 2003; therefore, government wide financial information for years prior to fiscal year 2003 is not available.

Source: City of College Station

CITY OF COLLEGE STATION, TEXAS

**GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS (1)**

Fiscal Year	Program Revenues				General Revenues			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	Total	
2003	\$ 79,586,591	\$ 1,942,508	\$ 10,286,807	\$ 31,277,451	\$ 2,866,829	\$ 19,563	\$ 125,979,749	

(1) The City of College Station first applied GASB statement no. 34 in fiscal year 2003; therefore, government wide financial information for years prior to fiscal year 2003 is not available.

Source: City of College Station

CITY OF COLLEGE STATION, TEXAS

**GENERAL GOVERNMENTAL REVENUES AND OTHER FINANCING SOURCES (1)
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes	Licenses & Permits	Fines,		Charges for Services	Transfers	All Other	Other Financing Sources		Total
			Forfeits	& Penalties						
1994	\$ 14,855,112	\$ 557,440	\$ 915,126	\$ 1,066,268	\$ 4,407,529	\$ 760,676	\$ 2,731,232	\$ 25,293,383		
1995	15,983,707	523,725	1,003,547	1,181,703	4,915,000	1,009,282	3,478,224	28,095,188		
1996	18,697,853	513,624	1,342,865	1,249,491	5,523,091	962,608	199,300	28,488,832		
1997	18,552,416	487,300	1,177,057	1,250,952	5,387,075	1,304,713	6,828,120	34,987,633		
1998	20,300,800	577,032	1,233,604	1,368,883	5,396,700	1,324,899	32,375	30,234,293		
1999	21,458,761	643,968	1,208,499	1,463,432	5,664,744	1,414,194	22,082	31,875,680		
2000	23,304,989	680,776	1,393,505	1,681,877	6,303,785	1,622,967	55,403	35,043,302		
2001	24,474,987	779,159	1,796,203	1,892,964	6,895,193	1,750,703	24,329	37,613,538		
2002	27,065,526	870,636	2,225,354	2,160,678	7,288,572	1,369,579	30,106	41,010,451		
2003	29,157,436	1,012,960	2,654,154	2,403,316	7,700,326	665,420	1,086,874	44,680,486		

(1) Revenues presented include the General and Debt Service Fund

Source: City of College Station

CITY OF COLLEGE STATION

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE LAST TEN FISCAL YEARS

Fiscal Year	General					Total
	Property	Sales	Franchise	Mixed Drink		
1994	\$ 5,720,627	\$ 8,671,072	\$ 358,392	\$ 105,021		\$ 14,855,112
1995	6,489,976	8,887,016	485,368	121,347		15,983,707
1996	7,216,073	9,468,207	1,876,572	137,001		18,697,853
1997	7,534,910	9,775,888	1,088,349	153,269		18,552,416
1998	7,777,890	10,912,466	1,415,464	194,980		20,300,800
1999	8,272,479	11,489,702	1,523,736	172,844		21,458,761
2000	8,967,583	12,573,564	1,577,815	186,027		23,304,989
2001	9,799,281	12,773,722	1,644,627	257,357		24,474,987
2002	11,716,307	13,400,054	1,714,241	234,924		27,065,526
2003	13,441,000	13,780,639	1,688,947	246,850		29,157,436

