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Northgate*



CITY OF COLLEGE STATION, TEXAS

Comprehensive Annual Financial Report

For Fiscal Year Ended September 30, 2004

*Northgate
2004*





CITY OF COLLEGE STATION

the heart of the Research Valley

Mission Statement

On behalf of the citizens of College Station, home of Texas A&M University, we will promote and advance the community's quality of life.

www.cstx.gov

CITY OF COLLEGE STATION, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

PREPARED BY THE

CITY OF COLLEGE STATION FISCAL SERVICES DEPARTMENT

JEFF KERSTEN, FINANCE AND STRATEGIC PLANNING DIRECTOR

PHILLIP GUILLEN, ACCOUNTING MANAGER

CITY OF COLLEGE STATION, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

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CITY OF COLLEGE STATION, TEXAS

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April 28, 2005

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, 2004.

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 80,333 as of February 2005. 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. At the end of 2004 the Brazos County unemployment rate was 2.0 percent. Slow but steady job growth also occurred adding approximately 2.8 percent to non-farm payrolls in 2004.

Many parts of the state and nation experienced reductions in various types of tax revenue. Sales taxes were down in the State of Texas in 2002 and 2003, the first time since the sales tax was instituted in Texas. In 2004 state sales tax revenues were up by 7.9%. Sales tax collections in College Station continued to grow through those two years of economic turmoil, and saw significant growth in fiscal year 2004. College Station's sales taxes were up in fiscal year 2004 by 8.5 percent over fiscal year 2003 to \$14,957,697.

College Station continues to see significant growth in housing and commercial development. There were 549 new housing starts during 2004, somewhat fewer than in 2003 but well ahead of the average number of new housing starts over the last ten years. Total ad valorem assessed valuation increased by approximately \$305 million or approximately 11.2 percent for fiscal year 2004 over fiscal year 2003. Commercial development continued to be strong with both new and redevelopment. Several new commercial businesses opened in College Station in 2004, and several new hotels were under construction in 2004. The University Drive corridor continued to have a significant amount of new businesses and increased traffic.

One major asset of the City of College Station is that it is the home of Texas A & M University ("TAMU"). TAMU is located on an 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 44,571 as of September 2004. TAMU employs more than 20,000 full-time and part-time people.

Major Initiatives

In 2004 the construction of the second phase of trails and drainage improvements in the Wolf Pen Creek District began. This project is being paid for from the Wolf Pen Creek Tax Increment Financing District fund and the Drainage Utility fund, and is a significant project in the Wolf Pen Creek Corridor that is designed to help spur additional development in this growing corridor. This area also saw the beginning of construction on an ice rink by a private developer. The City conveyed the 4.23 acre tract of land and is reimbursing the developer for relocation of sewer lines as part of an economic development agreement. Another significant economic development agreement was the construction of the Warehouse at Cross Street loft apartments in the Northgate area. The City participated in the construction of new sidewalks, utility infrastructure, curb and gutter, and the planting of street trees on this project. During fiscal year 2004 construction began on an expansion to the Lincoln Recreation Center. The City continues to upgrade and replace infrastructure within its parks system. Parking, improved trail surfaces, bridges, and a new entrance were constructed at the Lick Creek Park. Other park projects completed in 2004 include new lighting for the softball fields at Bee Creek Park, and the completion of Southern Oaks Park, a neighborhood park, in the Shenandoah subdivision.

A new street extension was completed with Copperfield Drive extended between Highway 30 and Highway 60. Widening projects continued on Greens Prairie Road East of Highway 6 to Pebble Creek Parkway and the George Bush East widening project from Texas Avenue to Dominik was completed. Other significant street projects include the rehabilitation on Dominik Drive from Munson Street to the Dominik Drive cul-de-sac. Also in 2004 the First, Maple and Louise Street rehabilitation project was completed ahead of schedule. This project also included water and sewer line replacements, storm sewer and electrical installations with new street light foundations, and sidewalks with ramps. In 2004 another significant rehabilitation project included was the Southside System A rehabilitation project which included street and utility rehabilitation, drainage improvements and the installation of new storm sewer inlet lines. The relocation of overhead utility lines on a portion of two major thoroughfares, Texas Avenue and Harvey Road was completed in 2004.

Construction also began in 2004 on Fire Station #5 located on Greens Prairie Road in the southern part of College Station. This station is needed to provide adequate fire protection in the growing southern part of the City.

Several new traffic signals were installed during the year to provide greater safety and better traffic flow. New traffic signals were installed and made operational in fiscal year 2004 at Manuel on Texas Avenue, George Bush East and Holleman, and University Drive at Forest Drive. A sidewalk project completed in 2004 was the sidewalk on the south side of Harvey Road from Johnny Carino's eastward to Dartmouth Drive. Other sidewalk projects to place sidewalks along parts of Longmire Drive and Anderson Street were also completed in 2004.

Technology is an ongoing area of advancement for the City. During fiscal 2004 work continued on a software implementation to allow citizens to register for sports and recreation activities and to obtain information on athletic fields, pools and leisure activities on the internet. An upgrade to the Fire Department scheduling software also was underway in 2004. This software automates and simplifies scheduling for the department to ensure qualified personnel are always available to respond to emergencies while allowing individual employees the greatest personal flexibility. Also underway in 2004 was the writing of a program that enables Municipal Court to coordinate with other agencies regarding collection of delinquent fines, increasing the collection rate and efficiency for the Court. Also in 2004 the

City's new website was formally unveiled and was an immediate success with its user friendly format and continuously updated information.

Capital Planning

The citizens of the City approved general obligation bond proposals totaling approximately \$38.4 million in November 2003. The first portion of this bond authorization totaling \$6,105,000 was issued in 2004. It is anticipated that the various street, traffic safety, public buildings, parks 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 ten 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 \$113 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 issue a request for applications for a new contract during 2005. The current depository contract with First American Bank SSB expires October 1, 2005.

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 2004 was approximately \$128,621,623. The overall portfolio produced total interest earnings of \$2,805,108 which represents a decrease of \$462,570 from fiscal year 2003, 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 2004, 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 Investment Officer and at least two other staff members designated by the City Manager. The City had no realized losses on any securities held during the year. For additional information on the City's investments refer to Note IV-A 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 seven (7) percent of gross earnings. The City's contribution rate for 2004 was 12.17 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, 2004, 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, 2003. 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.

Responsibility for Financial Reporting

The City's Senior Management, including the City Manager, Assistant City Manager, and Finance and Strategic Planning Director, accept the responsibility for the accuracy, integrity, consistency, and reliability of the financial statements. They also acknowledge their responsibility for assuring the continuous monitoring of the City's system of internal controls for compliance in order to prevent misappropriation of assets and fraudulent financial reporting. Additionally, they confirm their commitment to fostering a strong ethical climate and communicating those standards to employees through personnel rules, administrative regulations, and City law.

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.

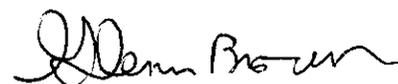
Acknowledgement is also given to the representatives of Ingram, Wallis & Company for their invaluable assistance in producing the final product.

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.

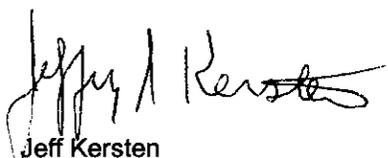
Respectfully submitted,



Thomas E. Brymer
City Manager



Glenn Brown
Assistant City Manager



Jeff Kersten
Finance and Strategic Planning Director

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, 2003

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.



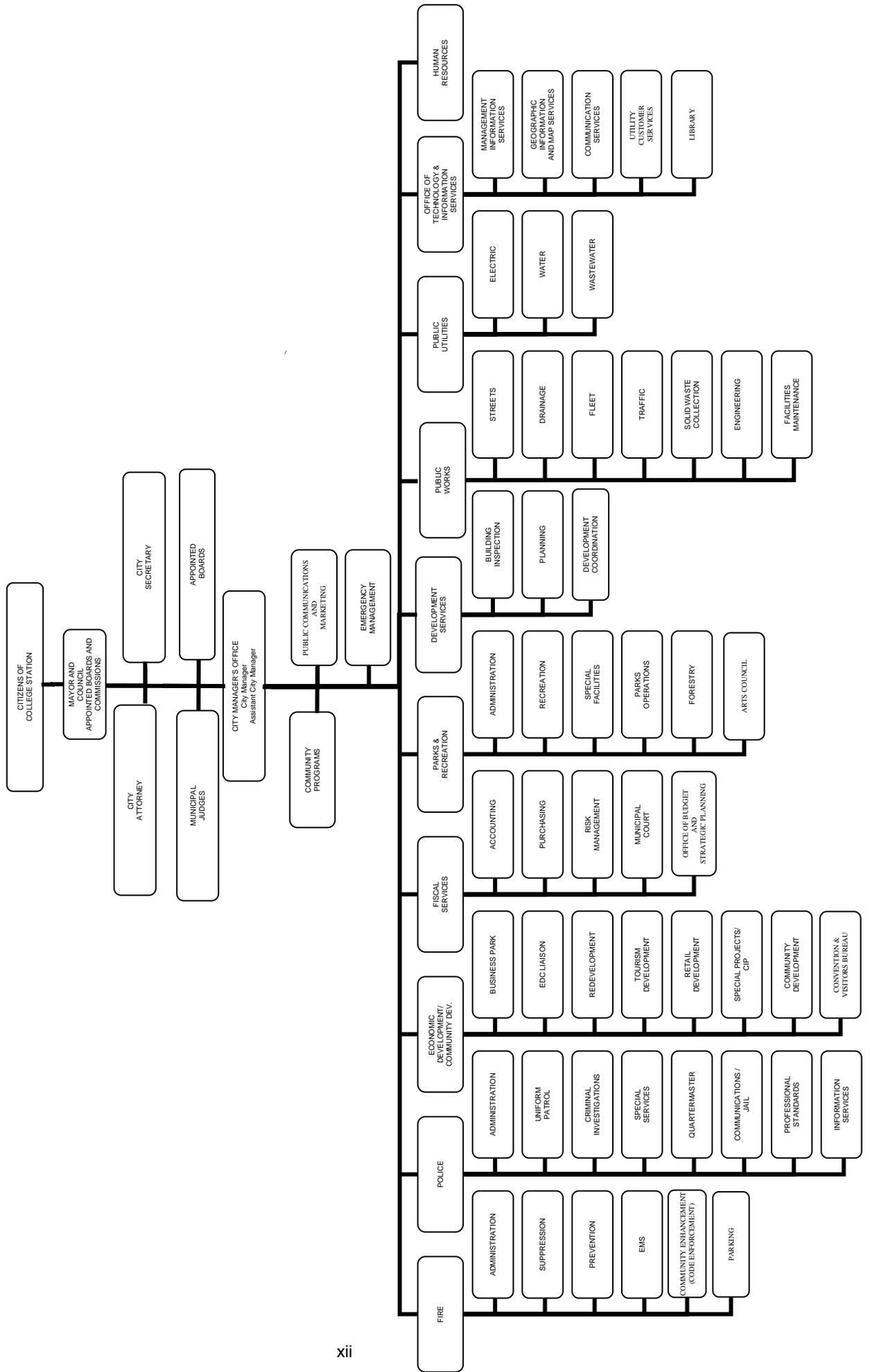
Nancy L. Zjella

President

Jeffrey R. Emer

Executive Director

CITY OF COLLEGE STATION



CITY OF COLLEGE STATION, TEXAS

PRINCIPAL CITY OFFICIALS
September 30, 2004

Elected Officials:

Mayor..... Ron Silvia
Council Member, Mayor Pro Tem Dennis Maloney
Council Member, Place 1 James Massey
Council Member, Place 2.....John Happ
Council Member, Place 3..... Robert Wareing
Council Member, Place 4.....Susan Lancaster
Council Member, Place 6.....Nancy Berry

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
Finance and Strategic Planning Director Jeff Kersten
Director of Economic Development Kim Foutz
Director of Development Services Joey Dunn
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

INGRAM, WALLIS & COMPANY

A PROFESSIONAL CORPORATION

Certified Public Accountants

2100 E. Villa Maria, Suite 100

BRYAN, TEXAS 77802

James D. Ingram, III
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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, 2004, 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.

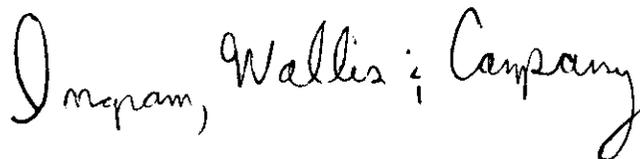
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2004, and 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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 21 and 67 through 69, 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, schedule of capital assets used in the operations of governmental funds 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, schedule of capital assets used in the operation of governmental funds 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
December 23, 2004

A handwritten signature in cursive script that reads "Ingram, Wallis & Company". The signature is written in dark ink and is positioned to the right of the typed text.

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2004

(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, 2004. 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 \$292,242,242 (net assets). Of this amount, \$53,592,003 (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 \$21,454,690 during the fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$59,310,586, a decrease of \$3,911,578 when compared to the prior year. This decrease is primarily attributable to the early retirement of \$4,430,000 in debt related to the 1998 Certificates of Obligation.
- Approximately 26.5% of the combined governmental funds ending fund balance, or \$15,698,697, is available for spending at the City's discretion (unreserved-undesignated fund balance).
- During fiscal year 2004, the City's total debt increased by approximately \$2,070,000. Key factors in this increase were the issuance of \$12,940,000 in General Obligation Improvement and Refunding Bonds, and \$9,415,000 in Certificates of Obligation.



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:

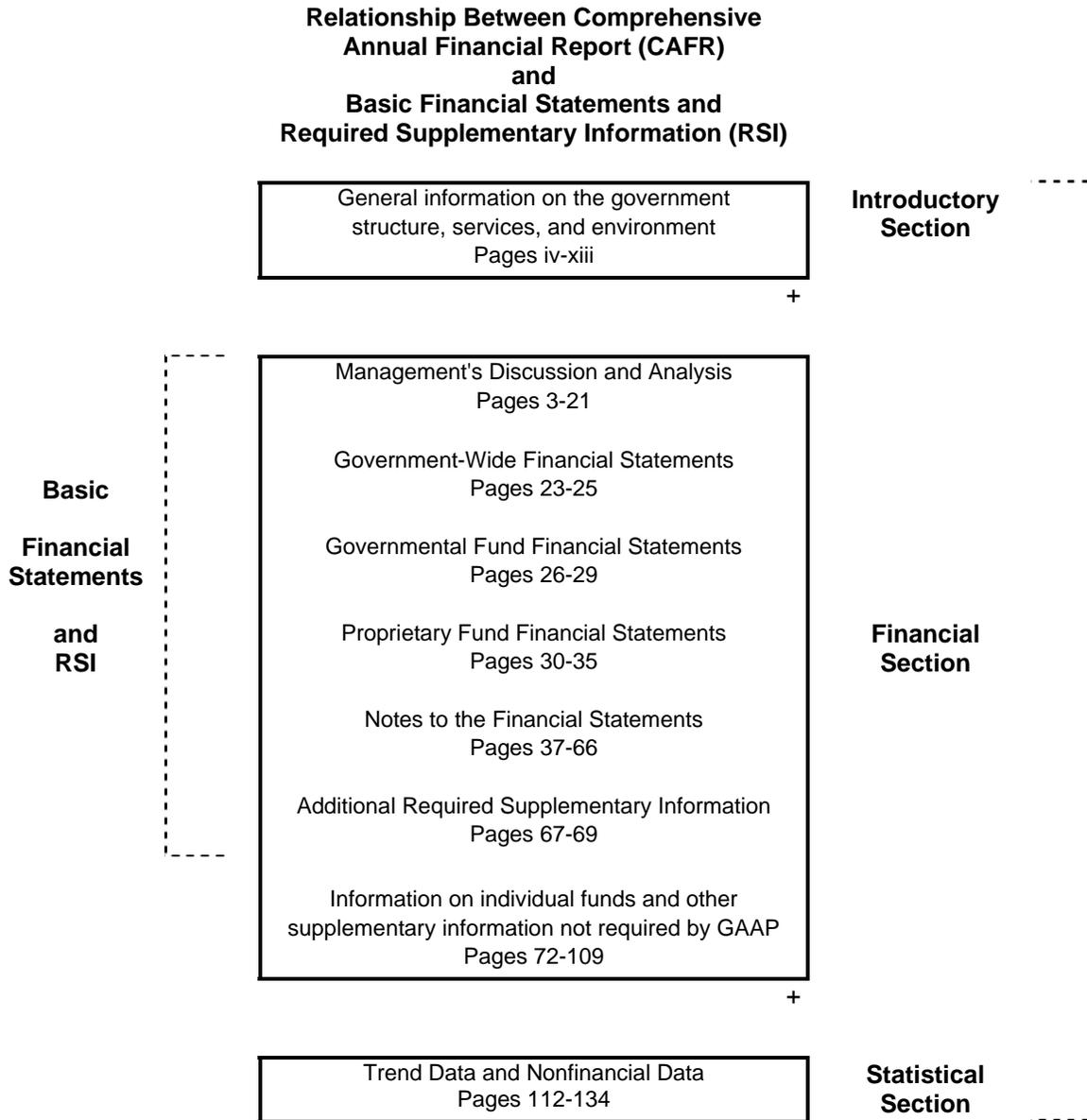
- (1) **Government-wide** financial statements
- (2) **Fund** financial statements
- (3) **Notes** to the financial statements.

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2004
(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, 2004

(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.

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 23-25.

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.

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(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 26-29.

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 30-35.

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

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Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents on pages 67-69 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 72-101 immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$292,242,242 at the close of the most recent fiscal year.

The largest portion of the City's net assets (75.8 percent) reflects its investment of \$221,655,539 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.

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$ 75,307,405	\$ 78,351,388	\$ 63,463,862	\$ 64,640,588	\$ 138,771,267	\$ 142,991,976
Capital Assets	145,281,615	131,819,891	182,822,797	169,975,339	328,104,412	301,795,230
Total Assets	<u>220,589,020</u>	<u>210,171,279</u>	<u>246,286,659</u>	<u>234,615,927</u>	<u>466,875,679</u>	<u>444,787,206</u>

Liabilities

Liabilities						
Long-Term Liabilities						
Outstanding	83,471,294	77,339,680	75,608,361	79,547,501	159,079,655	156,887,181
Other Liabilities	5,894,040	6,135,086	9,659,742	10,977,387	15,553,782	17,112,473
Total Liabilities	<u>89,365,334</u>	<u>83,474,766</u>	<u>85,268,103</u>	<u>90,524,888</u>	<u>174,633,437</u>	<u>173,999,654</u>

Net Assets

Net Assets						
Invested in Capital Assets,						
Net of Related Debt	92,953,737	86,587,535	128,701,802	109,857,913	221,655,539	196,445,448
Restricted	14,343,375	12,031,989	2,651,325	2,466,731	16,994,700	14,498,720
Unrestricted	23,926,574	28,076,989	29,665,429	31,766,395	53,592,003	59,843,384
Total Net Assets	<u>\$ 131,223,686</u>	<u>\$ 126,696,513</u>	<u>\$ 161,018,556</u>	<u>\$ 144,091,039</u>	<u>\$ 292,242,242</u>	<u>\$ 270,787,552</u>

Management's Discussion and Analysis

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(Unaudited)

An additional portion of the City's net assets, \$16,994,700 (5.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$53,592,003 (18.4 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

The City experienced a decrease in unrestricted net assets of \$6,251,381. \$4,150,415 of this decrease occurred in the governmental activities unrestricted net assets and primarily resulted from the early retirement of the outstanding balance of the 1998 Certificates of Obligation. The \$2,100,966 decrease in the business-type activities primarily resulted from the use of operating funds for capital projects in the water fund.

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

During fiscal year 2004 the City conducted an inventory of governmental land, contracted an inventory of governmental machinery and equipment, contracted an appraisal of governmental infrastructure, and corrected the value of previously recorded governmental buildings and building improvements. The adjustments for all of these items resulted in a net increase in governmental capital assets of \$7,795,715. Beginning governmental net assets have been restated to reflect this change.