Source: City of College Station

CITY OF COLLEGE STATION, TEXAS

**GENERAL GOVERNMENTAL EXPENDITURES AND OTHER USES BY FUNCTION (1)
LAST TEN FISCAL YEARS**

Fiscal Year	General Government	Police	Fire	Public Works	Parks and Recreation	Library Services	Capital Outlay	Reimbursed		All Other	Debt Service	Transfers Out	Total
								Administrative	Administrative				
1994	\$ 5,923,568	\$ 4,715,064	\$ 3,454,391	\$ 2,533,983	\$ 3,083,389	\$ 282,255	\$ 1,120,536	\$ (2,886,557)	\$ 251,454	\$ 3,320,922	\$ 445,000	\$ 22,244,005	
1995	6,832,606	5,041,596	3,827,835	2,428,727	3,629,244	327,393	480,470	(2,966,008)	298,041	7,364,085 (2)	2,438,668	29,702,657	
1996	6,669,982	5,357,437	3,887,596	3,554,664	3,820,477	326,310	593,796	(3,371,737)	314,767	5,601,567	80,500	26,835,359	
1997	7,005,557	5,860,586	3,898,305	3,142,284	4,146,567	367,545	365,591	(3,240,805)	336,410	4,517,030	6,761,040	33,160,110	
1998	6,264,446	6,289,005	4,195,334	3,821,635	4,263,428	546,437	641,779	(3,683,731)	448,263	4,607,064	2,478,117	29,871,777	
1999	7,045,038	6,903,838	4,841,832	3,923,009	4,592,990	571,742	659,861	(4,034,541)	344,589	4,997,131	757,030	30,602,519	
2000	7,812,664	7,567,620	5,179,104	4,353,073	5,168,231	600,778	397,312	(4,645,701)	544,170	5,582,927	1,115,376	33,675,554	
2001	8,783,263	8,273,632	5,702,804	4,583,796	5,185,737	581,768	376,328	(5,287,928)	606,757	7,700,234	767,000	37,273,391	
2002	9,731,964	8,914,893	6,405,874	5,211,720	6,045,622	734,083	150,000	(5,823,852)	305,049	9,384,142	480,807	41,540,302	
2003	10,052,883	9,143,331	6,989,125	5,292,243	6,279,342	681,350	673,305	(6,013,085)	577,777	9,480,421	1,103,590	44,260,282	

(1) Expenditures presented include the General and Debt Service Funds.

(2) Includes refunding of \$3,460,00 of short term debt.

Source: City of College Station

CITY OF COLLEGE STATION

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year	Total		Percent of Levy Collected	Delinquent Tax Collections		Total Tax Collections	Total Collections as a Percent of Current Levy		Outstanding Delinquent Taxes as a Percent of Current Levy	
	Tax Levy	Tax Collections		Tax	Collections		a Percent of Current Levy	Delinquent Taxes	a Percent of Current Levy	
1994	\$ 5,681,754	\$ 5,591,040	98.40%	\$ 129,587	\$ 5,720,627	100.68%	282,137	4.97%		
1995	6,471,493	6,403,250	98.95%	86,727	6,489,977	100.29%	249,879	3.86%		
1996	7,171,715	7,086,990	98.82%	74,982	7,161,972	99.86%	233,927	3.26%		
1997	7,506,754	7,433,046	99.02%	60,133	7,493,179	99.82%	215,100	2.87%		
1998	7,758,131	7,688,127	99.10%	50,005	7,738,132	99.74%	233,548	3.01%		
1999	8,292,212	8,164,162	98.46%	59,095	8,223,257	99.17%	200,077	2.41%		
2000	9,068,352	8,866,966	97.78%	47,940	8,914,906	98.31%	134,418	1.48%		
2001	9,939,852	9,684,038	97.43%	62,887	9,746,925	98.06%	248,883	2.50%		
2001	11,892,629	11,570,787	97.29%	80,751	11,651,538	97.97%	328,666	2.76%		
2003	13,010,508	12,595,378	96.81%	236,468	12,831,846	98.63%	331,582	2.55%		

Source: City Of College Station

CITY OF COLLEGE STATION, TEXAS

ASSESSED VALUE OF TAXABLE PROPERTIES (1) LAST TEN FISCAL YEARS

Fiscal Year	Land and Improvements	Personal Property and Minerals	Less Exemptions and Abatements	Less TIF (2) Captured Value	Total
1994	\$ 1,145,143,509	\$ 172,473,765	\$ 41,945,080	-	\$ 1,275,672,194
1995	1,315,229,397	183,852,688	44,813,941	-	1,454,268,144
1996	1,500,298,696	158,694,184	47,371,511	-	1,611,621,369
1997	1,699,990,449	235,332,211	234,121,234	5,526,343	1,695,675,083
1998	1,813,136,426	251,996,841	245,085,209	12,889,738	1,807,158,320
1999	1,946,701,852	261,317,181	276,453,209	18,504,453	1,913,061,371
2000	2,134,828,786	285,990,138	308,471,247	37,318,353	2,075,029,324
2001	2,357,679,796	303,435,454	345,752,888	41,698,188	2,273,664,174
2002	2,565,933,396	304,577,588	380,950,901	39,379,860	2,450,180,223
2003	2,843,495,003	308,466,163	428,395,713	48,757,938	2,674,807,515

(1) Assessed Value is 100% of the estimated actual value.

(2) Tax Increment Financing District (TIF)

Sources: Brazos County Appraisal District
2002 Certified Appraisal Roll

CITY OF COLLEGE STATION, TEXAS

PROPERTY TAX RATES, RATIOS AND LEVIES
ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year (1)	Tax Rates (2) (per \$100 of Assessed Value)			Tax Ratios			Original Tax Levies		
	City	School	County	City	School	County	City	School	County
1994	\$ 0.4450	\$ 1.63	\$ 0.434	100%	100%	100%	\$ 5,681,754	\$ 23,390,262	\$ 13,374,336
1995	0.4450	1.6100	0.4180	100%	100%	100%	6,471,498	26,261,015	14,211,900
1996	0.4450	1.6100	0.4100	100%	100%	100%	7,171,715	28,663,937	15,071,727
1997	0.4427	1.6900	0.4180	100%	100%	100%	7,506,754	31,524,892	15,968,203
1998	0.4293	1.7400	0.4170	100%	100%	100%	7,758,131	33,969,261	17,043,370
1999	0.4293	1.7500	0.4170	100%	100%	100%	8,292,212	36,786,152	17,749,813
2000	0.4293	1.7500	0.4170	100%	100%	100%	9,068,352	39,822,571	18,917,599
2001	0.4293	1.7500	0.4100	100%	100%	100%	9,939,852	44,121,783	20,283,475
2002	0.4777	1.7900	0.4200	100%	100%	100%	11,892,630	48,527,735	22,629,312
2003	0.4777	1.7900	0.4146	100%	100%	100%	13,010,508	53,294,883	24,066,065

(1) Tax rates are established by each taxing jurisdiction on an annual basis for revenues to be collected in the following fiscal year.

(2) The date that taxes are due for all jurisdictions is October 1. Taxes for all jurisdictions become delinquent on February 1. The penalty is set by state law at 6% in February, and an additional 1% per month up to 12%. The interest is accrued at 1% per month.

(3) The upper limit of the tax rate is set at \$2.50/\$100 of assessed value for each jurisdiction by State Statute. This limit is for both operations and debt service combined.

Source: Brazos County Appraisal District

CITY OF COLLEGE STATION, TEXAS

PAVING ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Current Assessment		Assessments Collected		Percentage of Assessments Collected (%)		Total Outstanding Assessments
	\$	-	\$				
1994	\$	-	\$	4,779	3.34%	\$	138,471
1995		-		59,141	42.71%		79,330
1996		-		17,217	21.70%		62,113
1997		-		2,152	3.46%		59,962
1998		-		36,367	60.65%		23,595
1999		-		503	2.13%		23,092
2000		-		1,296	5.31%		21,796
2001		-		350	1.61%		21,446
2002		-		-	0.00%		21,796
2003		-		-	0.00%		21,796

Source: City of College Station Fiscal Services Department

CITY OF COLLEGE STATION, TEXAS

COMPUTATION OF LEGAL DEBT MARGIN

September 30, 2003

The City has no general obligation legal debt limit other than a ceiling on the tax rate as specified by the State of Texas. The prescribed maximum is \$2.50 per \$100 at 100% valuation.