The City's net assets increased by \$21,454,690 as a result of fiscal year 2004 operations. The increase is primarily attributable to increases in ongoing revenues and relatively stable expenses.

The following table provides a summary of the City's operations for the year ended September 30, 2004 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, 2004

(Unaudited)

Changes in Net Assets

For the Fiscal Year Ended September 30, 2004

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues:						
Charges for Services	\$ 9,525,576	\$ 8,437,681	\$ 70,518,669	\$ 71,148,910	\$ 80,044,245	\$ 79,586,591
Operating Grants and Contributions	3,208,957	1,891,808	-	50,700	3,208,957	1,942,508
Capital Grants and Contributions	5,266,837	6,399,178	5,179,221	3,887,629	10,446,058	10,286,807
General Revenues:						
Property Taxes	14,668,641	13,441,000	-	-	14,668,641	13,441,000
Sales Tax	15,238,995	14,027,489	-	-	15,238,995	14,027,489
Other Taxes	4,166,016	3,808,962	-	-	4,166,016	3,808,962
Interest and Investment Income	1,224,546	1,739,929	662,359	1,126,900	1,886,905	2,866,829
Other	4,386	19,563	-	-	4,386	19,563
Total Revenues	<u>53,303,954</u>	<u>49,765,610</u>	<u>76,360,249</u>	<u>76,214,139</u>	<u>129,664,203</u>	<u>125,979,749</u>
Expenses						
General Government	7,536,427	7,857,618	-	-	7,536,427	7,857,618
Fiscal Services	1,953,189	1,834,859	-	-	1,953,189	1,834,859
Police	9,654,447	9,374,251	-	-	9,654,447	9,374,251
Fire	7,189,495	7,102,089	-	-	7,189,495	7,102,089
Development Services	1,586,114	1,651,761	-	-	1,586,114	1,651,761
Public Works	5,004,976	5,242,162	-	-	5,004,976	5,242,162
Parks and Recreation	6,154,862	6,361,728	-	-	6,154,862	6,361,728
Office of Technology and Information Services	2,652,957	2,919,155	-	-	2,652,957	2,919,155
Interest on Long Term Debt	3,448,533	3,643,268	-	-	3,448,533	3,643,268
Unallocated Depreciation	2,690,998	2,543,780	-	-	2,690,998	2,543,780
Electric Utility	-	-	41,120,750	43,299,695	41,120,750	43,299,695
Water Utility	-	-	6,542,184	6,283,025	6,542,184	6,283,025
Sewer Utility	-	-	7,214,296	7,347,315	7,214,296	7,347,315
Sanitation Services	-	-	4,848,591	4,419,352	4,848,591	4,419,352
Parking Operations	-	-	550,544	461,394	550,544	461,394
Cedar Creek Condominiums	-	-	61,150	-	61,150	-
Total Expenses	<u>47,871,998</u>	<u>48,530,671</u>	<u>60,337,515</u>	<u>61,810,781</u>	<u>108,209,513</u>	<u>110,341,452</u>
Increase in Assets Before Transfers	5,431,956	1,234,939	16,022,734	14,403,358	21,454,690	15,638,297
Transfers Net	<u>(904,783)</u>	<u>6,856,352</u>	<u>904,783</u>	<u>(6,856,352)</u>	<u>-</u>	<u>-</u>
Increase in Net Assets	4,527,173	8,091,291	16,927,517	7,547,006	21,454,690	15,638,297
Net Assets at Beginning of Year	<u>126,696,513</u>	<u>118,605,222</u>	<u>144,091,039</u>	<u>136,544,033</u>	<u>270,787,552</u>	<u>255,149,255</u>
Net Assets at End of Year	<u>\$ 131,223,686</u>	<u>\$ 126,696,513</u>	<u>\$ 161,018,556</u>	<u>\$ 144,091,039</u>	<u>\$ 292,242,242</u>	<u>\$ 270,787,552</u>

Management's Discussion and Analysis

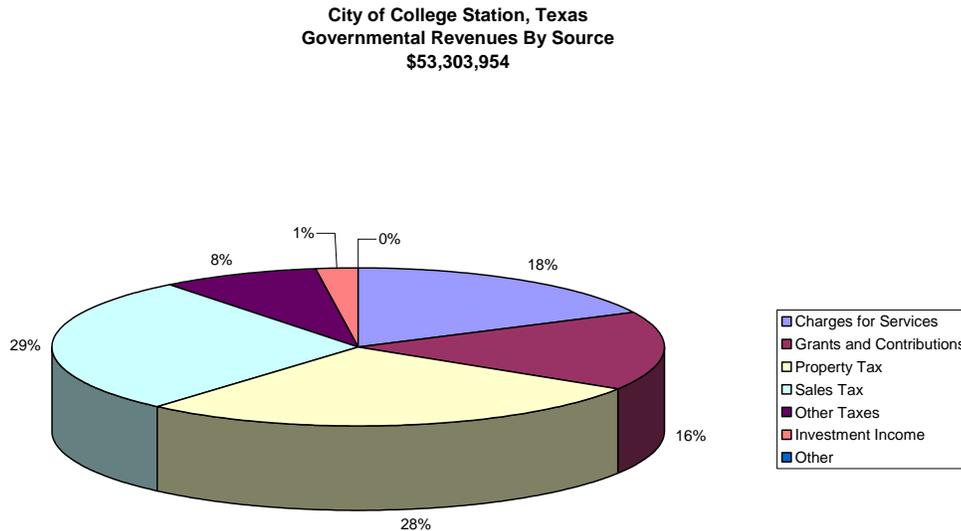
For the Fiscal Year Ended September 30, 2004

(Unaudited)

Governmental activities. Governmental activities increased the City of College Station's net assets by \$4,527,173, thereby accounting for 21.1 percent of the total growth in net assets. Key elements of this increase are as follows:

- Property taxes increased \$1,227,641 (9.1%) during the year. This is primarily the result of the total ad valorem assessed valuations increasing by \$305 million or 11.2 percent over fiscal year 2003.
- Sales taxes increased \$1,177,058 (8.5%) during the year. This is attributable to continued economic growth in the area.

The chart below illustrates the City's governmental revenues by source. For governmental activities overall without regard to program, sales tax (29 percent) and property tax (28 percent) are the largest sources of funds followed by charges for services (18 percent), and grants and contributions (16 percent). All other governmental revenues account for 9 percent of all governmental revenues.

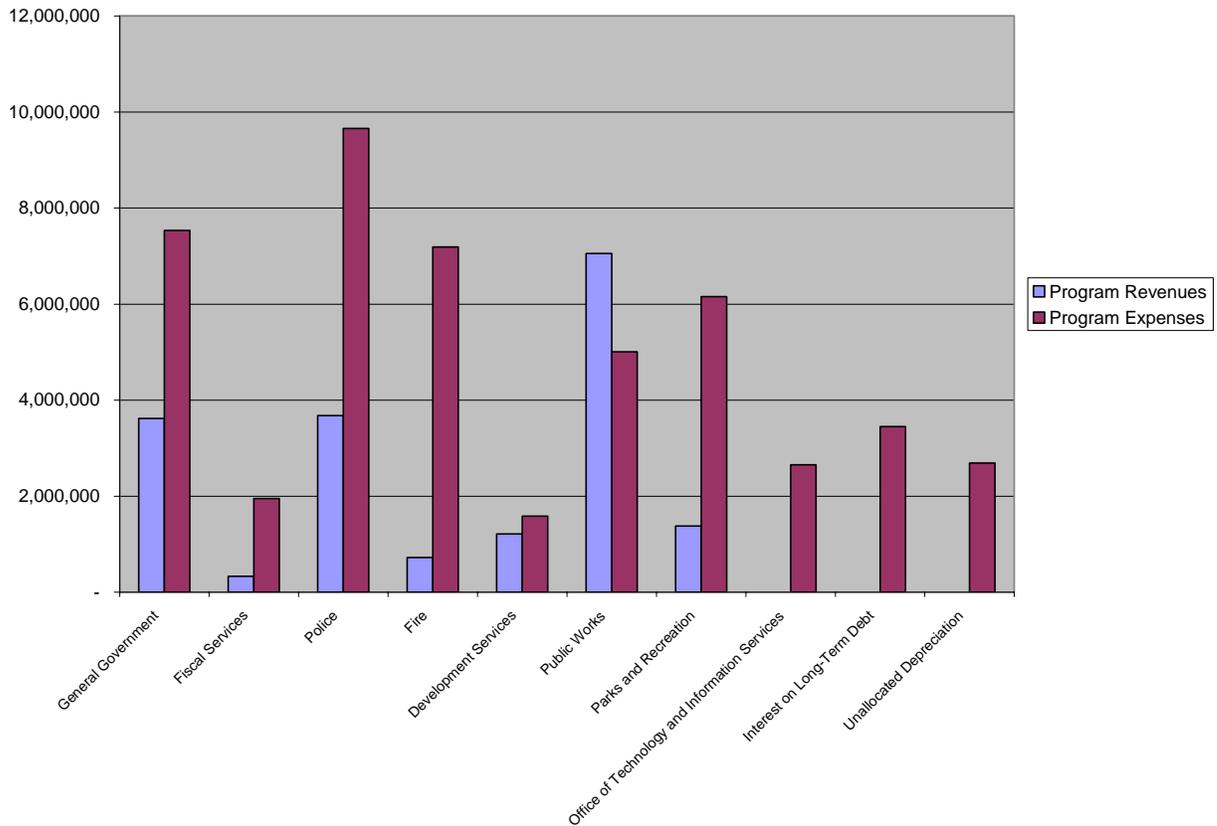


Another useful chart depicts governmental activity program revenues relative to program expenses. That data is presented below:

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2004
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Governmental Activities
Comparison of Program Revenues to Program Expenses



Business-type activities. Business-type activities increased the City of College Station's net assets by \$16,927,517, thereby accounting for 78.9 percent of the total growth in net assets. Key elements of this increase are as follows:

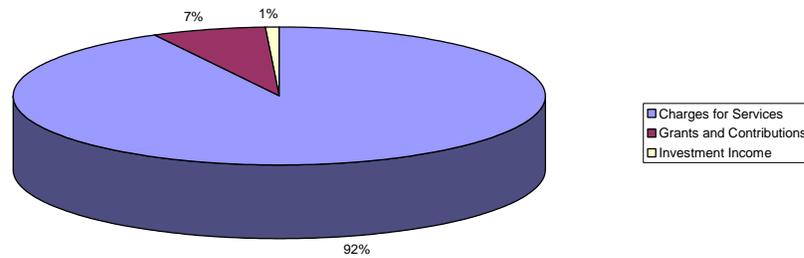
- With the continued growth in the area capital contributions continued to be a major source of revenue for the electric, water, and sewer funds. In fiscal year 2004 capital contributions amounted to \$5,179,221.
- Electric utility expenses actually experienced a decrease of \$2.2 million or 5% from fiscal year 2003. This is attributable to a litigation settlement that occurred during fiscal year 2003.

Revenues for the City's business-type activities are presented in the following chart. Charges for services provided the largest share of revenues (92 percent) for the City's business-type activities. It was followed by grants and contributions (7 percent) and investment income (1 percent).

Management's Discussion and Analysis

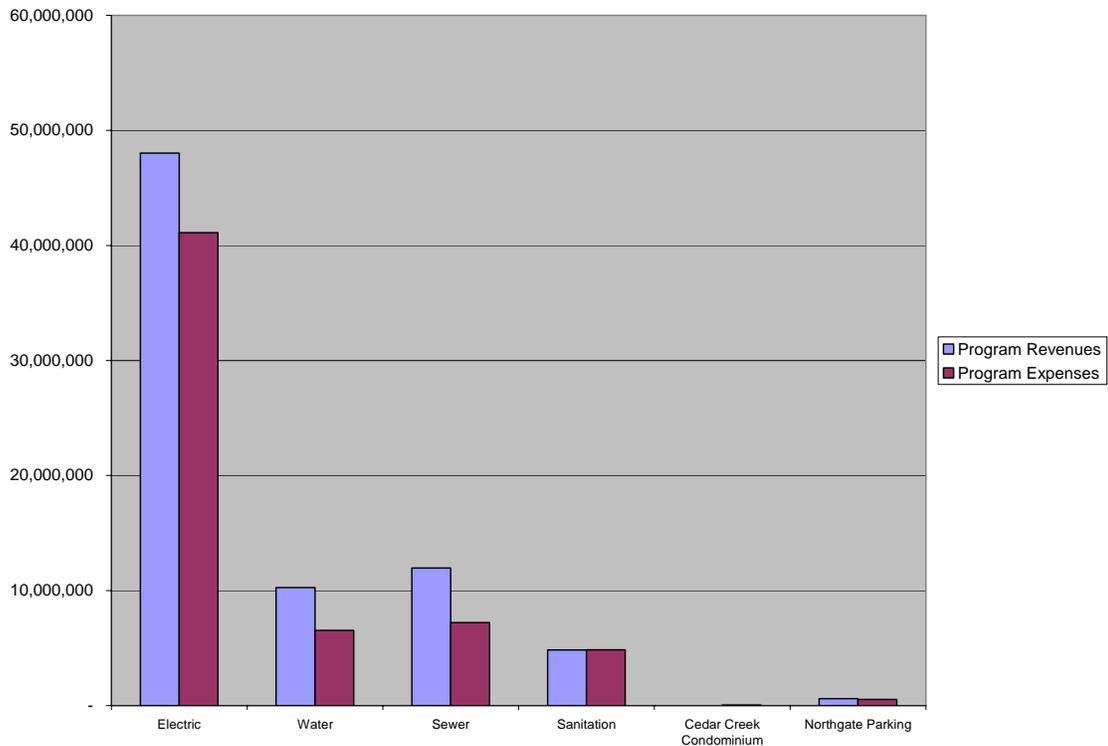
For the Fiscal Year Ended September 30, 2004
(Unaudited)

Business-type Revenues
\$76,360,249



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

Business-type Activities
Comparison of Program Revenues to Program Expenses



Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2004
(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 Fund, and Streets Capital Projects Fund. Other governmental funds of the City are reported as non-major funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$59,310,586. Approximately 26.5 percent (\$15,698,697) of this total amount constitutes unreserved fund balance and is available for spending at the City's discretion. 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 (\$2,538,713),
- (2) To liquidate contracts and purchase orders of the prior period (\$10,053,752),
- (3) To capital improvements (\$29,462,122),
- (4) To permanent cemetery endowments (\$990,694),
- (5) To police criminal investigation activity (\$15,402),
- (6) To inventory (\$49,344),
- (7) To Court Technology (\$274,038),
- (8) To Court Security (\$203,331), and
- (9) To Court Efficiency (\$24,493).

Revenues for governmental functions overall totaled approximately \$47,778,069 in the fiscal year ended September 30, 2004, an increase of 10.7 percent or \$4,628,103 from the fiscal year ended September 30, 2003. Expenditures for governmental functions totaling \$67,447,541 increased by approximately 14.4 percent (\$8,481,140) from the fiscal year ended September 30, 2003. In fiscal year 2004, expenditures for governmental functions exceeded revenues by \$19,669,472. That amount was 24.4 percent more than the previous year's amount of \$15,816,435.

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 \$9,613,442 while the total fund balance reached \$10,702,952. The City's fiscal and budgetary policies require that the 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

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fund balance is approximately 24.2 percent of fiscal year 2004 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 25.6 percent of total general fund expenditures while total fund balance represents 28.5 percent of the same amount. The fund balance continues to meet and exceed the Fiscal and Budgetary Policy of having 15% of expenditures available in fund balance.

The fund balance of the General Fund decreased by \$547,383 during the current fiscal year. Key factors in this change were as follows:

- Overall revenues were up by approximately 8.3 percent, primarily due to an increase in sales tax revenue and property tax revenue which resulted from strong retail sales and new property values on the tax rolls.
- A 9.9 percent increase in licenses and permits which was a result of an increase in building permit revenue. This increase came from commercial construction value.
- A 11.4 percent increase in fines due to more aggressive collection efforts and increases in the amount of traffic fines,
- Overall total expenditures were up by approximately 11.4 percent, primarily due to increases in department spending.

The Debt Service Fund ended the fiscal year with a fund balance of \$2,538,713, all of which is reserved for the payment of debt service. The net increase in fund balance during the current fiscal year was \$902,406. A \$954,688 increase in debt service revenues and other financing sources was more than enough to cover principal retirements and interest payments.

The Streets Projects fund ended the fiscal year with a fund balance of \$19,160,316. This entire amount is either reserved for encumbrances related to current capital projects or reserved for future capital projects. The net decrease in fund balance during the current fiscal year was \$1,579,698. This decrease is attributable to the expenditure of funds on streets capital projects.

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 \$159,732,237. Approximately 18.2 percent (\$29,119,651) of this total amount constitutes unrestricted net assets. The remainder of net assets for the proprietary funds, \$130,612,586, is reported as follows:

- (1) Invested in capital assets, net of related debt (\$127,961,261), and
- (2) Restricted for debt service (\$2,651,325).

Operating revenues for proprietary activities totaled \$70,174,236 for the fiscal year, an increase of 1.3 percent or \$916,872 from the previous fiscal year. Operating expenses decreased \$1,334,350 or 2.3 percent for the same period causing operating income to increase \$2,251,222 or 19.3 percent. The proprietary funds reported net nonoperating expenses of \$3,438,933 at the end of fiscal year 2004 as compared to net nonoperating expenses of \$826,277 in the previous

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fiscal year. As a result of the increase in operating income and the increase in transfers in, the increase in net assets, \$16,554,122, was \$8,690,158 more than the change in net assets for the previous year.

Electric Fund

At the end of the fiscal year, the unrestricted net assets for the Electric Fund totaled \$6,745,147. The electric utility ended the fiscal year with working capital of \$6,442,354, an increase of \$1,978,817 or 44 percent from fiscal year 2003. The majority of this increase is due to the \$8.7 million settlement of a lawsuit that reduced working capital in fiscal year 2003. 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, 2004, Electric Fund working capital equaled approximately 16 percent.

Electric Fund operating revenues increased by 1.8 percent (\$826,692) during fiscal year 2004 while operating expenses decreased 5.1 percent (\$2,175,502) during the same period resulting in a 70.6 percent increase (\$3,002,194) in operating income. The large decrease in operating expenses was due to the settlement of the lawsuit that occurred in fiscal year 2003. As a result of the decrease in expenses and an increase in transfers in, net assets for the Electric Fund increased by \$6,929,599 during the fiscal year.

Water Fund

Unrestricted net assets for the Water Fund at September 30, 2004 were \$7,462,386. Working capital in the Water Fund at the end of fiscal year 2004 was \$7,598,761, a decrease of approximately 34 percent from fiscal year 2003. Water Fund working capital was 144 percent of total operating expense and exceeds the minimum 15 percent requirement under the Council's adopted policy.

Water Fund operating revenues decreased by 4.3 percent (\$370,774) during fiscal year 2004 as a result of slightly lower water consumption due to cooler temperatures and increased rainfall. During the same period, operating expenses increased 7.9 percent (\$384,487). As a result, operating income decreased 20.3 percent to \$2,964,899 in fiscal year 2004. The Water Fund's change in net assets was \$2,967,020, a 30.6 percent decrease over the previous year. This decrease is due to the combination of reduced revenue and increased operating expenses.

Sewer Fund

The Sewer Fund's unrestricted net assets at the end of fiscal year 2004 were \$5,740,214. The Sewer Fund ended the fiscal year with a working capital balance of \$4,977,173, which was 10 percent above fiscal year 2003. Sewer Fund working capital was 88 percent of total operating expenses and is well above the minimum requirement for the fund.

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(Unaudited)

Operating revenues in the Sewer Fund were \$9,166,440, a \$282,958 (3.2 percent) increase over the previous fiscal year. Operating expenses increased from \$5,599,591 to \$5,679,897 or 1.4 percent while operating income rose by 6.2 percent from \$3,283,891 to \$3,486,543.

BUDGETARY HIGHLIGHTS

The final amended budget for fiscal year 2004 totaled \$170,755,578 for all funds. Of this amount \$124,449,475 (73 percent) was budgeted for operations and maintenance expenditures, and \$46,306,103 (27 percent) was budgeted for capital improvement projects.

In the General Fund the final revised budgeted change in fund balance was \$2,587,748 lower than the original budgeted change and the significant items that comprise this difference can be briefly summarized as follows:

- \$1,025,414 - Encumbrances rolled over from previous fiscal year
- \$250,000 - Additional funding for the Arts Council of Brazos Valley
- \$220,556 - Matching funds for FEMA Fire Equipment Grant, Homeland Security Grant, and Law Enforcement Block Grants
- \$118,823 - Gainsharing distribution to employees
- \$222,840 - Purchase of 3 homes and lots on Foster Street.
- \$600,000 - Additional funding for cemetery land acquisition.

In the General Fund the actual change in fund balance was \$4,150,441 higher than the final revised budgeted change and the significant items that comprise this difference can be briefly summarized as follows:

- \$1,310,820 - Lower Capital Outlay expenditures primarily related to the delay in spending the funds appropriated for cemetery land acquisition and delays in the purchase of other capital items including the AM radio station and the ups system for 6 traffic signals.
- \$1,219,871 - Additional tax revenue generated primarily from higher sales tax revenues. Natural gas franchise and telecable franchise revenues were also higher than budget primarily due to the renegotiation of these franchise agreements.
- \$409,256 - Lower expenditures in the economic development fund related to economic development incentives that were budgeted for and did not occur in FY 04.
- \$227,566 - Additional Licenses and Permits revenue generated from an increase in commercial building activity and an increase in the minimum building permit fee.
- \$164,275 - Lower Purchased Professional Services expenditures related to two franchise agreements that did not require the use of all the funds budgeted.
- \$90,531 - Lower salaries and benefits in the Fire Department due to delays in hiring new personnel for Fire Station #5.
- \$86,706 - Additional Fines, Forfeits & Penalties revenue generated from more efficient municipal court operations.
- \$62,430 - Additional Charges for Services revenue generated by an increase in the collection of arrest and warrant service fees, an increase in Parks and Recreation fees and usage, an increase in development filing fees, and various other fee and usage increases.

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 2004 budget:

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2004

(Unaudited)

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 2004 fiscal year budget include:

- Additional resources for the addition of a Criminal Investigation Sergeant,
- Funding of the third of three phases for the operation and maintenance of Fire Station #5 which is scheduled to begin operation in 2005,
- Additional resources for thoroughfare rehabilitation projects,
- Additional resources for an additional drainage crew to ensure drainage rights of way are maintained at appropriate levels,
- Enhancement to public communications through the addition of a media specialist and equipment for television production,
- Enhancing communications through a low band radio system,
- Resources to hold a capital improvement bond election,
- Resources to improve the retirement benefit for City employees, increasing the benefit from a 6% contribution to a 7% contribution, and
- A 4% increase in wastewater rates to help fund the additional debt issued for the expansion of the Lick Creek Wastewater Treatment Plant and other capital projects.

Vision Statement #2--Parks and Leisure Services

We will provide a large range of recreational and cultural arts opportunities. The 2004 fiscal year budget provided resources to continue funding the Parks and Recreation Department at current service levels. Additional resources were included for the following:

- Operations and maintenance of the improvements made at Lick Creek Park and other park facilities,
- Resources to privatize certain grounds maintenance functions at City Hall and the Police Station and reallocating the existing parks crews performing that work to the new parks,
- Implementation of the Tarrow Park Master plan through capital projects at the Lincoln Center, and
- Resources for the City's 65th Birthday Celebration.

Vision Statement #3--Planning and Development

We will provide a well-planned community. Activities related to this vision statement include planning and development services. Additional resources were included for the following:

- Additional resources for an additional Plans Examiner position in Planning and Development Services to help improve the turn around time in the plans review process, and
- Resources to continue to review annexation options in 2004.

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2004

(Unaudited)

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 2004 budget included the following:

- Resources to improve signage in the Northgate area,
- Funding for the development of the Spring Creek Business Park,
- 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, 2004 amounted to \$328,104,412 (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.

Capital Assets at Year End Net of Accumulated Depreciation

	Governmental Activities	Business-Type Activities	Total
Land	\$ 24,136,626	\$ 709,650	\$ 24,846,276
Utility Systems	-	147,616,632	147,616,632
Buildings and Building Improvements	14,346,690	5,300,162	19,646,852
Improvements Other than Buildings	9,336,062	-	9,336,062
Machinery and Equipment	8,787,418	89,472	8,876,890
Infrastructure	73,588,006	-	73,588,006
Construction in Progress	15,086,813	29,106,881	44,193,694
	<u>\$ 145,281,615</u>	<u>\$ 182,822,797</u>	<u>\$ 328,104,412</u>

Major capital projects completed by the City during the 2004 fiscal year include the following:

- The widening of George Bush Drive from Texas Avenue to Dominik (\$2.1 million),
- Rehabilitation of Fire Station 1 (\$641,980),
- Rehabilitation of First, Maple and Louise streets in the Northgate area (\$980,000),
- Second phase of the Graham Road upgrade (\$1,520,973),
- First phase of rehabilitation of infrastructure in the Southside area (\$279,165),
- New traffic signals on Texas Avenue at Manuel, George Bush Drive at Holleman and University Drive at Forest (\$425,922),
- Wolf Pen Creek Park trails from Dartmouth to Highway 6 (\$1,430,035),
- The construction of the next phase of a parallel water transmission line (\$4,015,177).

Of significance is \$10.5 million in developer capital contributions during fiscal year 2004. These contributions accounted for approximately 40 percent of the \$26.3 million increase in capital assets.

Additional information on the City's capital assets can be found in Note IV-C to the financial statements on pages 51 - 52.

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2004

(Unaudited)

DEBT ADMINISTRATION

At the end of the 2004 fiscal year, the City of College Station had total debt outstanding of \$157,445,000. Of this amount, \$81,790,000 (52.0 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	\$ 47,085,000	\$ -	\$ 47,085,000
Revenue Bonds	-	75,655,000	75,655,000
Certificates of Obligation	34,705,000	-	34,705,000
	<u>\$ 81,790,000</u>	<u>\$ 75,655,000</u>	<u>\$ 157,445,000</u>

The City's total debt increased by \$2,070,000 (1.3 percent) during the current fiscal year. The change in total debt was a result of the following:

- Issuance of \$12.94 million in general obligation improvement and refunding bonds, and \$9.415 million in certificates of obligation; and
- Retirement of \$9.025 million in general obligation bonds, \$7.235 million in certificates of obligation, and \$4.025 million in utility revenue bonds.

Included in this debt activity was the issuance of \$5.98 million in general obligation bonds to refinance previously outstanding general obligation bonds totaling \$6.15 million. As a result of this refunding, the City will reduce its total debt service payments over the next ten (10) years by approximately \$412,000.

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-F to the financial statements on pages 53-57 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 51 percent for the period of 1990 through 2004,
- An approximate \$143 million increase to the ad valorem tax base during the fiscal year,
- A local economy that has maintained an unemployment rate of less than 4 percent since 1990, and
- Sales tax revenue that grew by a strong 8.5 percent during the fiscal year.

Management's Discussion and Analysis

For the Fiscal Year Ended September 30, 2004

(Unaudited)

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. The Fiscal Year 2005 budget was prepared with the key goal of maintaining and improving quality of life in College Station. This is done by continuing a prudent approach to City finances, meeting strategic priorities identified by the City Council, maintaining service quality and excellence, and enhancing and maintaining infrastructure and public facilities needed to provide excellent services. The ad valorem tax rate for the 2005 fiscal year is \$0.4640 per \$100 valuation (\$0.1942 for operations and maintenance and \$0.2698 for debt service). This 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 2005 budget includes a 3% 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. Residential sanitation rates were increased by 5% in FY 05 in order to maintain residential sanitation services. No electric, water, or drainage rate increases were included in the 2005 fiscal year budget.

The fiscal year 2005 budget for capital improvements totals \$44,400,853. 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),
- Street rehabilitation in the Northgate area (\$800,000)
- Extension of Dartmouth Drive (3.6 million),
- Greens Prairie Road/Arrington Road/Forest Ridge Access (\$1.5 million),
- Intergenerational Park Upgrades (\$310,000),
- Veteran's Park Phase II Design (\$690,000),
- Soccer Field Lights at Veteran's Park and Central Park (\$705,000),
- Steeplechase Park Development (\$315,000),
- Wolf Pen Creek Upper Trails (\$1.95 million)
- Police Station New Addition and Renovation (\$3.3 million),
- Fire Station #3 Relocation (\$1.7 million), and
- Northgate Gateway, water feature, and public restroom projects (\$775,000).

The City plans to issue \$5.71 million in general obligation bonds from the 2003 bond authorization for the following: \$2.997 million for street improvements, \$553,000 for traffic projects, \$850,000 for parks projects, and \$1.31 million for public facilities. The City also plans to issue \$7.59 million in certificates of obligations for the following: \$1.15 million for street improvements, \$975,000 for park projects, \$625,000 for Northgate projects, \$950,000 for technology projects, \$850,000 for public safety equipment purchases, \$500,000 for Business Park projects, \$1,860,000 for Wolf Pen Creek projects, \$600,000 for cemetery development projects, and \$80,000 for debt issuance costs. The City also plans to issue \$3.35 million in utility revenue bonds for electric capital projects, and \$4.6 million for water capital projects.

Management's Discussion and Analysis

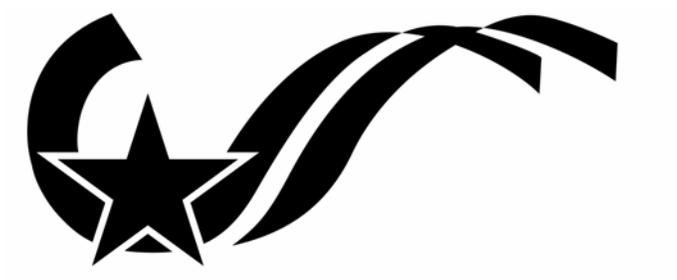
For the Fiscal Year Ended September 30, 2004
(Unaudited)

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: Finance and Strategic Planning Director
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, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in Cash and Cash Equivalents	\$ 16,311,797	\$ 4,362,788	\$ 20,674,585
Equity in Investments	54,981,022	14,705,344	69,686,366
Receivables, net	3,508,438	8,597,456	12,105,894
Internal Balances	(665,365)	665,365	0
Inventories	148,214	1,186,427	1,334,641
Prepaid Costs	129,513	0	129,513
Restricted Assets:			
Equity in Cash and Cash Equivalents	204,498	5,890,910	6,095,408
Equity in Investments	689,288	19,856,075	20,545,363
Receivables, net	0	124,834	124,834
Equity in Joint Venture	0	7,297,883	7,297,883
Deferred Charges, net	0	776,780	776,780
Capital Assets:			
Land and Construction in Progress	39,223,439	29,816,531	69,039,970
Other Capital Assets, net of accumulated depreciation	106,058,176	153,006,266	259,064,442
Total Assets	<u>220,589,020</u>	<u>246,286,659</u>	<u>466,875,679</u>
Liabilities			
Accounts Payable	2,004,709	7,203,560	9,208,269
Retainage Payable	187,478	867	188,345
Refundable Deposits	27,268	0	27,268
Claims Payable	610,264	0	610,264
Accrued Liabilities	1,438,999	496,861	1,935,860
Customer Construction Advances	162,208	92,152	254,360
Other Deferred Revenues	921,643	822	922,465
Liabilities Payable from Restricted Assets:			
Accounts Payable	0	836	836
Accrued Interest Payable	541,471	605,129	1,146,600
Retainage Payable	0	99,177	99,177
Accrued Liabilities	0	15,836	15,836
Refundable Deposits	0	1,144,502	1,144,502
Non-current liabilities:			
Due within one year:			
Compensated Absences	123,433	16,603	140,036
Bonds and Certificates of Obligation Payable	6,190,000	4,410,000	10,600,000
Due in more than one year:			
Bonds and Certificates of Obligation Payable	75,600,000	71,245,000	146,845,000
Unamortized Premium on Bonds	0	(378,691)	(378,691)
Compensated Absences	1,557,861	315,449	1,873,310
Total Liabilities	<u>89,365,334</u>	<u>85,268,103</u>	<u>174,633,437</u>
Net Assets			
Invested in Capital Assets, net of related debt	92,953,737	128,701,802	221,655,539
Restricted for:			
Debt Service	1,997,242	2,651,325	4,648,567
Other	12,346,133	0	12,346,133
Unrestricted	23,926,574	29,665,429	53,592,003
Total Net Assets	<u>\$ 131,223,686</u>	<u>\$ 161,018,556</u>	<u>\$ 292,242,242</u>

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, 2004

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General Government	\$ 7,536,427	\$ 705,594	\$ 2,913,284	\$ 0
Fiscal Services	1,953,189	333,043	0	0
Police	9,654,447	3,563,970	113,421	0
Fire	7,189,495	575,771	148,507	0
Development Services	1,586,114	1,215,924	0	0
Public Works	5,004,976	1,784,694	0	5,266,837
Parks and Recreation	6,154,862	1,346,580	33,745	0
Office of Technology and Information Services	2,652,957	0	0	0
Interest on long-term debt	3,448,533	0	0	0
Unallocated Depreciation	2,690,998	0	0	0
Total governmental activities	<u>47,871,998</u>	<u>9,525,576</u>	<u>3,208,957</u>	<u>5,266,837</u>
Business-type activities:				
Electric	41,120,750	47,431,497	0	600,688
Water	6,542,184	8,319,779	0	1,940,528
Sewer	7,214,296	9,334,778	0	2,638,005
Sanitation	4,848,591	4,829,150	0	0
Cedar Creek Condominiums	61,150	0	0	0
Northgate Parking	550,544	603,465	0	0
Total business-type activities	<u>60,337,515</u>	<u>70,518,669</u>	<u>0</u>	<u>5,179,221</u>
Total primary government	<u>\$ 108,209,513</u>	<u>\$ 80,044,245</u>	<u>\$ 3,208,957</u>	<u>\$ 10,446,058</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, as restated
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
\$ (3,917,549)	\$ 0	\$ (3,917,549)
(1,620,146)	0	(1,620,146)
(5,977,056)	0	(5,977,056)
(6,465,217)	0	(6,465,217)
(370,190)	0	(370,190)
2,046,555	0	2,046,555
(4,774,537)	0	(4,774,537)
(2,652,957)	0	(2,652,957)
(3,448,533)	0	(3,448,533)
(2,690,998)	0	(2,690,998)
<u>(29,870,628)</u>	<u>0</u>	<u>(29,870,628)</u>
0	6,911,435	6,911,435
0	3,718,123	3,718,123
0	4,758,487	4,758,487
0	(19,441)	(19,441)
0	(61,150)	(61,150)
0	52,921	52,921
<u>0</u>	<u>15,360,375</u>	<u>15,360,375</u>
<u>(29,870,628)</u>	<u>15,360,375</u>	<u>(14,510,253)</u>
14,668,641	0	14,668,641
15,238,995	0	15,238,995
1,974,587	0	1,974,587
2,191,429	0	2,191,429
1,224,546	662,359	1,886,905
4,386	0	4,386
(904,783)	904,783	0
<u>34,397,801</u>	<u>1,567,142</u>	<u>35,964,943</u>
4,527,173	16,927,517	21,454,690
126,696,513	144,091,039	270,787,552
<u>\$ 131,223,686</u>	<u>\$ 161,018,556</u>	<u>\$ 292,242,242</u>

CITY OF COLLEGE STATION, TEXAS

Balance Sheet

Governmental Funds

As of September 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Streets Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Cash and Cash Equivalents	\$ 2,571,054	\$ 585,336	\$ 4,519,170	\$ 6,161,472	\$ 13,837,032
Equity in Investments	8,666,070	1,972,952	15,232,446	20,768,038	46,639,506
Receivables					
Accrued Interest	67,076	13,695	102,080	139,224	322,075
Grants	29,946	0	0	541,069	571,015
Letter of Credit	25,000	0	0	0	25,000
Accounts	533,466	0	0	186,409	719,875
Taxes	1,568,646	185,041	0	0	1,753,687
Notes and Loans	0	0	0	4,197	4,197
Other	14,848	0	0	0	14,848
Less Allowance for Uncollectible Accounts	(105,245)	0	0	(70,405)	(175,650)
Due from Other Funds	77,715	0	0	0	77,715
Inventories	44,060	0	0	2,373	46,433
Prepaid Costs	0	0	117,138	0	117,138
Restricted Assets					
Equity in Cash and Cash Equivalents	204,498	0	0	0	204,498
Equity in Investments	689,288	0	0	0	689,288
Total Assets	<u>\$ 14,386,422</u>	<u>\$ 2,757,024</u>	<u>\$ 19,970,834</u>	<u>\$ 27,732,377</u>	<u>\$ 64,846,657</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 676,265	\$ 0	\$ 540,787	\$ 559,108	\$ 1,776,160
Retainage Payable	0	0	137,486	49,992	187,478
Interfund Payable	0	0	0	200,000	200,000
Refundable Deposits	15,512	0	0	11,756	27,268
Accrued Liabilities	1,492,907	33,270	0	58	1,526,235
Customer Construction Advances	29,963	0	132,245	0	162,208
Other Deferred Revenues	1,468,823	185,041	0	2,858	1,656,722
Total Liabilities	<u>3,683,470</u>	<u>218,311</u>	<u>810,518</u>	<u>823,772</u>	<u>5,536,071</u>
Fund Balances					
Reserved	1,089,510	2,538,713	19,160,316	20,823,350	43,611,889
Unreserved, Undesignated					
General Fund	9,613,442	0	0	0	9,613,442
Special Revenue Funds	0	0	0	6,085,255	6,085,255
Total Fund Balances	<u>10,702,952</u>	<u>2,538,713</u>	<u>19,160,316</u>	<u>26,908,605</u>	<u>59,310,586</u>
Total Liabilities and Fund Balances	<u>\$ 14,386,422</u>	<u>\$ 2,757,024</u>	<u>\$ 19,970,834</u>	<u>\$ 27,732,377</u>	<u>\$ 64,846,657</u>

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, 2004

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

Total Fund Balance per balance sheet:	\$	59,310,586
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		137,256,840
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		735,079
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.		17,764,721
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(83,843,540)</u>
Net Assets of governmental activities:	\$	<u><u>131,223,686</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, 2004

	General	Debt Service	Streets Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 22,992,760	\$ 8,217,182	\$ 0	\$ 2,863,710	\$ 34,073,652
Licenses and Permits	1,112,766	0	0	0	1,112,766
Intergovernmental	351,324	0	311,963	2,545,670	3,208,957
Charges for Services	2,398,165	0	0	140,418	2,538,583
Fines, Forfeits and Penalties	2,956,836	0	0	9,442	2,966,278
Special Assessments	0	0	0	1,062,179	1,062,179
Investment Income	213,297	105,159	318,946	424,667	1,062,069
Rents and Royalties	251,042	0	0	4,981	256,023
Loan Repayments	0	0	0	5,418	5,418
Contributions	9,619	0	469,729	305,054	784,402
Reimbursed Expenditures	20,393	0	5,000	3,000	28,393
Other	198,622	2	292,422	188,303	679,349
Total Revenues	30,504,824	8,322,343	1,398,060	7,552,842	47,778,069
Expenditures					
Current					
General Government	3,886,845	0	252,450	48,677	4,187,972
Fiscal Services	2,479,082	0	0	0	2,479,082
Police	9,803,577	0	0	0	9,803,577
Fire	7,275,289	0	0	0	7,275,289
Development Services	1,964,001	0	0	0	1,964,001
Public Works	5,534,404	0	0	0	5,534,404
Economic and Community Development	16,886	0	0	0	16,886
Parks and Recreation	6,387,846	0	0	253	6,388,099
Office of Technology and Information Services	2,346,534	0	0	0	2,346,534
Library	665,291	0	0	0	665,291
Reimbursed Administrative	(5,486,919)	0	350,000	1,808,488	(3,328,431)
Contributions	1,289,389	0	0	1,215,200	2,504,589
Community Development Block Grant	0	0	0	201,099	201,099
Home Grant	0	0	0	304,580	304,580
Other	164,287	0	8,474	80,509	253,270
Capital Outlay	978,568	0	5,086,919	6,709,926	12,775,413
Debt Service					
Principal Retirement	0	5,445,000	0	4,665,000	10,110,000
Interest Payments	0	3,260,222	0	116,316	3,376,538
Issuance Costs	195,000	93,243	13,888	49,983	352,114
Fiscal Agent Charges	0	15,332	0	0	15,332
Intergovernmental	0	0	221,902	0	221,902
Total Expenditures	37,500,080	8,813,797	5,933,633	15,200,031	67,447,541
Deficiency of Revenues Under Expenditures	(6,995,256)	(491,454)	(4,535,573)	(7,647,189)	(19,669,472)
Other Financing Sources (Uses)					
Issuance of Debt	8,915,000	0	1,600,000	5,860,000	16,375,000
Proceeds of Refunding Bonds	0	5,980,000	0	0	5,980,000
Payment to Refunded Bonds Escrow Agent	0	(6,260,371)	0	0	(6,260,371)
Premium on Bonds Issued	0	280,371	0	0	280,371
Sale of General Fixed Assets	4,386	0	0	0	4,386
Operating Transfers In	7,028,260	1,393,860	1,355,875	1,167,215	10,945,210
Operating Transfers Out	(9,499,773)	0	0	(2,066,929)	(11,566,702)
Total Other Financing Sources (Uses)	6,447,873	1,393,860	2,955,875	4,960,286	15,757,894
Net Change in Fund Balances	(547,383)	902,406	(1,579,698)	(2,686,903)	(3,911,578)
Fund Balances, October 1	11,250,335	1,636,307	20,740,014	29,595,508	63,222,164
Fund Balances, September 30	\$ 10,702,952	\$ 2,538,713	\$ 19,160,316	\$ 26,908,605	\$ 59,310,586