CITY OF COLLEGE STATION, TEXAS

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population	Assessed Value	Gross Bonded Debt	Less Debt Service Cash Funds	Net Bonded Debt	Ratio of	
						Net Bonded Debt To Assessed Valuation	Net Bonded Debt Per Capita
1994	56,374 (1)	\$ 1,275,672,194	\$ 17,028,340	\$ 1,364,212	\$ 15,664,128	1.23	278
1995	58,627 (1)	1,454,268,144	25,722,210	1,845,774	23,876,436	1.64	407
1996	60,040 (1)	1,611,621,369	22,263,475	1,189,570	21,073,905	1.31	351
1997	61,525 (1)	1,695,675,083	25,388,915	1,947,403	23,441,512	1.38	381
1998	63,130 (1)	1,807,158,320	28,960,000	2,826,148	26,133,852	1.45	414
1999	66,200 (1)	1,913,061,371	32,750,000	3,472,280	29,277,720	1.53	442
2000	68,038 (2)	2,075,029,324	38,700,000	4,202,042	34,497,958	1.66	507
2001	70,308 (1)	2,273,664,174	39,375,000	1,722,254	37,652,746	1.66	536
2002	72,500 (1)	2,450,180,223	41,665,000	1,287,038	40,377,962	1.65	557
2003	75,763 (1)	2,674,807,515	43,170,000	659,180	42,510,820	1.59	561

Source:

(1) Metropolitan Planning Organization & City of College Station
Planning Division

(2) U.S. Government Preliminary Guide

CITY OF COLLEGE STATION, TEXAS

**SCHEDULE OF DIRECT AND ESTIMATED OVERLAPPING DEBT
SEPTEMBER 30, 2003**

Taxing Body	Net Debt			Percent	City's Share	
	Amount	As Of	Amount		Amount	Per Capita *
<u>ESTIMATED OVERLAPPING DEBT</u>						
College Station I.S.D. (1)	\$ 57,188,480	8/31/2003	\$ 47,740,943	83.48%	\$ 630	
Brazos County (2)	\$ 25,897,123	9/30/2003	12,119,854	46.80%	160	
Bryan I.S.D. (3)	\$ 67,256,468	9/1/2003	<u>3,477,159</u>	5.17%	<u>46</u>	
			\$ 63,337,956		\$ 836	
NET BONDED DEBT						
City of College Station (4)	\$ 75,695,000	9/30/2003	<u>75,695,000</u>	100.00%	<u>999</u>	
NET BONDED AND ESTIMATED OVERLAPPING DEBT						
			<u>\$ 139,032,956</u>		<u>\$ 1,835</u>	

*Population: 75,763

Source:

(1) College Station Independent School District

(2) Brazos County Auditor

(3) Bryan Independent School District

(4) City of College Station Finance Department

CITY OF COLLEGE STATION, TEXAS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES AND OTHER USES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest, Fiscal and Other Charges</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures and Other Uses</u>	<u>Ratio</u>
1994	\$ 2,066,045	\$ 1,254,877	\$ 3,320,922	\$ 22,244,005	14.93%
1995	5,796,130 (1)	1,519,907	7,316,037	29,702,657	24.63%
1996	3,938,735	1,660,441	5,599,176	26,835,359	20.86%
1997	2,694,075	1,738,745	4,432,820	33,160,109	13.37%
1998	3,113,915	1,483,793	4,597,708	29,871,777	15.39%
1999	2,845,000	2,141,792	4,986,792	30,602,519	16.30%
2000	3,460,000	2,122,927	5,582,927	33,675,554	16.58%
2001	4,475,000	3,222,734	7,697,734	37,273,391	20.65%
2002	5,950,000	3,434,142	9,384,142	41,540,302	22.59%
2003	5,820,000	3,660,028	9,480,028	44,260,282	21.42%

(1) Includes refunding of \$3,460,000 of short term debt.