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, 2004

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

Net change in fund balance - total governmental funds:	\$	(3,911,578)
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.		8,600,749
The effect of various miscellaneous transactions involving capital assets is to increase net assets.		5,266,838
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		75,663
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.		(6,095,000)
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.		20,190
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>570,311</u>
Change in Net Assets of governmental activities:	\$	<u><u>4,527,173</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, 2004

	Business-type Activities - Enterprise Funds					Governmental
	Electric	Water	Sewer	Other	Total Enterprise	Internal Service
				Enterprise		
Current Assets						
Equity in Cash and Cash Equivalents	\$ 1,490,512	\$ 1,534,050	\$ 950,814	\$ 352,573	\$ 4,327,949	\$ 2,509,604
Equity in Investments	5,023,965	5,170,715	3,204,843	1,188,391	14,587,914	8,458,946
Restricted Assets:						
Equity in Cash and Cash Equivalents	539,359	377,682	496,861	0	1,413,902	0
Equity in Investments	1,805,681	1,264,413	1,663,404	0	4,733,498	0
Accrued Interest Receivable	53,507	30,701	40,626	0	124,834	0
Receivables:						
Accrued Interest	43,109	28,125	30,038	8,617	109,889	56,141
Accounts	6,302,820	1,090,268	1,063,041	588,890	9,045,019	241,415
Notes	0	0	0	12,522	12,522	0
Other	1,102,256	0	0	0	1,102,256	9,395
Less Allowance for Uncollectible Accounts	(1,514,865)	(40,455)	(85,871)	(51,553)	(1,692,744)	(13,046)
Inventories	863,447	292,185	20,551	10,244	1,186,427	101,781
Prepaid Costs	0	0	0	0	0	12,375
Total Current Assets	15,709,791	9,747,684	7,384,307	2,109,684	34,951,466	11,376,611
Noncurrent Assets						
Restricted Assets:						
Equity in Cash and Cash Equivalents	2,049,018	820,460	1,607,530	0	4,477,008	0
Equity in Investments	6,918,779	2,774,081	5,429,717	0	15,122,577	0
Total Restricted Assets	8,967,797	3,594,541	7,037,247	0	19,599,585	0
Advance to Other Funds	200,000	0	0	0	200,000	0
Equity in Joint Venture	0	0	0	7,297,883	7,297,883	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	(70,295)	(1,121,202)	(81,732)	0	(1,273,229)	0
Total Deferred Charges	208,374	292,893	275,513	0	776,780	0
Property and Equipment:						
Utility Plant	85,438,749	72,792,185	64,163,197	0	222,394,131	0
Buildings	0	0	0	5,723,063	5,723,063	746,575
Machinery and Equipment	0	0	0	1,278,601	1,278,601	22,093,441
Accumulated Depreciation	(38,229,985)	(20,060,712)	(17,227,343)	(1,612,030)	(77,130,070)	(14,097,925)
Construction in Progress	4,419,994	10,504,635	14,182,252	0	29,106,881	23,225
Land	0	0	0	709,650	709,650	0
Total Property and Equipment	51,628,758	63,236,108	61,118,106	6,099,284	182,082,256	8,765,316
Total Noncurrent assets	61,004,929	67,123,542	68,430,866	13,397,167	209,956,504	8,765,316
Total Assets	76,714,720	76,871,226	75,815,173	15,506,851	244,907,970	20,141,927
Liabilities and Fund Equity						
Current Liabilities						
Accounts Payable	6,567,885	378,714	144,068	100,612	7,191,279	240,830
Retainage Payable	0	0	867	0	867	0
Interfund Payable	0	0	0	0	0	77,715
Accrued Liabilities	275,801	41,772	49,178	95,390	462,141	0
Customer Construction Advances	24,382	55,640	12,130	0	92,152	70,917
Other Deferred Revenues	822	0	0	0	822	0
Claims Payable	0	0	0	0	0	610,264
Payable from Restricted Assets:						
Accounts Payable	836	0	0	0	836	0
Accrued Interest Payable	131,948	217,060	256,121	0	605,129	0
Retainage Payable	7,043	48,395	43,739	0	99,177	0
Accrued Liabilities	13,174	0	2,662	0	15,836	0
Refundable Deposits	982,046	159,211	0	3,245	1,144,502	0
Revenue Bonds	1,263,500	1,248,131	1,898,369	0	4,410,000	0
Total Current Liabilities	9,267,437	2,148,923	2,407,134	199,247	14,022,741	999,726

CITY OF COLLEGE STATION, TEXAS

Statement of Net Assets

Proprietary Funds

As of September 30, 2004

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds		Internal Service Funds
Noncurrent Liabilities						
Revenue Bonds	16,319,487	24,814,754	30,110,759	0	71,245,000	0
Unamortized Premium on Bonds	(124,004)	(36,983)	(217,704)	0	(378,691)	0
Accrued Vacation	141,588	47,916	60,763	36,416	286,683	91,161
Total Noncurrent Liabilities	<u>16,337,071</u>	<u>24,825,687</u>	<u>29,953,818</u>	<u>36,416</u>	<u>71,152,992</u>	<u>91,161</u>
Total Liabilities	<u>25,604,508</u>	<u>26,974,610</u>	<u>32,360,952</u>	<u>235,663</u>	<u>85,175,733</u>	<u>1,090,887</u>
Net Assets						
Invested in Capital Assets, net of related debt	43,847,677	42,009,914	36,004,386	6,099,284	127,961,261	8,765,316
Restricted for:						
Debt Service	517,388	424,316	1,709,621	0	2,651,325	0
Unrestricted	6,745,147	7,462,386	5,740,214	9,171,904	29,119,651	10,285,724
Total Net Assets	<u>\$ 51,110,212</u>	<u>\$ 49,896,616</u>	<u>\$ 43,454,221</u>	<u>\$ 15,271,188</u>	<u>159,732,237</u>	<u>\$ 19,051,040</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:					1,286,319	
Net assets business-type activities:					<u>\$ 161,018,556</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, 2004

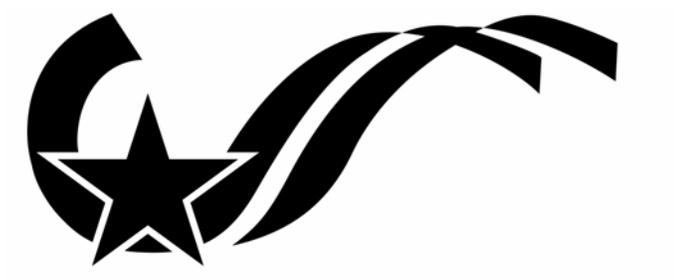
	Business-type Activities - Enterprise Funds					Governmental
	Enterprise Funds				Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenues						
Electric Sales	\$ 46,389,147	\$ 0	\$ 0	\$ 0	\$ 46,389,147	\$ 0
Water Sales	0	7,775,385	0	0	7,775,385	0
Sewer Service	0	0	8,761,281	0	8,761,281	0
Garbage Collection Fees	0	0	0	4,769,859	4,769,859	0
Charges for Services	0	0	0	560,001	560,001	6,835,227
Other	1,003,142	451,008	405,159	59,254	1,918,563	6,310,966
Total Operating Revenues	47,392,289	8,226,393	9,166,440	5,389,114	70,174,236	13,146,193
Operating Expenses						
Electric Operations	36,998,170	0	0	0	36,998,170	0
Salaries and Benefits	0	1,268,519	1,382,964	1,619,605	4,271,088	2,398,533
Supplies	0	56,909	291,088	229,403	577,400	841,909
Maintenance	0	13,525	156,443	510,493	680,461	155,148
Purchased Professional Services	0	310,292	255,279	355,003	920,574	58,823
Purchased Property Services	0	787,807	521,557	1,355,683	2,665,047	104,664
Other Purchased Services	0	162,749	268,770	422,900	854,419	445,776
Claims	0	0	0	0	0	2,629,778
Administration Fees	0	0	0	0	0	329,711
Premiums	0	0	0	0	0	1,649,680
Reimbursed Administrative	0	1,066,763	1,004,404	469,731	2,540,898	1,073,163
Depreciation	3,136,956	1,474,679	1,745,641	184,402	6,541,678	2,781,017
Other	0	120,251	53,751	42,455	216,457	9,499
Total Operating Expenses	40,135,126	5,261,494	5,679,897	5,189,675	56,266,192	12,477,701
Operating Income	7,257,163	2,964,899	3,486,543	199,439	13,908,044	668,492
Nonoperating Revenues (Expenses)						
Investment Income	220,010	229,049	178,001	33,286	660,346	164,490
Reimbursed Expenses	39,208	9,536	0	238	48,982	34,462
Grants	0	0	0	0	0	0
Earnings in Joint Venture	0	0	0	(308,301)	(308,301)	0
Interest Expense	(853,132)	(1,345,114)	(1,599,632)	0	(3,797,878)	0
Other, Net	(258,689)	83,850	168,338	(35,581)	(42,082)	360,560
Total Nonoperating Revenues (Expenses)	(852,603)	(1,022,679)	(1,253,293)	(310,358)	(3,438,933)	559,512
Income Before Capital Contributions and Transfers	6,404,560	1,942,220	2,233,250	(110,919)	10,469,111	1,228,004
Capital Contributions and Transfers						
Capital Contributions	600,688	1,940,528	2,638,005	0	5,179,221	0
Transfers In	4,720,000	0	4,000,000	5,000	8,725,000	470,461
Transfers Out	(4,795,649)	(915,728)	(967,884)	(1,139,949)	(7,819,210)	(754,759)
Total Transfers	525,039	1,024,800	5,670,121	(1,134,949)	6,085,011	(284,298)
Change in Net Assets	6,929,599	2,967,020	7,903,371	(1,245,868)	16,554,122	943,706
Beginning Net Assets	44,180,613	46,929,596	35,550,850	16,517,056		18,107,334
Ending Net Assets	\$ 51,110,212	\$ 49,896,616	\$ 43,454,221	\$ 15,271,188		\$ 19,051,040

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:

Change in net assets of business-type activities:

373,395
\$ 16,927,517

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, 2004

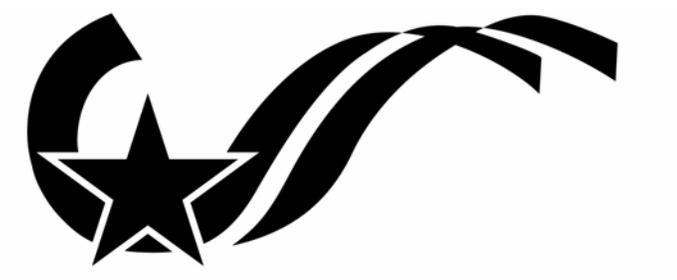
	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 47,825,868	\$ 8,132,609	\$ 9,141,524	\$ 5,396,446	\$ 70,496,447	\$ 13,055,276
Cash Payments to Suppliers for Goods and Services	(34,492,391)	(3,418,978)	(2,503,281)	(3,364,911)	(43,779,561)	(7,171,142)
Cash Payments to Employees for Services	(2,623,233)	(1,257,133)	(1,368,949)	(1,601,675)	(6,850,990)	(2,299,089)
Customer Deposits Received	22,545	14,373	0	1,345	38,263	0
Cash Received for Reimbursed Expenses	39,208	9,536	0	201	48,945	34,463
Cash Received from Grants	0	0	0	0	0	0
Cash Received for Miscellaneous Revenues	0	0	214,112	6,424	220,536	19,965
Cash Received from Other Funds	0	0	0	0	0	68,414
Cash Paid for Miscellaneous Expenses	(322,932)	(160,384)	0	(21,679)	(504,995)	(1,020)
Net Cash Provided by Operating Activities	10,449,065	3,320,023	5,483,406	416,151	19,668,645	3,706,867
Cash Flows from Noncapital Financing Activities:						
Transfers In from Other Funds	4,720,000	0	4,000,000	0	8,720,000	470,461
Transfers Out to Other Funds	(4,795,649)	(915,728)	(967,884)	(1,134,949)	(7,814,210)	(754,759)
Net Cash Provided (Used) by Noncapital Financing Activities	(75,649)	(915,728)	3,032,116	(1,134,949)	905,790	(284,298)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and Construction of Capital Assets	(4,292,778)	(7,639,518)	(2,190,296)	(23,500)	(14,146,092)	(2,242,966)
Proceeds from Sale of Assets	0	0	0	0	0	199,927
Principal Paid on Revenue Bonds	(1,046,250)	(1,165,800)	(1,812,950)	0	(4,025,000)	0
Interest Paid on Revenue Bonds	(857,774)	(1,343,741)	(1,633,336)	0	(3,834,851)	0
Net Cash Used by Capital and Related Financing Activities	(6,196,802)	(10,149,059)	(5,636,582)	(23,500)	(22,005,943)	(2,043,039)
Cash Flows from Investing Activities:						
Purchase of Investments	(48,140,389)	(38,027,985)	(36,190,528)	(4,780,816)	(127,139,718)	(30,276,811)
Proceeds from Sale and Maturities of Investment Securities	42,543,433	40,412,562	32,138,279	4,954,377	120,048,651	27,530,855
Investment Income	159,358	497,509	137,064	29,120	823,051	134,908
Net Cash Provided (Used) by Investing Activities	(5,437,598)	2,882,086	(3,915,185)	202,681	(6,268,016)	(2,611,048)
Net Decrease in Cash and Cash Equivalents	(1,260,984)	(4,862,678)	(1,036,245)	(539,617)	(7,699,524)	(1,231,518)
Cash and Cash Equivalents, Oct. 1	5,339,873	7,594,870	4,091,450	892,190	17,918,383	3,741,122
Cash and Cash Equivalents, Sept. 30	\$ 4,078,889	\$ 2,732,192	\$ 3,055,205	\$ 352,573	\$ 10,218,859	\$ 2,509,604

CITY OF COLLEGE STATION, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:						
Operating Income	\$ 7,257,163	\$ 2,964,899	\$ 3,486,543	\$ 199,439	\$ 13,908,044	\$ 668,492
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation, Bad Debt Expense, Inventory Loss	3,136,956	1,474,679	1,745,641	184,402	6,541,678	2,781,017
Provision for Uncollectible Accounts	19,935	693	7,757	4,892	33,277	0
Miscellaneous Nonoperating Revenues	39,208	9,500	214,112	6,807	269,627	54,428
Miscellaneous Nonoperating Expenses	(322,932)	(160,384)	0	(21,679)	(504,995)	(1,020)
Changes in Assets and Liabilities:				0		
Change in Accounts Receivable	433,579	(93,748)	(24,916)	7,332	322,247	(94,274)
Change in Due from Other Funds	0	0	0	0	0	9,971
Change in Inventory	138,580	(3,823)	(774)	24,041	158,024	12,452
Change in Prepaid Costs	0	0	0	0	0	23,473
Change in Accounts Payable	(309,438)	(892,022)	48,961	(5,033)	(1,157,532)	(10,911)
Change in Due to Other Funds	0	0	0	0	0	58,443
Change in Claims Payable	0	0	0	0	0	191,405
Change in Accrued Liabilities	18,985	4,017	2,922	6,244	32,168	4,071
Change in Refundable Deposits	22,545	14,373	0	1,345	38,263	0
Change in Accrued Vacation	14,484	1,839	3,160	8,361	27,844	9,320
Total Adjustments	<u>3,191,902</u>	<u>355,124</u>	<u>1,996,863</u>	<u>216,712</u>	<u>5,760,601</u>	<u>3,038,375</u>
Net Cash Provided by Operating Activities	<u>\$ 10,449,065</u>	<u>\$ 3,320,023</u>	<u>\$ 5,483,406</u>	<u>\$ 416,151</u>	<u>\$ 19,668,645</u>	<u>\$ 3,706,867</u>

Noncash Operating, Financing, Capital and Investing Activities: During the Fiscal year the Enterprise Fund added contributed capital in the amount of \$5,179,221. Adjustments at 9/30/04 to investments to record income accrual and fair value changes were as follows: Enterprise Fund (\$155,510) and Internal Service Funds, (\$33,139).

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, 2004

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 ("BVSWMMA"). BVSWMMA 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 BVSWMMA. The City's equity interest in BVSWMMA 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 as soon as they are both measurable and available. Revenues are considered to be available

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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.

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,

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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. 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.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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 August 2004. 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 City Manager 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. 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's 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

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

securities dealers reporting to the Federal Reserve Bank of New York ("Primary 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, 2004, 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.

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.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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 \$5,000 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.

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

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 an appraisal 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.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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.

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

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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 \$71,913,100 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	\$ 219,108,772
Accumulated Depreciation	(81,851,932)
Net Capital Assets	<u>\$ 137,256,840</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not 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	\$ (81,790,000)
Accrued Interest Payable	(541,471)
Compensated Absences	(1,512,069)
	<u>\$ (83,843,540)</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	\$ 321,488
Deferred Emergency Medical Services Revenue	391,795
Paving Assessment Revenue	21,796
	<u>\$ 735,079</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.

\$ 17,764,721

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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 \$8,600,749 difference are as follows:

Capital Outlay	\$ 11,968,127
Depreciaiton Expense	<u>(3,367,378)</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>\$ 8,600,749</u>

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 \$5,266,838 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 financial resources.	<u>\$ 5,266,838</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 \$6,095,000 difference are as follows:

Debt issued or incurred:	
Issuance of General Obligation Bonds and Certificates of Obligation	\$ 22,355,000
Principal Retirement	<u>(16,260,000)</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>\$ 6,095,000</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 \$20,190 difference are as follows:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

Compensated Absences	\$ 92,185
Accrued Interest	<u>(71,995)</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>\$ 20,190</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Council approved two budget amendments during fiscal year 2004. Those budgets amendments included the following appropriations:

Police Overtime	\$ 29,077
TCLEOSE Training	30,832
Police Equipment	36,548
Emergency Management Equipment	97,788
Parking Garage Maintenance Equipment & Agreements	62,859
Election Expenses	15,400
Cemetery Land	600,000
Insurance Premiums	38,000
Employee Benefits Fund Transfer	350,000
Workers' Compensation Claim Costs	175,000
Fleet Maintenance Fund Expenses	210,000
Soccer Field Lights	20,000
Park Projects	81,000
Gainsharing	174,362
BVSWMA	5,221,000
2003 Bond Authorization Capital Projects	6,105,000
FEMA Fire Equipment	105,000
Arts Council Building	250,000
Property Acquisition	222,840
Three Fourteen Passenger Buses	125,000
Police Crime Victim Advocate Position	34,987
Uninterruptible Power Supply Replacements	45,000

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.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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 2004, and the funds in which they occurred are as follows:

Fund	Amount
Fleet Maintenance	\$ 26,091
Print/Mail	52,339
Electric	320,000
Solid Waste Collection	79,050

Higher than expected expenses for salaries and benefits and supplies resulted in the \$26,091 excess in the Fleet Maintenance Fund, and the \$52,339 excess in the Print/Mail Services Fund is a result of higher than expected salaries and benefits, supplies, maintenance and purchased property services expenditures.

In the Electric fund higher than expected operating expenses resulted in the \$320,000 excess, and the \$79,050 excess in the Solid Waste Collection fund is the result of higher than expected purchased property services expenses.

IV. Detailed Notes on All Funds

A. 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 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 \$1,063,205, and the bank balance was \$1,690,279.

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.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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:

	<u>As a Percentage</u>
Bank Demand Accounts	1.00%
U.S. Government Agencies and Instrumentalities Securities	77.00%
Texas Local Government Investment Pool	21.00%
Fidelity Money Market Mutual Fund	<u>1.00%</u>
Total	<u><u>100.00%</u></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, 2004 were Category 1 investments with the exception of Texpool. The fair value of all cash, cash equivalents, and investments was as follows:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

	<u>Fair Value</u>
Bank Demand Accounts	\$ 1,063,205
U.S. Government Agencies and Instrumentalities Securities	90,262,294
Texas Local Government Investment Pool	24,058,521
Fidelity Money Market Mutual Fund	1,617,702
Total	<u>\$ 117,001,722</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, 2004. 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 Finance and Strategic Planning.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

B. 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	\$ 136,447	\$ 185,041	\$ -	\$ -	\$ -	\$ 321,488
Beverage	115,804	-	-	-	-	115,804
Sales Tax	1,316,395	-	-	-	-	1,316,395
Subtotal Taxes	<u>1,568,646</u>	<u>185,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,753,687</u>
Accrued Interest	67,076	13,695	102,080	139,224	55,331	377,406
Grants	29,946	-	-	541,069	-	571,015
Accounts/Charges for Services	533,466	-	-	186,409	218,060	937,935
Miscellaneous	39,848	-	-	4,197	-	44,045
Total Gross Governmental	<u>2,238,982</u>	<u>198,736</u>	<u>102,080</u>	<u>870,899</u>	<u>273,391</u>	<u>3,684,088</u>
Less Allowance for Uncollectible Accounts	<u>(105,245)</u>	<u>-</u>	<u>-</u>	<u>(70,405)</u>	<u>-</u>	<u>(175,650)</u>
Net Total Receivables	<u>\$ 2,133,737</u>	<u>\$ 198,736</u>	<u>\$ 102,080</u>	<u>\$ 800,494</u>	<u>\$ 273,391</u>	<u>\$ 3,508,438</u>

Business-type Activities:	Electric	Water	Sewer	Nonmajor	Internal Service Fund Allocation	Total
Accrued Interest	\$ 96,616	\$ 58,826	\$ 70,664	\$ 8,617	\$ 810	\$ 235,533
Accounts/Charges for Services	6,302,820	1,090,268	1,063,041	588,890	23,355	9,068,374
Miscellaneous	1,102,256	-	-	12,522	9,395	1,124,173
Total Gross Major Enterprise	<u>7,501,692</u>	<u>1,149,094</u>	<u>1,133,705</u>	<u>610,029</u>	<u>33,560</u>	<u>10,428,080</u>
Less Allowance for Uncollectible Accounts	<u>(1,514,865)</u>	<u>(40,455)</u>	<u>(85,871)</u>	<u>(51,553)</u>	<u>(13,046)</u>	<u>(1,705,790)</u>
Net Total Receivables	<u>\$ 5,986,827</u>	<u>\$ 1,108,639</u>	<u>\$ 1,047,834</u>	<u>\$ 558,476</u>	<u>\$ 20,514</u>	<u>\$ 8,722,290</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	\$ 321,487	-	\$ 321,487
Special Assessments	21,796	-	21,796
Fines and Penalties	-	893,786	893,786
Emergency Services	391,795	-	391,795
Other	25,000	-	25,000
	<u>\$ 760,078</u>	<u>\$ 893,786</u>	<u>\$ 1,653,864</u>

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

C. Capital Assets

Capital asset activity for the year ended September 30, 2004 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 20,795,698	\$ 3,354,668	\$ (13,740)	\$ 24,136,626
Construction in Progress	13,843,104	8,843,873	(7,600,164)	15,086,813
Total Capital Assets, Not Being Depreciated	34,638,802	12,198,541	(7,613,904)	39,223,439
Capital Assets, Being Depreciated				
Buildings and Building Improvements	18,739,391	643,878	-	19,383,269
Improvements Other Than Buildings	13,658,684	2,020,463	-	15,679,147
Machinery and Equipment	21,949,042	2,682,628	(1,529,845)	23,101,825
Infrastructure	133,250,042	9,752,358	-	143,002,400
Total Capital Assets, Being Depreciated	187,597,159	15,099,327	(1,529,845)	201,166,641
Less Accumulated Depreciation for:				
Buildings and Building Improvements	4,656,647	379,932	-	5,036,579
Improvements Other Than Buildings	5,864,593	478,492	-	6,343,085
Machinery and Equipment	12,709,440	3,001,382	(1,396,415)	14,314,407
Infrastructure	67,185,390	2,229,004	-	69,414,394
Total Accumulated Depreciation	90,416,070	6,088,810	(1,396,415)	95,108,465
Total Capital Assets Being Depreciated, Net	97,181,089	9,010,517	(133,430)	106,058,176
Governmental Type Activities Capital Assets, Net	\$ 131,819,891	\$ 21,209,058	\$ (7,747,334)	\$ 145,281,615
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 672,811	\$ 36,839	\$ -	\$ 709,650
Construction in Progress	31,120,744	13,968,994	(15,982,857)	29,106,881
Total Capital Assets, Not Being Depreciated	31,793,555	14,005,833	(15,982,857)	29,816,531
Capital Assets, Being Depreciated				
Electric System	83,514,186	3,917,539	(411,044)	87,020,681
Water System	60,409,386	12,410,319	(27,520)	72,792,185
Wastewater System	59,170,660	4,998,739	(6,201)	64,163,198
Buildings and Building Improvements	5,723,063	-	-	5,723,063
Machinery and Equipment	1,411,242	23,500	(156,141)	1,278,601
Total Capital Assets, Being Depreciated	210,228,537	21,350,097	(600,906)	230,977,728
Less Accumulated Depreciation for:				
Electric System	36,378,393	3,196,543	(503,559)	39,071,377
Water System	18,596,629	1,474,978	(10,895)	20,060,712
Wastewater System	15,486,939	1,745,641	(5,237)	17,227,343
Buildings and Building Improvements	280,396	142,505	-	422,901
Machinery and Equipment	1,304,396	41,897	(157,164)	1,189,129
Total Accumulated Depreciation	72,046,753	6,601,564	(676,855)	77,971,462
Total Capital Assets Being Depreciated, Net	138,181,784	14,748,533	75,949	153,006,266
Business Type Activities Capital Assets, Net	\$ 169,975,339	\$ 28,754,366	\$ (15,906,908)	\$ 182,822,797

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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

Development Services	\$ 2,949
Fire	33,909
Fiscal Services	28,222
General Government	6,687
Office of Technology and Information Services	113,572
Parks and Recreation	447,980
Police	17,452
Public Works	25,610
Non-departmental	2,690,998
Capital Assets Held by the City's Internal Service Funds	2,721,431
Total Depreciation Expense	<u>\$ 6,088,810</u>

D. Interfund Transactions

Transfers between funds during the year were as follows:

	Transfers In	Transfers Out	Governmental Activities, net	Business-type Activities, net
General Fund	\$ 7,028,260	\$ (9,499,773)	\$ (2,471,513)	\$ -
Debt Service Fund	1,393,860	-	1,393,860	-
Special Revenue Funds:				
Community Development	250,091	(1,515,499)	(1,265,408)	-
Parks Escrow	4,500	-	4,500	-
WPC TIF	-	(479,100)	(479,100)	-
Capital Projects Funds:				
Drainage Projects	224,045	(72,330)	151,715	-
General Government Projects	103,204	-	103,204	-
Parks Projects	585,375	-	585,375	-
Streets Projects	1,355,875	-	1,355,875	-
Enterprise Funds:				
Electric	4,720,000	(4,795,649)	-	(75,649)
Water	-	(915,728)	-	(915,728)
Wastewater	4,000,000	(967,884)	-	3,032,116
Sanitation	5,000	(378,758)	-	(373,758)
Cedar Creek Condominiums	-	(250,091)	-	(250,091)
Parking	-	(511,100)	-	(511,100)
Internal Service Funds:				
Employee Benefits	-	(350,000)	(350,000)	-
Equipment Replacement	16,344	(403,752)	(387,408)	-
Fleet Maintenance	104,117	-	104,117	-
Utility Billing	-	(1,007)	-	(1,007)
Worker's Compensation	350,000	-	350,000	-
	<u>\$ 20,140,671</u>	<u>\$ (20,140,671)</u>	<u>\$ (904,783)</u>	<u>\$ 904,783</u>

The composition of due to/due from balances as of September 30, 2004 is as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Fleet Maintenance Fund	\$45,932
General Fund	Print/Mail Fund	\$31,783
Electric Fund	Hotel/Motel Tax Fund	\$200,000

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

The outstanding balance between the general fund and both the fleet maintenance and print/mail funds represents a working capital loan that the general fund expects to collect in the subsequent year. The outstanding balance between the electric fund and the hotel/motel tax fund represents an amount related to an economic development project that is expected to be completed in fiscal year 2005.

E. Deferred Charges

See Note IV B.

F. Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2004 is as follows:

	Beginning Balance	Incurred/ Issued	Matured/ Retired	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 43,170,000	\$ 12,940,000	\$ 9,025,000	\$ 47,085,000	\$ 2,995,000
Certificates of Obligation	32,525,000	9,415,000	7,235,000	34,705,000	3,195,000
Accrued Vacation	1,644,680	1,046,336	1,009,722	1,681,294	123,433
Governmental Activity Long Term Debt	<u>\$ 77,339,680</u>	<u>\$ 23,401,336</u>	<u>\$ 17,269,722</u>	<u>\$ 83,471,294</u>	<u>\$ 6,313,433</u>
Business Type Activities:					
Utility Revenue Bonds	\$ 79,680,000	\$ -	\$ 4,025,000	\$ 75,655,000	\$ 4,410,000
Accrued Vacation:					
Electric Fund	127,105	139,572	125,087	141,590	7,080
Water Fund	46,077	42,293	40,454	47,916	2,396
Sewer Fund	57,603	58,718	55,558	60,763	3,038
Other	72,469	105,372	96,058	81,783	4,089
Business Type Activity Long Term Debt	<u>\$ 79,983,254</u>	<u>\$ 345,955</u>	<u>\$ 4,342,157</u>	<u>\$ 75,987,052</u>	<u>\$ 4,426,603</u>

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

Long-term debt at September 30, 2004 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:						
1995 Issue	5.10-7.00	8/1/95	2/15/13	\$ 4,700,000	\$ 4,400,000	\$ 300,000
1996 Issue and Refunding	4.70-7.50	12/1/96	2/15/15	11,845,000	7,550,000	4,295,000
1998 Issue	4.50-6.50	4/1/98	2/15/17	6,200,000	1,205,000	4,995,000
1999 Issue	3.40-5.40	4/15/99	2/15/17	6,230,000	1,170,000	5,060,000
2000 Issue	5.00-7.00	4/13/00	2/15/18	8,460,000	1,855,000	6,605,000
2001 Issue	5.00-7.00	8/1/01	2/15/17	4,140,000	1,595,000	2,545,000
2002 Issue	4.25-6.25	3/1/02	2/15/21	6,445,000	890,000	5,555,000
2003 Issue	3.00-5.00	7/9/03	2/15/23	4,790,000	-	4,790,000
2004 Issue	2.00-5.00	5/1/04	2/15/24	12,940,000	-	12,940,000
				<u>\$ 65,750,000</u>	<u>\$ 18,665,000</u>	<u>\$ 47,085,000</u>
Certificates of Obligation:						
2000 Issue	5.00-7.00	4/13/00	2/15/18	\$ 4,050,000	\$ 1,285,000	\$ 2,765,000
2000A Issue	4.75-6.75	8/1/00	2/15/20	8,100,000	1,895,000	6,205,000
2001 Issue	3.50-5.00	8/2/01	2/15/20	3,650,000	1,375,000	2,275,000
2002 Issue	3.50-5.125	3/1/02	2/15/20	14,480,000	2,025,000	12,455,000
2003 Issue	2.50-3.25	12/5/02	2/15/08	1,000,000	190,000	810,000
2003A Issue	3.0-4.25	7/9/03	2/15/23	780,000	-	780,000
2004 Issue	2.0-5.00	5/1/04	2/15/24	9,415,000	-	9,415,000
				<u>\$ 41,475,000</u>	<u>\$ 6,770,000</u>	<u>\$ 34,705,000</u>
Utility Revenue Bonds:						
1995 Issue	5.25-6.25	8/1/95	2/1/16	\$ 6,000,000	\$ 2,400,000	\$ 3,600,000
1996 Issue	4.15-5.60	12/1/96	2/1/17	10,110,000	3,535,000	6,575,000
1998 Issue	4.55-6.50	4/1/98	2/1/17	2,700,000	540,000	2,160,000
2000 Issue	5.00-7.00	4/13/00	2/15/18	10,500,000	1,400,000	9,100,000
2001 Issue	3.50-5.50	8/1/01	2/15/21	23,500,000	2,055,000	21,445,000
2002 Issue	4.00-6.00	3/1/02	2/15/22	18,215,000	1,085,000	17,130,000
2003 Issue Refunding	3.50-4.25	12/5/02	2/1/14	11,160,000	365,000	10,795,000
2003A Issue	2.50-4.25	7/9/03	2/15/23	4,850,000	-	4,850,000
				<u>\$ 87,035,000</u>	<u>\$ 11,380,000</u>	<u>\$ 75,655,000</u>

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

The annual requirements to amortize debt outstanding as of September 30, 2004 are as 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		
2005	\$ 2,995,000	\$ 2,259,984	\$ 3,195,000	\$ 1,625,083		
2006	2,740,000	1,977,873	2,475,000	1,396,504		
2007	2,840,000	1,861,266	2,140,000	1,303,787		
2008	2,925,000	1,741,711	1,955,000	1,221,135		
2009	3,045,000	1,610,916	1,425,000	1,152,434		
2010-2014	16,340,000	5,763,189	8,245,000	4,739,557		
2015-2019	11,615,000	2,217,122	10,380,000	2,508,813		
2020-2024	4,585,000	449,890	4,890,000	426,655		
	<u>\$ 47,085,000</u>	<u>\$ 17,881,951</u>	<u>\$ 34,705,000</u>	<u>\$ 14,373,968</u>		

Year Ended September 30,	Business-Type Activities					
	Electric		Water		Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 1,256,500	\$ 767,853	\$ 1,258,700	\$ 1,276,850	\$ 1,894,800	\$ 1,498,575
2006	1,269,000	713,979	1,309,300	1,213,334	1,941,700	1,407,220
2007	1,064,750	664,825	1,182,000	1,153,939	1,898,250	1,317,998
2008	1,082,250	621,155	1,242,850	1,098,288	1,949,900	1,233,692
2009	1,097,000	576,962	1,301,650	1,038,256	1,996,350	1,148,094
2010-2014	5,712,750	2,094,057	7,578,000	4,067,496	10,739,250	4,226,794
2015-2019	3,811,000	920,873	8,533,050	1,945,722	8,415,950	1,783,748
2020-2023	2,376,250	196,339	3,625,250	230,646	3,118,500	196,953
	<u>\$ 17,669,500</u>	<u>\$ 6,556,043</u>	<u>\$ 26,030,800</u>	<u>\$ 12,024,531</u>	<u>\$ 31,954,700</u>	<u>\$ 12,813,074</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, 2004.

On May 1, 2004 the City issued \$12.94 million in General Obligation Improvement and Refunding Bonds with a true interest cost of 4.2%. The proceeds from the sale of the bonds will be used for (1) drainage improvement for greenways, (2) construction and acquisition of improvements to City streets, traffic control systems, parks, and public facilities, (3) refund

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

portions of the outstanding ad valorem tax supported obligations of the City, and (4) to pay the costs incurred in connection with the issuance of the Bonds.

On May 1, 2004 the City issued \$9.415 million in Certificates of Obligation for the cost of (1) construction of streets, drainage improvements, street lighting, and water and sewer improvements, (2) electric and wastewater utility projects, and (3) to pay the costs incurred in connection with the issuance of the Certificates. The true interest rate of this debt is 4.53%.

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.

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, 2004, the City is not obligated to pay any future rebates.

Defeasance

On May 1, 2004 the City issued general obligation refunding bonds with an average interest rate of 4.34% to refund \$6.15 million of series 1991, 1994, and 1995 general obligation bonds with an average interest rate of 5.42%. As a result of this refunding, the City will reduce its total debt service payments over the next 10 years by approximately \$517,000 and will obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$412,041. 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 governmental activities column of the City's financial statements.

In prior years, the city defeased certain revenue refunding bonds totaling \$61,080,000 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, 2004, the outstanding principal balance of the defeased revenue refunding bonds was \$11,500,000 and the outstanding principal balance of the defeased general obligation bonds and certificates of obligation was \$9,000,000.

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, 2004 and net of any amounts to be paid or retired by the trustee on October 1, 2004:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

Refunded in Year Ended September 30, 2004

General Obligation Bonds, Series 1991	\$ 750,000
General Obligation Bonds, Series 1994	2,750,000
General Obligation Bonds, Series 1995	2,650,000
	<u>\$ 6,150,000</u>

Refunded in Prior Years

Utility System Revenue & Refunding Bonds, Series 1993	\$ 2,250,000
Utility System Revenue Bonds, Series 1994	8,250,000
Utility System Revenue Bonds, Series 1990	1,000,000
General Obligation Bonds, Series 1989	225,000
General Obligation & Refunding Bonds, Series 1991	1,200,000
General Obligation Refunding Bonds, Series 1996	1,425,000
	<u>\$ 14,350,000</u>

G. Reservations of Fund Balances and Net Assets

Fund balances for governmental activities have been reserved or designated at September 30, 2004 as follows:

	<u>Reserved</u>
Governmental Activities:	
General Fund:	
Reserved for Encumbrances	\$ 522,902
Reserved for Inventory	49,344
Reserved for Police Seizure	15,402
Reserved for Court Technology	274,038
Reserved for Court Security	203,331
Reserved for Court Efficiency Improvements	24,493
Debt Service:	
Reserved for Bond Debt Service	2,538,713
Other Governmental Funds:	
Reserved for Encumbrances	9,530,850
Reserved for Capital Projects	29,462,122
Reserved for Endowment	990,694
Total	<u>\$ 43,611,889</u>

H. Restatement of Net Assets

The governmental activities beginning net assets reported in the government-wide financial statements has been restated. The restatement is the result of a correction to the value of previously recorded governmental buildings and building improvements, an inventory of governmental land and machinery and equipment, and an appraisal of governmental infrastructure.

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

The restatement is summarized in the schedule below:

	Governmental Activities
Net Assets, October 1, 2003	\$ 118,900,798
Adjustment to Buildings and Building Improvements	(3,913,006)
Adjustment to Land	1,081,371
Adjustment to Machinery and Equipment	(4,220,789)
Adjustment to Infrastructure	64,150,939
Adjustment to Accumulated Depreciation	(49,302,800)
Net Assets, October 1, 2003	<u>\$ 126,696,513</u>

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 46.53 cents per \$100 of assessed valuation for the year ended September 30, 2004. 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 self-insured for health benefits, and the plan is administered by Blue Cross Blue Shield. This activity is accounted for in the Employee Benefits Fund which is funded monthly by contributions from employees and from the operating funds of the City. These contributions are determined based on an analysis of prior year claims and administrative costs and a forecast of future claims and administrative costs. The City has a stop-loss insurance policy that limits its

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

liability to \$100,000 per individual per year with an aggregate, annual liability of \$1,000,000. The liability for outstanding losses includes \$499,375 for claims incurred but not reported as of September 30, 2004.