Source: City of College Station

CITY OF COLLEGE STATION, TEXAS

UTILITY FUNDS

SCHEDULE OF REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenues		Operating Expenses (Excluding Depreciation)	Net Revenues	Average Total		Annual Coverage	Maximum Total		Annual Coverage
					Total	Total		Total	Total	
1994	(1)	\$ 48,291,091	\$ 36,190,720	\$ 12,100,371	\$ 1,553,305	\$ 4,176,525	7.79	\$ 4,176,525	2.90	
1995		47,365,953	34,682,369	12,683,584	2,819,408	6,099,551	4.50	6,099,551	2.08	
1996	(2)	45,380,036	32,395,644	12,984,392	2,655,401	6,089,271	4.89	6,089,271	2.13	
1997		48,615,366	29,608,260	19,007,106	2,968,110	6,388,449	6.40	6,388,449	2.98	
1998		49,966,216	27,885,854	22,080,362	3,014,943	5,906,739	7.32	5,906,739	3.74	
1999		49,101,104	30,080,145	19,020,959	2,844,899	5,502,384	6.69	5,502,384	3.46	
2000		52,932,584	41,925,412	11,007,172	3,472,421	5,687,161	3.17	5,687,161	1.94	
2001		59,143,896	45,465,778	13,687,118	4,688,518	6,395,244	2.92	6,395,244	2.14	
2002		62,141,066	46,274,555	15,866,511	5,825,064	8,048,707	2.72	8,048,707	1.97	
2003		64,046,246	47,785,550	16,260,696	5,773,582	8,084,285	2.81	8,084,285	2.01	

(1) In Fiscal Year 1994, the Utility Billing Fund was combined with the Electric Fund for reporting purposes.

(2) In Fiscal Year 1996, the Utility Billing Fund was reported separately as an Internal Service Fund.

Source: City of College Station

CITY OF COLLEGE STATION, TEXAS

**CONSTRUCTION PERMITS
LAST TEN CALENDAR YEARS**

Fiscal Year	Residential		Commercial		Total
	Number of Permits	Value	Number of Permits	Value	
1994	583	\$ 64,673,810	225	\$ 20,505,039	\$ 85,178,849
1995	634	28,514,709	102	38,130,694	66,645,403
1996	656	48,953,298	131	14,432,979	63,386,277
1997	590	53,435,022	212	47,682,555	101,117,577
1998	655	69,831,880	150	57,439,865	127,271,745
1999	1,020	87,917,466	138	26,665,024	114,582,490
2000	639	85,278,855	162	46,094,230	131,373,085
2001	782	79,340,756	191	40,194,722	119,535,478
2002	776	58,965,494	177	27,658,030	86,623,524
2003	658	96,990,934	106	36,366,447	133,357,381

Source: City of College Station Development Services

CITY OF COLLEGE STATION, TEXAS

PRINCIPAL TAXPAYERS SEPTEMBER 30, 2003

Taxpayer	Type of Business	2003 Assessed Valuation	Percent of Total Assessed Valuation
CB&L Associates	Retail Mall	49,331,205	1.84%
Verizon Communications, Inc	Utility	34,347,890	1.28%
Alkasser/Weinberg	Housing	33,751,295	1.26%
College Station Hospital, LP	Medical	25,681,960	0.96%
Wal-Mart's/Sam's	Retail	23,769,510	0.89%
Meirose Apartments	Housing	19,400,000	0.73%
Fairfield College Station, LP	Housing	18,340,000	0.69%
301 Church Avenue, LP	Housing	17,936,445	0.67%
HE Butt Store Property Co.	Grocery	17,615,105	0.66%
University Commons	Housing	17,279,200	0.65%
		<u>257,452,610</u>	<u>9.63%</u>

Source: Brazos County Appraisal District

CITY OF COLLEGE STATION, TEXAS

PRINCIPAL UTILITY CUSTOMERS
SEPTEMBER 30, 2003

Utility Customer	Type of Business	FY2003 KWH Consumption	Total Percent of KWH Consumed
City of College Station	Municipality	20,381,634	2.94%
CSISD	Schools	16,507,466	2.38%
CBL & Associates	Retail Mall	14,058,351	2.03%
Wal-Mart	Retail	7,688,880	1.11%
Kroger	Retail Grocery	7,040,960	1.02%
State Headquarters/TAMU	University	6,349,360	0.92%
College Station Medical Ctr	Hospital	5,888,480	0.85%
US Dept of Agr	Government	5,338,003	0.77%
Lane C/S Ltd.	Hotel	5,155,500	0.74%
HEB	Retail Grocery	5,033,160	0.73%
TOTAL		93,441,794	13.48%