In fiscal year 2004 the City was 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 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 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.

The City's runoff claims for liability and worker compensation is estimated to be less than \$50,000. Historically, the City's incurred but not reported claims (IBNR) have been 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 2004 and 2003 are as follows:

	2004	2003
Unpaid Claims, October 1	\$ 418,859	\$ 151,495
Incurred Claims (including IBNR's)	2,664,925	826,091
Claims Paid	(2,473,520)	(558,727)
Unpaid Claims, September 30	<u>\$ 610,264</u>	<u>\$ 418,859</u>

C. Joint Venture

In May 1990, the City of College Station joined the City of Bryan in creating BVSWMA. The primary purpose of BVSWMA is to achieve economy of scale savings for the participants

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

through joint ownership and use of regional waste management facilities. Each city holds a 50% interest and ownership in BVSWMA.

BVSWMA 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 BVSWMA. After Board approval, the BVSWMA annual budget is presented for approval by both cities as a part of their regular budget.

The City's share of BVSWMA's change in net assets for fiscal 2004 was (\$308,301).

State and federal laws and regulations require BVSWMA to place a final cover on its Rock Prairie landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, BVSWMA reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4.2 million reported as accrued postclosure maintenance costs at September 30, 2004, represents the cumulative amount reported to date based on the use of 61 percent of the estimated capacity of the landfill. BVSWMA will recognize the remaining estimated cost of closure and postclosure care of \$2.6 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. BVSWMA expects to close the landfill in the year 2008. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The following is a summary of information from the audited financial statements of BVSWMA as of September 30, 2004:

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

	<u>2004</u>	<u>2003</u>
Assets:		
Current Assets	\$ 12,714,944	\$ 12,157,013
Capital Assets		
(Net of \$4,546,076 Accumulated Depreciation at 2004 and \$4,223,732 at 2003)	4,132,478	4,031,163
Deferred Landfill Permits		
(Net of \$429,483 Accumulated Amortization at 2004 and \$355,233 at 2003)	<u>2,363,993</u>	<u>2,169,484</u>
	<u>19,211,415</u>	<u>18,357,660</u>
Liabilities:		
Current Liabilities	460,842	586,729
Noncurrent Liabilities:		
Accrued Post Closure Maintenance Costs	<u>4,154,808</u>	<u>2,558,562</u>
Total Liabilities	<u>4,615,650</u>	<u>3,145,291</u>
Net Assets		
Invested In Capital Assets	4,132,478	4,031,163
Unrestricted	<u>10,463,287</u>	<u>11,181,206</u>
Total Net Assets	<u>\$ 14,595,765</u>	<u>\$ 15,212,369</u>
Program Revenues	\$ 4,770,116	\$ 5,383,382
Expenses	<u>5,597,320</u>	<u>3,068,038</u>
	(827,204)	2,315,344
General Revenues	<u>210,600</u>	<u>317,975</u>
Change in Net Assets	<u>\$ (616,604)</u>	<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 794 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 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

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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:	7%
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, 2003 valuation is effective for rates beginning January 2005).

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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

Actuarial Valuation Date	<u>12/31/2003</u>
Actuarial Value of Assets	\$ 63,223,606
Actuarial Accrued Liability	\$ 80,476,343
Percentage Funded	78.6%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	\$ 17,252,737
Annual Covered Payroll	\$ 28,537,016
UAAL as a Percentage of Covered Payroll	60.5%
Net Pension Obligation (NPO) at Beginning of Period	\$ -
Plus Annual Pension Cost:	
Annual Required Contribution (ARC)	3,204,948
Less Contributions Made	<u>3,204,948</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:	7%
Projected Salary Increases:	None
Includes Inflation at:	None
Cost-of-Living Adjustments:	None

Each of the 794 Municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/03 valuations are contained in the 2003 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, 2004

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Contributions Made</u>	<u>Net Pension Obligation</u>
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	-
2004	3,204,948	3,204,948	-

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Actuarial Liability (AAL)</u>	<u>Unfunded Accrued Actuarial Liability (UAAL)</u>	<u>Net Assets Available as a Percent of Pension Benefit Obligation</u>
12/31/1994	21,696,264	26,863,012	5,166,748	81%
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%
12/31/2003	63,223,606	80,476,343	17,252,737	79%

<u>Actuarial Valuation Date</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/1994	17,086,936	30%
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%
12/31/2003	28,537,016	61%

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2004

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 2004, 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 2004, 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, 2004 was not material. As of September 30, 2004 the City has 9 COBRA participants.

E. 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.

F. Commitments and Contingencies

Construction Commitments

The City has active construction projects as of September 30, 2004. 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, 2004

Project Name	Spent to Date	Remaining Commitment
Greens Prairie Widening	\$ 1,699,810	\$ 1,096,757
Eastgate Park Improvements	24,676	19,594
Pebble Creek Park Improvements	-	38,325
Lincoln Center Expansion	167,952	650,496
Longmire & Westridge	169,396	16,660
Fire Station No. 5	330,045	978,258
Carter Creek Lift Pump	17,335	512,665
Longmire Drive Extension	284,396	31,191
Wolf Pen Creek Lower Trails Phase I	1,100,601	104,114
	<u>\$ 3,794,211</u>	<u>\$ 3,448,060</u>

G. 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
Street Improvements	2003	16,930,000
Traffic Management	2003	2,450,000
Park Improvements	2003	7,955,000
Municipal Complex Improvements	2003	3,655,000
Fire Station Improvements	2003	1,310,000
Total		<u>\$ 33,500,000</u>

H. 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]
12/31/1995	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%
12/31/2004	63,223,606	80,476,343	17,252,737	78.6%	28,537,016	60.5%

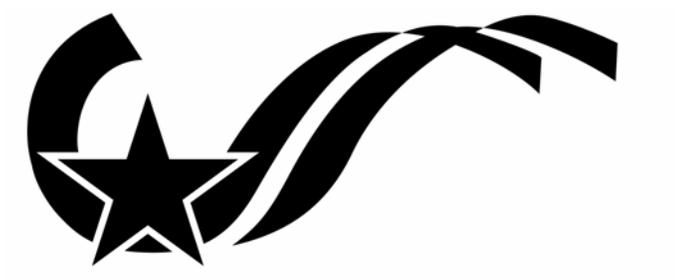
*Assets are stated at cost as of December 31 of the preceding year.

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, 2004

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Taxes	\$ 21,771,246	\$ 21,771,246	\$ 22,991,117	\$ 1,219,871
Licenses and Permits	885,200	885,200	1,112,766	227,566
Intergovernmental	230,815	303,815	344,466	40,651
Charges for Services	2,335,735	2,335,735	2,398,165	62,430
Fines, Forfeits and Penalties	2,870,130	2,870,130	2,956,836	86,706
Investment Income	264,030	264,030	288,608	24,578
Rents and Royalties	226,800	226,800	251,042	24,242
Contributions	22,300	22,300	9,619	(12,681)
Reimbursed Expenditures	7,100	7,100	8,430	1,330
Other	141,300	141,300	197,982	56,682
Total Revenues	<u>28,754,656</u>	<u>28,827,656</u>	<u>30,559,031</u>	<u>1,731,375</u>
Expenditures				
Current				
General Government	3,719,588	3,863,139	3,842,764	(20,375)
Fiscal Services	2,605,940	2,614,669	2,467,198	(147,471)
Police	9,217,953	9,459,867	9,734,181	274,314
Fire	7,230,399	7,374,575	7,230,967	(143,608)
Development Services	2,164,761	2,171,672	1,947,578	(224,094)
Public Works	5,849,354	5,863,173	5,729,921	(133,252)
Economic and Community Development	0	13,440	16,886	3,446
Parks and Recreation	6,397,332	6,508,987	6,359,261	(149,726)
Office of Technology and Information Services	2,507,345	2,611,266	2,335,634	(275,632)
Library	716,518	716,518	665,291	(51,227)
Nondepartmental				
Reimbursed Administrative	(5,704,983)	(5,704,983)	(5,486,919)	218,064
Contributions	898,975	1,806,296	1,289,389	(516,907)
Other	280,500	69,081	70,919	1,838
Capital Outlay	1,182,589	2,293,925	983,105	(1,310,820)
Total Expenditures	<u>37,066,271</u>	<u>39,661,625</u>	<u>37,186,175</u>	<u>(2,475,450)</u>
Deficiency of Revenues Under Expenditures	<u>(8,311,615)</u>	<u>(10,833,969)</u>	<u>(6,627,144)</u>	<u>4,206,825</u>
Other Financing Sources (Uses)				
Sale of General Fixed Assets	30,600	30,600	4,386	(26,214)
Operating Transfers In	7,000,395	7,000,395	7,028,260	27,865
Operating Transfer Out	(640,000)	(705,394)	(763,429)	(58,035)
Total Other Financing Sources (Uses)	<u>6,390,995</u>	<u>6,325,601</u>	<u>6,269,217</u>	<u>(56,384)</u>
Net Change in Fund Balances	(1,920,620)	(4,508,368)	(357,927)	4,150,441
Fund Balances, October 1	11,250,335	11,250,335	11,250,335	0
Fund Balances, September 30	<u>\$ 9,329,715</u>	<u>\$ 6,741,967</u>	<u>\$ 10,892,408</u>	<u>\$ 4,150,441</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, 2004

Net change in fund balance - Budget Basis	\$	(357,927)
Revenues		
Market Adjustment for Investments		(75,311)
Other		8,501
Expenditures		
Bad Debt Expense		(81,383)
Payroll Accrual, net		(233,097)
Capitalize/Reclass Assets		211,192
Reclass Expense		(14,074)
Other		(5,284)
		(5,284)
Net change in fund balance - GAAP Basis	\$	(547,383)



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.

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 bonds.

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, 2004

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Current Assets				
Equity in Cash and Cash Equivalents	\$ 1,876,135	\$ 4,061,410	\$ 223,927	\$ 6,161,472
Equity in Investments	6,323,756	13,689,506	754,776	20,768,038
Receivables				
Accrued Interest	40,816	93,229	5,179	139,224
Grants	541,069	0	0	541,069
Accounts	57,893	123,158	5,358	186,409
Loans	4,197	0	0	4,197
Less Allowance for Uncollectible Accounts	(57,293)	(12,412)	(700)	(70,405)
Inventories	0	0	2,373	2,373
Total Assets	\$ 8,786,573	\$ 17,954,891	\$ 990,913	\$ 27,732,377
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 68,497	\$ 490,392	\$ 219	\$ 559,108
Retainage Payable	769	49,223	0	49,992
Interfund Payable	200,000	0	0	200,000
Refundable Deposits	11,756	0	0	11,756
Accrued Liabilities	(186)	244	0	58
Other Deferred Revenues	2,858	0	0	2,858
Total Liabilities	283,694	539,859	219	823,772
Fund Balances				
Reserved				
Reserved for Encumbrances	2,417,624	2,740,128	0	5,157,752
Reserved for Capital Projects	0	14,674,904	0	14,674,904
Reserved for Perpetual Care	0	0	990,694	990,694
Unreserved				
Undesignated	6,085,255	0	0	6,085,255
Total Fund Balances	8,502,879	17,415,032	990,694	26,908,605
Total Liabilities and Fund Balances	\$ 8,786,573	\$ 17,954,891	\$ 990,913	\$ 27,732,377

CITY OF COLLEGE STATION, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
As of September 30, 2004

	Community Development	Convention Center	Hotel/Motel	Parks Escrow	Wolf Pen Creek Tax Increment Financing District	Total
Current Assets						
Equity in Cash and Cash Equivalents	\$ 111,936	\$ 189,812	\$ 623,695	\$ 383,133	\$ 567,559	\$ 1,876,135
Equity in Investments	377,294	639,788	2,102,245	1,291,398	1,913,031	6,323,756
Receivables						
Accrued Interest	0	4,390	12,001	8,839	15,586	40,816
Grants	541,069	0	0	0	0	541,069
Accounts	0	0	57,893	0	0	57,893
Loans	4,197	0	0	0	0	4,197
Less Allowance for Uncollectible Accounts	0	0	(57,293)	0	0	(57,293)
Total Assets	<u><u>\$ 1,034,496</u></u>	<u><u>\$ 833,990</u></u>	<u><u>\$ 2,738,541</u></u>	<u><u>\$ 1,683,370</u></u>	<u><u>\$ 2,496,176</u></u>	<u><u>\$ 8,786,573</u></u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 49,116	\$ 0	\$ 3,721	\$ 15,314	\$ 346	\$ 68,497
Retainage Payable	342	0	0	427	0	769
Interfund Payable	0	0	200,000	0	0	200,000
Refundable Deposits	0	0	11,756	0	0	11,756
Accrued Liabilities	(186)	0	0	0	0	(186)
Other Deferred Revenues	2,858	0	0	0	0	2,858
Total Liabilities	<u><u>52,130</u></u>	<u><u>0</u></u>	<u><u>215,477</u></u>	<u><u>15,741</u></u>	<u><u>346</u></u>	<u><u>283,694</u></u>
Fund Balances						
Reserved						
Reserved for Encumbrances	408,598	429,367	92,139	55,350	1,432,170	2,417,624
Unreserved						
Undesignated	573,768	404,623	2,430,925	1,612,279	1,063,660	6,085,255
Total Fund Balances	<u><u>982,366</u></u>	<u><u>833,990</u></u>	<u><u>2,523,064</u></u>	<u><u>1,667,629</u></u>	<u><u>2,495,830</u></u>	<u><u>8,502,879</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 1,034,496</u></u>	<u><u>\$ 833,990</u></u>	<u><u>\$ 2,738,541</u></u>	<u><u>\$ 1,683,370</u></u>	<u><u>\$ 2,496,176</u></u>	<u><u>\$ 8,786,573</u></u>

CITY OF COLLEGE STATION, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects Funds
As of September 30, 2004

	Business Park	Drainage Projects	General Government Projects	Parks Projects	Total
Current Assets					
Equity in Cash and Cash Equivalents	\$ 647,138	\$ 1,730,200	\$ 1,539,304	\$ 144,768	\$ 4,061,410
Equity in Investments	2,181,263	5,831,862	5,188,423	487,958	13,689,506
Receivables					
Accrued Interest	14,992	40,360	35,164	2,713	93,229
Grants	0	0	0	0	0
Accounts	0	123,158	0	0	123,158
Other	0	0	0	0	0
Less Allowance for Uncollectible Accounts	0	(12,412)	0	0	(12,412)
Total Assets	\$ 2,843,393	\$ 7,713,168	\$ 6,762,891	\$ 635,439	\$ 17,954,891
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 0	\$ 1,000	\$ 261,037	\$ 228,355	\$ 490,392
Retainage Payable	0	0	28,719	20,504	49,223
Accrued Liabilities	0	0	0	244	244
Total Liabilities	0	1,000	289,756	249,103	539,859
Fund Balances					
Reserved					
Reserved for Encumbrances	0	780,654	1,463,640	495,834	2,740,128
Reserved for Capital Projects	2,843,393	6,931,514	5,009,495	(109,498)	14,674,904
Total Fund Balances	2,843,393	7,712,168	6,473,135	386,336	17,415,032
Total Liabilities and Fund Balances	\$ 2,843,393	\$ 7,713,168	\$ 6,762,891	\$ 635,439	\$ 17,954,891

CITY OF COLLEGE STATION, TEXAS
 Balance Sheet
 Nonmajor Governmental Fund - Permanent Fund
 Cemetery Perpetual Care Fund
 As of September 30, 2004

Current Assets	
Equity in Cash and Cash Equivalents	\$ 223,927
Equity in Investments	754,776
Receivables	
Accrued Interest	5,179
Accounts	5,358
Allowance for Uncollectible Accounts	(700)
Inventories	<u>2,373</u>
Total Assets	<u><u>\$ 990,913</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	<u>\$ 219</u>
Total Liabilities	<u>219</u>
Fund Balances	
Reserved	
Reserved for Perpetual Care	<u>990,694</u>
Total Fund Balances	<u>990,694</u>
Total Liabilities and Fund Balances	<u><u>\$ 990,913</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, 2004

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 2,863,710	\$ 0	\$ 0	\$ 2,863,710
Charges for Services	0	59,214	81,204	140,418
Intergovernmental	2,514,205	31,465	0	2,545,670
Special Assessment	0	1,062,179	0	1,062,179
Fines, Forfeits and Penalties	9,442	0	0	9,442
Investment Income	156,134	252,469	16,064	424,667
Rents and Royalties	4,981	0	0	4,981
Loan Repayments	5,418	0	0	5,418
Contributions	304,829	0	225	305,054
Reimbursed Expenditures	0	3,000	0	3,000
Other	128,790	5,776	53,737	188,303
Total Revenues	<u>5,987,509</u>	<u>1,414,103</u>	<u>151,230</u>	<u>7,552,842</u>
Expenditures				
Current				
General Government	45,192	3,485	0	48,677
Parks and Recreation	253	0	0	253
Community Development				
Block Grant	201,099	0	0	201,099
Home Grant	304,580	0	0	304,580
Reimbursed Administrative	987,979	820,509	0	1,808,488
Contributions	1,215,200	0	0	1,215,200
Other	59,992	20,475	42	80,509
Capital Outlay	1,741,413	4,924,543	43,970	6,709,926
Debt Service				
Principal Retirement	4,665,000	0	0	4,665,000
Interest Expense	116,316	0	0	116,316
Issuance Costs	0	49,983	0	49,983
Total Expenditures	<u>9,337,024</u>	<u>5,818,995</u>	<u>44,012</u>	<u>15,200,031</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(3,349,515)</u>	<u>(4,404,892)</u>	<u>107,218</u>	<u>(7,647,189)</u>
Other Financing Sources (Uses)				
Proceeds from Long Term Debt Issuance	0	5,860,000	0	5,860,000
Operating Transfers In	254,591	912,624	0	1,167,215
Operating Transfer Out	(1,994,599)	(72,330)	0	(2,066,929)
Total Other Financing Sources (Uses)	<u>(1,740,008)</u>	<u>6,700,294</u>	<u>0</u>	<u>4,960,286</u>
Net Change in Fund Balances	(5,089,523)	2,295,402	107,218	(2,686,903)
Fund Balances, October 1	13,592,402	15,119,630	883,476	29,595,508
Fund Balances, September 30	<u>\$ 8,502,879</u>	<u>\$ 17,415,032</u>	<u>\$ 990,694</u>	<u>\$ 26,908,605</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, 2004

	Community Development	Convention Center	Hotel/Motel Tax	Parks Escrow	Wolf Pen Creek Tax Increment Financing District	Total
Revenues						
Taxes	\$ 0	\$ 0	\$ 2,191,428	\$ 0	\$ 672,282	\$ 2,863,710
Intergovernmental	2,514,205	0	0	0	0	2,514,205
Fines, Forfeits and Penalties	0	0	9,442	0	0	9,442
Investment Income	0	49,845	38,947	28,156	39,186	156,134
Rents and Royalties	0	0	4,981	0	0	4,981
Loan Repayments	5,418	0	0	0	0	5,418
Contributions	0	0	0	304,829	0	304,829
Other	128,488	2	90	210	0	128,790
Total Revenues	<u>2,648,111</u>	<u>49,847</u>	<u>2,244,888</u>	<u>333,195</u>	<u>711,468</u>	<u>5,987,509</u>
Expenditures						
Current						
General Government	0	1,392	33,826	0	9,974	45,192
Parks and Recreation	0	0	0	0	253	253
Community Development						
Block Grant	201,099	0	0	0	0	201,099
Home Grant	304,580	0	0	0	0	304,580
Reimbursed Administrative	626,297	41,340	315,342	5,000	0	987,979
Contributions	0	0	1,215,200	0	0	1,215,200
Other	2	0	59,989	0	1	59,992
Capital Outlay	0	1,346,125	0	257,363	137,925	1,741,413
Debt Service						
Principal Retirement	0	4,665,000	0	0	0	4,665,000
Interest Expense	0	116,316	0	0	0	116,316
Total Expenditures	<u>1,131,978</u>	<u>6,170,173</u>	<u>1,624,357</u>	<u>262,363</u>	<u>148,153</u>	<u>9,337,024</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,516,133</u>	<u>(6,120,326)</u>	<u>620,531</u>	<u>70,832</u>	<u>563,315</u>	<u>(3,349,515)</u>
Other Financing Sources (Uses)						
Operating Transfers In	250,091	0	0	4,500	0	254,591
Operating Transfer Out	(1,515,499)	0	0	0	(479,100)	(1,994,599)
Total Other Financing Sources (Uses)	<u>(1,265,408)</u>	<u>0</u>	<u>0</u>	<u>4,500</u>	<u>(479,100)</u>	<u>(1,740,008)</u>
Net Change in Fund Balances	250,725	(6,120,326)	620,531	75,332	84,215	(5,089,523)
Fund Balances, October 1	731,641	6,954,316	1,902,533	1,592,297	2,411,615	13,592,402
Fund Balances, September 30	<u>\$ 982,366</u>	<u>\$ 833,990</u>	<u>\$ 2,523,064</u>	<u>\$ 1,667,629</u>	<u>\$ 2,495,830</u>	<u>\$ 8,502,879</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, 2004