Total KWH Consumption for the period October 1, 2002 to September 30, 2003 was
693,287,482

Source: City of College Station Utility Billing Division

CITY OF COLLEGE STATION

SUMMARY OF INSURANCE COVERAGE September 30, 2003

Insurance Company	Coverage	Self Insured Retention	Limits
State National Insurance Co	Worker Compensation	\$ 250,000	Statutory
State National Insurance Co	General Liability Law Enforcement Liability	\$250,000 per occurrence	\$5,000,000 per occurrence \$15,000,000 annual aggregate
State National Insurance Co	Errors & Omissions Liability	\$250,000 per wrongful act	\$5,000,000 per wrong act \$15,000,000 annual aggregate
State National Insurance Co	Automobile Liability	\$250,000 per occurrence	\$5,000,000 per occurrence
Texas Municipal League	Catastrophe Coverage	\$ 100,000	\$ 15,000,000
Texas Municipal League	Real & Personal Property	\$100,000 per occurrence	Replacement cost \$129,140,235 annual aggregate
Texas Municipal League	Mobile Equipment	\$100,000 per occurrence	Actual cash value \$5,095,324 annual aggregate
Texas Municipal League	Boiler & Machinery	\$100,000 per accident	\$5,000,000 per accident
Texas Municipal League	Public Employee Dishonesty	\$100,000 per occurrence	\$300,000 annual limit
Texas Municipal League	Forgery or Alteration	\$100,000 per occurrence	\$300,000 annual limit
Texas Municipal League	Theft, Disappearance & Destruction	\$100,000 per occurrence	\$300,000 annual limit
Texas Municipal League	Computer Fraud	\$100,000 per occurrence	\$100,000 annual limit

CITY OF COLLEGE STATION, TEXAS

MISCELLANEOUS STATISTICAL AND DEMOGRAPHIC DATA SEPTEMBER 30, 2003

Date Incorporated	October 1938
Date first charter adopted	October 1938
Date present charter amended	May 1992
Form of government	Council-Manager

Area in square miles:	<u>Year</u>	<u>Square Miles</u>
	1938	1.5
	1948	4.2
	1958	7.3
	1968	17.3
	1978	22.6
	1982	23.8
	1986	26.7
	1988	27.7
	1992	28.1
	1994	30.0
	1996	38.2
	1998	40.8

Miles of streets	Paved	733 Lane Miles
	Unpaved	4.3 Lane Miles
Miles of sidewalks		89 Miles

Fire Protection:	
Number of stations	4
Number of full-time employees	103

Police Protection:	
Number of employees (sworn)	100
Number of employees (civilian)	43
Number of patrol units	25
One jail facility with a capacity of 17	

CITY OF COLLEGE STATION, TEXAS

MISCELLANEOUS STATISTICAL AND DEMOGRAPHIC DATA SEPTEMBER 30, 2003 (Continued)

RECREATION:

Number of playgrounds	35	Number of gyms	1
Number of basketball courts	22	Number of volleyball courts	7
Number of soccer fields	19	Number of nature trails	8
Number of softball/baseball fields	19	Number of open play areas	29
Number of tennis courts	14	Number of picnic pavilions	6
Number of picnic shelters	19	Number of jogging/walking trails	22
Number of swimming pools	3		

PARKS:

Facility	Acres	Facility	Acres
Anderson	8.90	Merry Oaks	4.60
Arboretum/Bee Creek	43.50	Oaks	7.50
Bill Madeley	5.14	Parkway	1.90
Brisson	9.20	Pebble Creek	10.20
Brother's Pond	16.12	Raintree	13.00
Castlegate	8.26	Richard Carter	7.14
Central	47.20	Sandstone	15.21
Conference Center	2.30	Shenandoah	14.77
Cy Miller	2.50	Southeast Park	62.00
Eastgate	1.80	Southwest Park Site	4.78
Edelweiss	12.30	Southwood Complex	44.70
Edelweiss Gardens	7.74	Steeplechase Park Site	9.00
Emerald Forest	4.59	Thomas	16.10
Gabbard	10.70	University Park Site	10.20
Georgia K. Fitch	11.30	Veterans Athletic	150.00
Hense-TAMU	29.70	W.A. Tarrow (includes Lincoln)	21.26
Jack and Dorothy Miller	10.00	Westfield	4.29
Lemon Tree	15.40	Windwood	1.37
Lick Creek	515.50	Wolfpen Creek	19.49
Lion's	1.50	Woodcreek	6.60
Longmire	4.16	Woodland Hills	13.91
Luther Jones	1.80	Woodway Park Site	6.26
		TOTAL ACREAGE	1,213.89

CITY OF COLLEGE STATION, TEXAS

MISCELLANEOUS STATISTICAL AND DEMOGRAPHIC DATA SEPTEMBER 30, 2003 (Continued)

UTILITY FUNDS:

Electric Customers (Connections)	35,421	
Average Electrical Consumption:		
Water Customers (Connections)	54,820,470 KWH/Month	
Average Water Consumption:	29,358	
	253,259 MGW/Month	
Number of Employees:		
Electric	59	
Water	28	
Sewer	36	
Water Capacity:		
Number of Wells	6	
Combined Capacity of Wells		26 million gallons per day
Number of Ground Storage Tanks, 2		One 3-million gallon, One 5-million gallon
Number of Elevated Storage Tanks, 2		One 3-million gallon, One 2-million gallon
Miles of Water Lines		311 miles
Electric Capacity:		
Maximum Capacity		255 megawatts
Annual Peak Demand		163 megawatts
Number of Substations	4	
Miles of Distribution Lines		414 miles
Miles of Sewer Lines		262 miles
Solid Waste Collection Fund:		
Number of Users (Units)		28,215
Methodology		Curbside pickup using automated containers

CITY OF COLLEGE STATION, TEXAS

MISCELLANEOUS STATISTICAL AND DEMOGRAPHIC DATA SEPTEMBER 30, 2003 (Continued)

Education:	
Attendance centers	11
Number of classrooms	550
Number of teachers	600
Number of students	7,683
Elections:	
Number of registered voters:	
Last general election (Brazos County)	86,558
Last municipal election	43,313
Number of votes cast in:	
Last general election (Brazos County)	6,449
Last municipal election	1,878
Percentage of registered voters voting in:	
Last general election (Brazos County)	7.45%
Last municipal election	4.34%
Population:	
Estimate Census Count	
2000	68,038
1990	52,456
1980	37,296
1970	17,676
1960	1,196
1950	7,925

Source: City of College Station

CITY OF COLLEGE STATION, TEXAS

MISCELLANEOUS STATISTICAL AND DEMOGRAPHIC DATA SEPTEMBER 30, 2003 (Continued)

ACTUAL TEXAS A&M UNIVERSITY ENROLLMENT BY FALL SEMESTERS

Year	University Enrollment
1994	42,018
1995	41,790
1996	41,892
1997	41,461
1998	43,389
1999	43,442
2000	44,026
2001	44,618
2002	45,143
2003	44,813

Source: TAMU, Office of Institutional Studies And Planning

PRIMARY LABOR FORCE FOR COLLEGE STATION

Year	Total Labor Force		Number		Percent	
	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed
1994	27,312	26,546	766	2.8	2.8	2.8
1995	27,430	26,561	869	3.2	3.2	3.2
1996	26,691	25,973	718	2.7	2.7	2.7
1997	28,453	27,862	591	2.1	2.1	2.1
1998	28,889	28,377	512	1.8	1.8	1.8
1999	30,793	30,246	547	1.8	1.8	1.8
2000	31,273	30,802	471	1.5	1.5	1.5
2001	30,572	30,020	552	1.8	1.8	1.8
2002	29,734	29,105	629	2.1	2.1	2.1
2003	33,975	33,160	815	2.4	2.4	2.4

Source: Texas Workforce Commission (Austin, Texas)