	Business Park	Drainage Projects	General Government Projects	Parks Projects	Total
Revenues					
Charges for Services	\$ 0	\$ 0	\$ 0	\$ 59,214	\$ 59,214
Intergovernmental	0	0	0	31,465	31,465
Special Assessment	0	1,062,179	0	0	1,062,179
Investment Income	40,932	127,543	80,489	3,505	252,469
Reimbursed Expenditures	0	3,000	0	0	3,000
Other	125	1,523	2,599	1,529	5,776
Total Revenues	41,057	1,194,245	83,088	95,713	1,414,103
Expenditures					
Current					
General Government	0	0	3,485	0	3,485
Reimbursed Administrative	0	679,789	120,720	20,000	820,509
Other	0	5,949	14,526	0	20,475
Capital Outlay	6,174	1,564,524	2,624,451	729,394	4,924,543
Debt Service					
Issuance Costs	0	8,052	31,131	10,800	49,983
Total Expenditures	6,174	2,258,314	2,794,313	760,194	5,818,995
Excess (Deficiency) of Revenues Over (Under) Expenditures	34,883	(1,064,069)	(2,711,225)	(664,481)	(4,404,892)
Other Financing Sources (Uses)					
Proceeds from Long Term Debt Issuance	500,000	855,000	4,355,000	150,000	5,860,000
Operating Transfers In	0	224,045	103,204	585,375	912,624
Operating Transfers Out	0	(72,330)	0	0	(72,330)
Total Other Financing Sources	500,000	1,006,715	4,458,204	735,375	6,700,294
Net Change in Fund Balances	534,883	(57,354)	1,746,979	70,894	2,295,402
Fund Balances, October 1	2,308,510	7,769,522	4,726,156	315,442	15,119,630
Fund Balances, September 30	\$ 2,843,393	\$ 7,712,168	\$ 6,473,135	\$ 386,336	\$ 17,415,032

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, 2004

Revenues	
Sale of Cemetery Lots	\$ 81,204
Investment Income	16,064
Contributions	225
Other	<u>53,737</u>
Total Revenues	<u>151,230</u>
Expenditures	
Other	42
Capital Outlay	<u>43,970</u>
Total Expenditures	<u>44,012</u>
Excess of Revenues Over Expenditures	<u>107,218</u>
Fund Balance, October 1	<u>883,476</u>
Fund Balance, September 30	<u><u>\$ 990,694</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 customers.

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, 2004

	<u>Sanitation</u>	<u>Northgate Parking Garage</u>	<u>Total</u>
Current Assets			
Equity in Cash and Cash Equivalents	\$ 169,704	\$ 182,869	\$ 352,573
Equity in Investments	572,009	616,382	1,188,391
Receivables			
Accrued Interest	4,438	4,179	8,617
Accounts	581,921	6,969	588,890
Notes	12,522	0	12,522
Less Allowance for Uncollectible Accounts	(51,321)	(232)	(51,553)
Inventories	10,244	0	10,244
Total Current Assets	<u>1,299,517</u>	<u>810,167</u>	<u>2,109,684</u>
Equity in Joint Venture	<u>7,297,883</u>	<u>0</u>	<u>7,297,883</u>
Property and Equipment			
Buildings	0	5,723,063	5,723,063
Machinery and Equipment	1,150,298	128,303	1,278,601
Accumulated Depreciation	(1,109,944)	(502,086)	(1,612,030)
Land	0	709,650	709,650
Total Property and Equipment	<u>40,354</u>	<u>6,058,930</u>	<u>6,099,284</u>
Total Assets	<u>8,637,754</u>	<u>6,869,097</u>	<u>15,506,851</u>
Liabilities and Fund Equity			
Current Liabilities			
Accounts Payable	91,210	9,402	100,612
Accrued Liabilities	87,614	7,776	95,390
Total Current Liabilities	<u>178,824</u>	<u>17,178</u>	<u>196,002</u>
Current Liabilities Payable from Restricted Assets			
Refundable Deposits	0	3,245	3,245
Total Current Liabilities Payable from Restricted Assets	<u>0</u>	<u>3,245</u>	<u>3,245</u>
Noncurrent Liabilities			
Accrued Vacation	36,137	279	36,416
Total Noncurrent Liabilities	<u>36,137</u>	<u>279</u>	<u>36,416</u>
Total Liabilities	<u>214,961</u>	<u>20,702</u>	<u>235,663</u>
Net Assets			
Invested in Capital Assets, net of related debt	40,354	6,058,930	6,099,284
Unrestricted	8,382,439	789,465	9,171,904
Net Assets	<u>\$ 8,422,793</u>	<u>\$ 6,848,395</u>	<u>\$ 15,271,188</u>

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, 2004

	Sanitation	Cedar Creek Condominiums	Northgate Parking Garage	Total
Operating Revenues				
Garbage Collection Fees	\$ 4,769,859	\$ 0	\$ 0	\$ 4,769,859
Charges for Services	0	0	560,001	560,001
Other	59,254	0	0	59,254
Total Operating Revenues	<u>4,829,113</u>	<u>0</u>	<u>560,001</u>	<u>5,389,114</u>
Operating Expenses				
Salaries and Benefits	1,458,618	0	160,987	1,619,605
Supplies	200,584	0	28,819	229,403
Maintenance	435,720	0	74,773	510,493
Purchased Professional Services	307,129	0	47,874	355,003
Purchased Property Services	1,313,934	0	41,749	1,355,683
Other Purchased Services	414,010	0	8,890	422,900
Reimbursed Administrative	447,833	0	21,898	469,731
Depreciation	16,260	0	168,142	184,402
Other	42,193	0	262	42,455
Total Operating Expenses	<u>4,636,281</u>	<u>0</u>	<u>553,394</u>	<u>5,189,675</u>
Operating Income	<u>192,832</u>	<u>0</u>	<u>6,607</u>	<u>199,439</u>
Nonoperating Revenues (Expenses)				
Investment Income	16,811	1,159	15,316	33,286
Reimbursed Expenses	37	0	201	238
Earnings in Joint Venture	(308,301)	0	0	(308,301)
Other, Net	(17,694)	(61,150)	43,263	(35,581)
Total Nonoperating Revenues (Expenses)	<u>(309,147)</u>	<u>(59,991)</u>	<u>58,780</u>	<u>(310,358)</u>
Income Before Transfers	<u>(116,315)</u>	<u>(59,991)</u>	<u>65,387</u>	<u>(110,919)</u>
Transfers				
Transfers In	5,000	0	0	5,000
Transfers Out	(378,758)	(250,091)	(511,100)	(1,139,949)
Total Transfers	<u>(373,758)</u>	<u>(250,091)</u>	<u>(511,100)</u>	<u>(1,134,949)</u>
Change in Net Assets	(490,073)	(310,082)	(445,713)	(1,245,868)
Beginning Net Assets	8,912,866	310,082	7,294,108	16,517,056
Ending Net Assets	<u>\$ 8,422,793</u>	<u>\$ 0</u>	<u>\$ 6,848,395</u>	<u>\$ 15,271,188</u>

CITY OF COLLEGE STATION, TEXAS
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2004

	Sanitation	Cedar Creek Condominiums	Northgate Parking Garage	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 4,824,330	\$ 0	\$ 572,116	\$ 5,396,446
Cash Payments to Suppliers for Goods and Services	(3,141,444)	0	(223,467)	(3,364,911)
Cash Payments to Employees for Services	(1,440,493)	0	(161,182)	(1,601,675)
Customer Deposits Received	0	0	1,345	1,345
Cash Received for Reimbursed Expenses	0	0	201	201
Cash Received for Miscellaneous Revenues	0	0	6,424	6,424
Cash Paid for Miscellaneous Expenses	(21,679)	0	0	(21,679)
Net Cash Provided by Operating Activities	220,714	0	195,437	416,151
Cash Flows from Noncapital Financing Activities:				
Transfers Out to Other Funds	(373,758)	(250,091)	(511,100)	(1,134,949)
Net Cash Used by Noncapital Financing Activities	(373,758)	(250,091)	(511,100)	(1,134,949)
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	(2,197,673)	(142,436)	(2,440,707)	(4,780,816)
Proceeds from Sale and Maturities of Investment Securities	2,171,435	293,541	2,489,401	4,954,377
Investment Income	14,961	0	14,159	29,120
Net Cash Provided (Used) by Investing Activities	(11,277)	151,105	62,853	202,681
Net Decrease in Cash and Cash Equivalents	(187,821)	(98,986)	(252,810)	(539,617)
Cash and Cash Equivalents, Oct. 1	357,525	98,986	435,679	892,190
Cash and Cash Equivalents, Sept. 30	\$ 169,704	\$ -	\$ 182,869	\$ 352,573
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 192,832	\$ 0	\$ 6,607	\$ 199,439
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation, Bad Debt Expense, Inventory Loss	16,260	0	168,142	184,402
Provision for Uncollectible Accounts	6,412	0	(1,520)	4,892
Miscellaneous Nonoperating Revenues	0	0	6,807	6,807
Miscellaneous Nonoperating Expenses	(21,679)	0	0	(21,679)
Changes in Assets and Liabilities:				
Change in Accounts Receivable	(4,783)	0	12,115	7,332
Change in Inventory	24,041	0	0	24,041
Change in Accounts Payable	(7,791)	0	2,758	(5,033)
Change in Accrued Liabilities	6,866	0	(622)	6,244
Change in Refundable Deposits	0	0	1,345	1,345
Change in Accrued Vacation	8,556	0	(195)	8,361
Total Adjustments	27,882	0	188,830	216,712
Net Cash Provided by Operating Activities	\$ 220,714	\$ 0	\$ 195,437	\$ 416,151

**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, 2004

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Taxes	\$ 8,220,773	\$ 8,220,773	\$ 8,217,182	\$ (3,591)
Investment Income	55,000	55,000	59,907	4,907
Accrued Bond Interest	0	0	60,625	60,625
Total Revenues	<u>8,275,773</u>	<u>8,275,773</u>	<u>8,337,714</u>	<u>61,941</u>
Expenditures				
Debt Service				
Principal Payments	5,680,000	5,680,000	5,445,000	(235,000)
Interest Payments	3,574,686	3,574,686	3,187,027	(387,659)
Fiscal Charges	13,000	13,000	15,332	2,332
Debt Issuance Cost	0	0	166,438	166,438
Total Expenditures	<u>9,267,686</u>	<u>9,267,686</u>	<u>8,813,797</u>	<u>(453,889)</u>
Deficiency of Revenues Under Expenditures	<u>(991,913)</u>	<u>(991,913)</u>	<u>(476,083)</u>	<u>515,830</u>
Other Financing Sources				
Operating Transfers In	<u>1,423,624</u>	<u>1,423,624</u>	<u>1,393,860</u>	<u>(29,764)</u>
Total Other Financing Sources	<u>1,423,624</u>	<u>1,423,624</u>	<u>1,393,860</u>	<u>(29,764)</u>
Net Change in Fund Balance	431,711	431,711	917,777	486,066
Fund Balances, October 1	<u>1,636,307</u>	<u>1,636,307</u>	<u>1,636,307</u>	<u>0</u>
Fund Balances, September 30	<u>\$ 2,068,018</u>	<u>\$ 2,068,018</u>	<u>\$ 2,554,084</u>	<u>\$ 486,066</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, 2004

Change in Fund Balance - Budget Basis	\$ 917,777
Revenues	
Market Adjustment for Investments	<u>(15,371)</u>
Change in Fund Balance - GAAP Basis	<u><u>\$ 902,406</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, 2004

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Intergovernmental				
Community Development Block Grant	\$ 3,069,732	\$ 3,069,732	\$ 2,118,576	\$ (951,156)
Home Grant	1,523,340	1,523,340	395,629	(1,127,711)
Loan Repayments	0	0	5,159	5,159
Interest on Loans	0	0	259	259
Other	20,000	20,000	128,486	108,486
Total Revenues	4,613,072	4,613,072	2,648,109	(1,964,963)
Expenditures				
Community Development Block Grant	2,703,480	2,703,480	201,099	(2,502,381)
Home Grant	1,310,555	1,310,555	304,580	(1,005,975)
Reimbursed Administrative	579,037	579,037	626,297	47,260
Total Expenditures	4,593,072	4,593,072	1,131,976	(3,461,096)
Excess of Revenues Over Expenditures	20,000	20,000	1,516,133	1,496,133
Other Financing Sources (Uses)				
Operating Transfers In	0	0	250,091	250,091
Operating Transfers Out	0	0	(1,515,499)	(1,515,499)
Total Other Financing Uses	0	0	(1,265,408)	(1,265,408)
Change in Fund Balance	20,000	20,000	250,725	230,725
Fund Balance, October 1	731,641	731,641	731,641	0
Fund Balance, September 30	\$ 751,641	\$ 751,641	\$ 982,366	\$ 230,725

See reconciliation to GAAP basis on page 93.

CITY OF COLLEGE STATION, TEXAS
Convention Center
Schedule of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Fiscal Year Ended September 30, 2004

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Investment Income	\$ 300,000	\$ 300,000	\$ 54,773	\$ (245,227)
Total Revenues	<u>300,000</u>	<u>300,000</u>	<u>54,773</u>	<u>(245,227)</u>
Expenditures				
Current				
General Government	0	0	1,378	1,378
Reimbursed Administrative	41,340	41,340	41,340	0
Debt Service				
Principal Retirement	0	0	4,665,000	4,665,000
Interest Expense	0	0	116,316	116,316
Capital Outlay	<u>13,241,750</u>	<u>13,241,750</u>	<u>1,346,125</u>	<u>(11,895,625)</u>
Total Expenditures	<u>13,283,090</u>	<u>13,283,090</u>	<u>6,170,159</u>	<u>(7,112,931)</u>
Deficiency of Revenues Under Expenditures	<u>(12,983,090)</u>	<u>(12,983,090)</u>	<u>(6,115,386)</u>	<u>6,867,704</u>
Other Financing Sources (Uses)				
Bond Proceeds	11,900,000	11,900,000	0	(11,900,000)
Operating Transfers In	250,000	250,000	0	(250,000)
Operating Transfers Out	<u>(29,750)</u>	<u>(29,750)</u>	<u>0</u>	<u>29,750</u>
Total Other Financing Sources	<u>12,120,250</u>	<u>12,120,250</u>	<u>0</u>	<u>(12,120,250)</u>
Change in Fund Balance	(862,840)	(862,840)	(6,115,386)	(5,252,546)
Fund Balances, October 1	<u>6,954,316</u>	<u>6,954,316</u>	<u>6,954,316</u>	<u>0</u>
Fund Balances, September 30	<u>\$ 6,091,476</u>	<u>\$ 6,091,476</u>	<u>\$ 838,930</u>	<u>\$ (5,252,546)</u>

See reconciliation to GAAP basis on page 93.

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, 2004

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Taxes	\$ 0	\$ 2,173,500	\$ 2,191,428	\$ 17,928
Charges for Services	0	8,500	0	(8,500)
Fines, Forfeits and Penalties	0	0	9,442	9,442
Investment Income	0	40,000	52,419	12,419
Rents and Royalties	0	3,000	(2,937)	(5,937)
Other	0	4,000	88	(3,912)
Total Revenues	<u>0</u>	<u>2,229,000</u>	<u>2,250,440</u>	<u>21,440</u>
Expenditures				
Current				
Development Services	0	335,000	0	(335,000)
General Government	0	351,492	33,827	(317,665)
Reimbursed Administrative	0	343,433	315,342	(28,091)
Contributions	0	1,215,200	1,215,200	0
Other	0	0	3,859	3,859
Contingency	0	29,708	0	(29,708)
Total Expenditures	<u>0</u>	<u>2,274,833</u>	<u>1,568,228</u>	<u>(706,605)</u>
Change in Fund Balance	0	(45,833)	682,212	728,045
Fund Balance, October 1	<u>0</u>	<u>1,902,533</u>	<u>1,902,533</u>	<u>0</u>
Fund Balance, September 30	<u>\$ 0</u>	<u>\$ 1,856,700</u>	<u>\$ 2,584,745</u>	<u>\$ 728,045</u>

See reconciliation to GAAP basis on page 93.

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, 2004

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Investment Income	\$ 5,000	\$ 5,000	\$ 38,078	\$ 33,078
Contributions	50,000	50,000	304,829	254,829
Other	0	0	210	210
Total Revenues	<u>55,000</u>	<u>55,000</u>	<u>343,117</u>	<u>288,117</u>
Expenditures				
Current				
Reimbursed Administrative	5,060	5,060	5,000	(60)
Capital Outlay	1,303,000	1,384,000	257,015	(1,126,985)
Total Expenditures	<u>1,308,060</u>	<u>1,389,060</u>	<u>262,015</u>	<u>(1,127,045)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,253,060)	(1,334,060)	81,102	1,415,162
Other Financing Sources:				
Operating Transfers In	0	0	4,500	4,500
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>4,500</u>	<u>4,500</u>
Change in Fund Balance	(1,253,060)	(1,334,060)	85,602	1,419,662
Fund Balance, October 1	<u>1,592,297</u>	<u>1,592,297</u>	<u>1,592,297</u>	<u>0</u>
Fund Balance, September 30	<u>\$ 339,237</u>	<u>\$ 258,237</u>	<u>\$ 1,677,899</u>	<u>\$ 1,419,662</u>

See reconciliation to GAAP basis on page 93.

CITY OF COLLEGE STATION
 Wolf Pen Creek Tax Increment Financing District Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances
 Budget and Actual (Budgetary Basis)
 For the Fiscal Year Ended September 30, 2004

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Revenues				
Taxes	\$ 692,987	\$ 692,987	\$ 672,282	\$ (20,705)
Investment Income	40,000	40,000	56,681	16,681
Other	0	0	0	0
Total Revenues	<u>732,987</u>	<u>732,987</u>	<u>728,963</u>	<u>(4,024)</u>
Expenditures				
Current				
General Government	0	0	9,974	9,974
Parks and Recreation	700	700	253	(447)
Capital Outlay	<u>2,074,000</u>	<u>2,074,000</u>	<u>123,198</u>	<u>(1,950,802)</u>
Total Expenditures	<u>2,074,700</u>	<u>2,074,700</u>	<u>133,425</u>	<u>(1,941,275)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,341,713)</u>	<u>(1,341,713)</u>	<u>595,538</u>	<u>1,937,251</u>
Other Financing Uses:				
Operating Transfers Out	<u>(479,103)</u>	<u>(479,103)</u>	<u>(479,100)</u>	<u>3</u>
Total Other Financing Uses	<u>(479,103)</u>	<u>(479,103)</u>	<u>(479,100)</u>	<u>3</u>
Change in Fund Balance	(1,820,816)	(1,820,816)	116,438	1,937,254
Fund Balances, October 1	<u>2,411,615</u>	<u>2,411,615</u>	<u>2,411,615</u>	<u>0</u>
Fund Balance, September 30	<u>\$ 590,799</u>	<u>\$ 590,799</u>	<u>\$ 2,528,053</u>	<u>\$ 1,937,254</u>

See reconciliation to GAAP basis on page 93.

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, 2004

	<u>Community Development</u>	<u>Convention Center</u>	<u>Hotel/Motel Tax</u>	<u>Parks Escrow</u>	<u>Wolf Pen Creek Tax Increment Financing District</u>
Change in Fund Balance - Budget Basis	\$ 250,725	\$ (6,115,386)	\$ 682,212	\$ 85,602	\$ 116,438
Revenues:					
Market Adjustment for Investments	-	(4,927)	(56,129)	(9,925)	(17,495)
Reclass Revenue			(13,471)		
Expenditures:					
Bad Debt Expense	-	-	7,919	-	-
Reclass Expense	-	(13)	-	(345)	(14,728)
Change in Fund Balance - GAAP Basis	<u>\$ 250,725</u>	<u>\$ (6,120,326)</u>	<u>\$ 620,531</u>	<u>\$ 75,332</u>	<u>\$ 84,215</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, 2004

	<u>Communication Services</u>	<u>Employee Benefits</u>	<u>Equipment Replacement</u>	<u>Fleet Maintenance</u>
Current Assets				
Equity in Cash and Cash Equivalents	\$ 357	\$ 658,978	\$ 1,657,490	\$ 0
Equity in Investments	1,205	2,221,170	5,586,785	0
Receivables				
Accrued Interest	12	14,739	40,473	(3,175)
Accounts	0	38,400	0	11,326
Other	0	0	0	0
Less Allowance for Uncollectible Accounts	0	0	0	0
Inventories	0	0	0	72,309
Prepaid Costs	0	0	0	0
Total Current Assets	<u>1,574</u>	<u>2,933,287</u>	<u>7,284,748</u>	<u>80,460</u>
Property and Equipment				
Buildings	0	0	0	746,575
Machinery and Equipment	1,207,944	0	18,948,826	208,820
Accumulated Depreciation	(1,063,952)	0	(11,651,049)	(413,518)
Construction in Progress	0	0	23,225	0
Total Property and Equipment	<u>143,992</u>	<u>0</u>	<u>7,321,002</u>	<u>541,877</u>
Total Assets	<u>145,566</u>	<u>2,933,287</u>	<u>14,605,750</u>	<u>622,337</u>
Liabilities and Fund Equity				
Current Liabilities				
Accounts Payable	20,495	126,556	0	52,119
Due to Other Funds	0	0	0	45,932
Claims Payable	0	499,375	0	0
Accrued Liabilities	10,397	0	0	20,313
Total Current Liabilities	<u>30,892</u>	<u>625,931</u>	<u>0</u>	<u>118,364</u>
Noncurrent Liabilities				
Accrued Vacation	8,986	0	0	30,621
Total Noncurrent Liabilities	<u>8,986</u>	<u>0</u>	<u>0</u>	<u>30,621</u>
Total Liabilities	<u>39,878</u>	<u>625,931</u>	<u>0</u>	<u>148,985</u>
Net Assets				
Invested in Capital Assets	143,992	0	7,321,002	541,877
Unreserved Retained Earnings (Deficits)	(38,304)	2,307,356	7,284,748	(68,525)
Total Net Assets	<u>\$ 105,688</u>	<u>\$ 2,307,356</u>	<u>\$ 14,605,750</u>	<u>\$ 473,352</u>

<u>Print/Mail Services</u>	<u>Property and Casualty</u>	<u>Unemployment</u>	<u>Utility Billing</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ 0	\$ 56,847	\$ 26,429	\$ 34,839	\$ 74,664	\$ 2,509,604
0	191,611	89,081	117,430	251,664	8,458,946
(386)	1,332	611	810	1,725	56,141
0	168,334	0	23,355	0	241,415
0	0	0	9,395	0	9,395
0	0	0	(13,046)	0	(13,046)
29,472	0	0	0	0	101,781
6,375	0	0	0	6,000	12,375
<u>35,461</u>	<u>418,124</u>	<u>116,121</u>	<u>172,783</u>	<u>334,053</u>	<u>11,376,611</u>
0	0	0	0	0	746,575
145,918	0	0	1,581,933	0	22,093,441
(128,014)	0	0	(841,392)	0	(14,097,925)
0	0	0	0	0	23,225
<u>17,904</u>	<u>0</u>	<u>0</u>	<u>740,541</u>	<u>0</u>	<u>8,765,316</u>
<u>53,365</u>	<u>418,124</u>	<u>116,121</u>	<u>913,324</u>	<u>334,053</u>	<u>20,141,927</u>
28,004	1,375	0	12,281	0	240,830
31,783	0	0	0	0	77,715
0	12,345	0	0	98,544	610,264
5,487	0	0	34,720	0	70,917
<u>65,274</u>	<u>13,720</u>	<u>0</u>	<u>47,001</u>	<u>98,544</u>	<u>999,726</u>
6,185	0	0	45,369	0	91,161
<u>6,185</u>	<u>0</u>	<u>0</u>	<u>45,369</u>	<u>0</u>	<u>91,161</u>
<u>71,459</u>	<u>13,720</u>	<u>0</u>	<u>92,370</u>	<u>98,544</u>	<u>1,090,887</u>
17,904	0	0	740,541	0	8,765,316
(35,998)	404,404	116,121	80,413	235,509	10,285,724
<u>\$ (18,094)</u>	<u>\$ 404,404</u>	<u>\$ 116,121</u>	<u>\$ 820,954</u>	<u>\$ 235,509</u>	<u>\$ 19,051,040</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, 2004

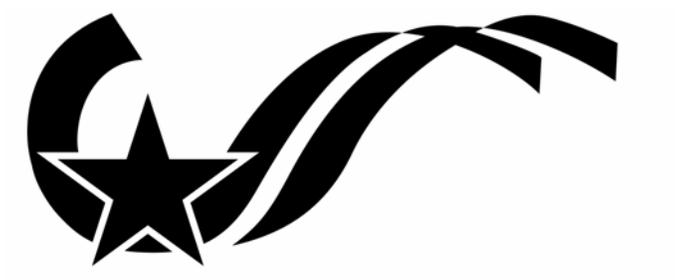
	Communication Services	Employee Benefits	Equipment Replacement	Fleet Maintenance	Print/Mail
Operating Revenues					
Charges for Services	\$ 680,316	\$ 0	\$ 2,301,878	\$ 1,308,624	\$ 389,083
Premiums	0	5,183,275	0	0	0
Other	0	4,387	0	0	0
Total Operating Revenues	680,316	5,187,662	2,301,878	1,308,624	389,083
Operating Expenses					
Salaries and Benefits	341,198	0	0	674,310	191,248
Supplies	110,567	0	16,077	542,958	111,404
Maintenance	60,116	0	0	32,151	19,110
Purchased Professional Services	0	0	0	5,041	0
Purchased Property Services	10,256	0	0	17,991	43,953
Other Purchased Services	52,605	3,372	0	30,372	9,873
Claims	0	2,468,684	0	0	0
Administration Fees	0	277,037	0	0	0
Premiums	0	1,303,128	0	0	0
Reimbursed Administrative	100,000	49,520	0	134,043	45,829
Depreciation	84,942	0	2,603,082	23,475	9,932
Other	0	5,034	0	(667)	22
Total Operating Expenses	759,684	4,106,775	2,619,159	1,459,674	431,371
Operating Income (Loss)	(79,368)	1,080,887	(317,281)	(151,050)	(42,288)
Nonoperating Revenues (Expenses)					
Investment Income	(570)	43,751	120,927	(4,313)	(1,057)
Reimbursed Expenses	0	5,065	0	0	0
Other, Net	(11,958)	1,854	344,619	1,805	(1)
Total Nonoperating Revenues (Expenses)	(12,528)	50,670	465,546	(2,508)	(1,058)
Income (Loss) Before Operating Transfers	(91,896)	1,131,557	148,265	(153,558)	(43,346)
Operating Transfers					
Operating Transfers In	0	0	16,344	104,117	0
Operating Transfers Out	0	(350,000)	(403,752)	0	0
Total Operating Transfers	0	(350,000)	(387,408)	104,117	0
Net Income (Loss)	(91,896)	781,557	(239,143)	(49,441)	(43,346)
Beginning Net Assets	197,584	1,525,799	14,844,893	522,793	25,252
Ending Net Assets	\$ 105,688	\$ 2,307,356	\$ 14,605,750	\$ 473,352	\$ (18,094)

Property and Casualty	Unemployment	Utility Billing	Workers' Compensation	Total
\$ 0	\$ 0	\$ 2,155,326	\$ 0	\$ 6,835,227
434,800	28,967	0	497,535	6,144,577
0	0	160,999	1,003	166,389
<u>434,800</u>	<u>28,967</u>	<u>2,316,325</u>	<u>498,538</u>	<u>13,146,193</u>
0	0	1,191,777	0	2,398,533
0	0	60,903	0	841,909
0	0	43,771	0	155,148
8,310	0	24,720	20,752	58,823
0	0	32,464	0	104,664
0	0	349,222	332	445,776
(152,357)	14,374	0	299,077	2,629,778
2,674	0	0	50,000	329,711
241,052	0	0	105,500	1,649,680
126,645	0	490,481	126,645	1,073,163
0	0	59,586	0	2,781,017
0	0	5,110	0	9,499
<u>226,324</u>	<u>14,374</u>	<u>2,258,034</u>	<u>602,306</u>	<u>12,477,701</u>
<u>208,476</u>	<u>14,593</u>	<u>58,291</u>	<u>(103,768)</u>	<u>668,492</u>
2,094	1,920	2,013	(275)	164,490
18,173	0	0	11,224	34,462
1,803	0	22,437	1	360,560
<u>22,070</u>	<u>1,920</u>	<u>24,450</u>	<u>10,950</u>	<u>559,512</u>
<u>230,546</u>	<u>16,513</u>	<u>82,741</u>	<u>(92,818)</u>	<u>1,228,004</u>
0	0	0	350,000	470,461
0	0	(1,007)	0	(754,759)
0	0	(1,007)	350,000	(284,298)
230,546	16,513	81,734	257,182	943,706
173,858	99,608	739,220	(21,673)	18,107,334
<u>\$ 404,404</u>	<u>\$ 116,121</u>	<u>\$ 820,954</u>	<u>\$ 235,509</u>	<u>\$ 19,051,040</u>

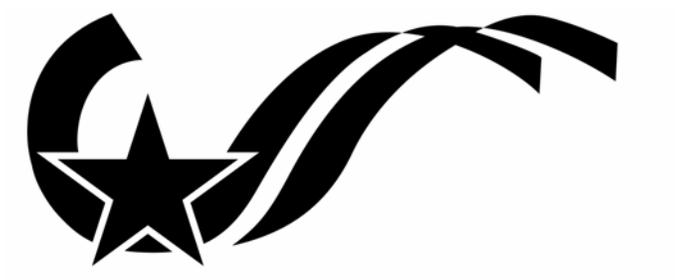
CITY OF COLLEGE STATION, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2004

	Communication Services	Employee Benefits	Equipment Replacement	Fleet Maintenance	Print/Mail Services
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 680,316	\$ 5,149,262	\$ 2,301,878	\$ 1,297,298	\$ 389,083
Cash Payments to Suppliers for Goods and Services	(334,594)	(3,535,276)	(51,977)	(767,071)	(311,731)
Cash Payments to Employees for Services	(338,905)	0	0	(667,142)	(110,679)
Cash Received for Reimbursed Expenses	0	5,065	0	0	0
Cash Received for Miscellaneous Revenues	0	1,854	0	1,805	0
Cash Received from Other Funds	0	4,047	0	32,585	31,782
Cash Paid for Miscellaneous Expenses	(294)	0	0	(209)	0
Net Cash Provided (Used) by Operating Activities	6,523	1,624,952	2,249,901	(102,734)	(1,545)
Cash Flows from Noncapital Financing Activities:					
Transfers In from Other Funds	0	0	16,344	104,117	0
Transfers Out to Other Funds	0	(350,000)	(403,752)	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	0	(350,000)	(387,408)	104,117	0
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	(11,963)	0	(2,170,668)	0	0
Proceeds from Sale of Assets	0	0	199,927	0	0
Net Cash Used by Capital and Related Financing Activities	(11,963)	0	(1,970,741)	0	0
Cash Flows from Investing Activities:					
Purchase of Investments	(8,473)	(7,431,406)	(20,569,896)	0	(1,315)
Proceeds from Sale and Maturities of Investment Securities	12,495	6,160,045	19,364,508	0	2,710
Investment Income	(300)	33,185	100,956	(1,383)	(764)
Net Cash Provided (Used) by Investing Activities	3,722	(1,238,176)	(1,104,432)	(1,383)	631
Net Increase (Decrease) in Cash and Cash Equivalents	(1,718)	36,776	(1,212,680)	0	(914)
Cash and Cash Equivalents, Oct. 1	2,075	622,202	2,870,170	0	914
Cash and Cash Equivalents, Sept. 30	\$ 357	\$ 658,978	\$ 1,657,490	\$ -	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (79,368)	\$ 1,080,887	\$ (317,281)	\$ (151,050)	\$ (42,288)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	84,942	0	2,603,082	23,475	9,932
Miscellaneous Nonoperating Revenues	0	6,919	0	1,805	0
Miscellaneous Nonoperating Expenses	(294)	0	0	(209)	0
Change in Assets and Liabilities:					
Change in Accounts Receivable	0	(39,459)	0	(11,326)	0
Change in Due from Other Funds	0	4,047	0	5,924	0
Change in Inventories	0	0	0	12,945	(493)
Change in Prepaid Costs	0	0	0	0	5,473
Change in Accounts Payable	299	73,183	(35,900)	(18,127)	(5,191)
Change in Due to Other Funds	0	0	0	26,661	31,782
Change in Claims Payable	0	499,375	0	0	0
Change in Accrued Liabilities	780	0	0	2,685	(1,479)
Change in Accrued Vacation	164	0	0	4,483	719
Total Adjustments	85,891	544,065	2,567,182	48,316	40,743
Net Cash Provided (Used) by Operating Activities	\$ 6,523	\$ 1,624,952	\$ 2,249,901	\$ (102,734)	\$ (1,545)

Property and Casualty	Unemployment	Utility Billing	Workers' Compensation	Total
\$ 398,810	\$ 28,967	\$ 2,311,124	\$ 498,538	\$ 13,055,276
(482,329)	(14,374)	(1,005,952)	(667,838)	(7,171,142)
0	0	(1,182,363)	0	(2,299,089)
18,173	0	0	11,225	34,463
1,803	0	14,503	0	19,965
0	0	0	0	68,414
0	0	(517)	0	(1,020)
<u>(63,543)</u>	<u>14,593</u>	<u>136,795</u>	<u>(158,075)</u>	<u>3,706,867</u>
0	0	0	350,000	470,461
0	0	(1,007)	0	(754,759)
0	0	(1,007)	350,000	(284,298)
0	0	(60,335)	0	(2,242,966)
0	0	0	0	199,927
0	0	(60,335)	0	(2,043,039)
(740,541)	(318,700)	(388,523)	(817,957)	(30,276,811)
736,384	289,629	316,678	648,406	27,530,855
1,750	1,596	1,369	(1,501)	134,908
<u>(2,407)</u>	<u>(27,475)</u>	<u>(70,476)</u>	<u>(171,052)</u>	<u>(2,611,048)</u>
(65,950)	(12,882)	4,977	20,873	(1,231,518)
122,797	39,311	29,862	53,791	3,741,122
<u>\$ 56,847</u>	<u>\$ 26,429</u>	<u>\$ 34,839</u>	<u>\$ 74,664</u>	<u>\$ 2,509,604</u>
\$ 208,476	\$ 14,593	\$ 58,291	\$ (103,768)	\$ 668,492
0	0	59,586	0	2,781,017
19,976	0	14,503	11,225	54,428
	0	(517)	0	(1,020)
(37,642)	0	(5,847)	0	(94,274)
0	0	0	0	9,971
0	0	0	0	12,452
0	0	0	18,000	23,473
(26,567)	0	4,740	(3,348)	(10,911)
0	0	0	0	58,443
(227,786)	0	0	(80,184)	191,405
0	0	2,085	0	4,071
0	0	3,954	0	9,320
<u>(272,019)</u>	<u>0</u>	<u>78,504</u>	<u>(54,307)</u>	<u>3,038,375</u>
<u>\$ (63,543)</u>	<u>\$ 14,593</u>	<u>\$ 136,795</u>	<u>\$ (158,075)</u>	<u>\$ 3,706,867</u>



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



CITY OF COLLEGE STATION, TEXAS
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Source
 As of September 30, 2004

Governmental funds capital assets:	
Building and Building Improvements	\$ 18,636,694
Improvements	15,679,147
Machinery and Equipment	2,590,317
Infrastructure	143,002,400
Construction in Progress	15,063,588
Land	24,136,626
	\$ 219,108,772
Investments in governmental funds capital assets by source:	
Capital Projects	\$ 141,273,984
General Fund Revenues	4,902,591
Special Revenue Funds	5,669,749
Contributions	67,262,448
	\$ 219,108,772

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
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 As of September 30, 2004

Function and Activity	Total	Buildings	Improvements Other than Bldg	Machine/Tool Equipment	Infrastructure	Land
Development Services:						
Development Services Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Engineering	-	-	-	-	-	-
Planning	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fire:						
Emergency Medical Services	178,414	-	-	178,414	-	-
Fire Administration	188,745	-	-	188,745	-	-
Fire Prevention	-	-	-	-	-	-
Fire Suppression	247,061	-	-	247,061	-	-
	<u>614,220</u>	<u>-</u>	<u>-</u>	<u>614,220</u>	<u>-</u>	<u>-</u>
Fiscal Services:						
Accounting	-	-	-	-	-	-
Fiscal Administration	-	-	-	-	-	-
Municipal Court	44,563	-	-	44,563	-	-
Purchasing	-	-	-	-	-	-
Risk Management	-	-	-	-	-	-
	<u>44,563</u>	<u>-</u>	<u>-</u>	<u>44,563</u>	<u>-</u>	<u>-</u>
General Government:						
Budget/Research	-	-	-	-	-	-
Community Development	20,840	-	-	-	-	20,840
City Manager	79,322	-	-	79,322	-	-
City Programs	1,437,504	-	-	-	-	1,437,504
City Secretary	-	-	-	-	-	-
Economic Development	14,470	-	-	-	-	14,470
Human Resources	-	-	-	-	-	-
Legal	-	-	-	-	-	-
Capital Projects	19,816,016	-	-	-	607,061	19,208,955
Public Relations	63,642	-	-	63,642	-	-
	<u>21,431,794</u>	<u>-</u>	<u>-</u>	<u>142,964</u>	<u>607,061</u>	<u>20,681,769</u>
Office of Technology and Information Services:						
Geographic Information Systems	18,585	-	-	18,585	-	-
Library Services	190,724	-	-	150,724	-	40,000
Management Information Systems	855,650	-	-	855,650	-	-
OTIS Administration	155,994	-	-	155,994	-	-
	<u>1,220,953</u>	<u>-</u>	<u>-</u>	<u>1,180,953</u>	<u>-</u>	<u>40,000</u>
Police:						
Criminal Investigation	36,620	-	-	36,620	-	-
Communications/Jail	-	-	-	-	-	-
Police Administration	269,359	-	-	269,359	-	-
Professional Standards	-	-	-	-	-	-
Quartermaster	-	-	-	-	-	-
Special Services	-	-	-	-	-	-
Technical Services	-	-	-	-	-	-
Uniform Patrol	5,350	-	-	5,350	-	-
	<u>311,329</u>	<u>-</u>	<u>-</u>	<u>311,329</u>	<u>-</u>	<u>-</u>

CITY OF COLLEGE STATION, TEXAS
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 As of September 30, 2004

Function and Activity	Total	Buildings	Improvements Other than Bldg	Machine/Tool Equipment	Infrastructure	Land
Parks and Recreation:						
Forestry	24,025	-	13,735	10,290	-	-
Parks Administration	172,264	-	172,264	-	-	-
Parks Maintenance/Operations	174,082	-	45,021	129,061	-	-
Capital Projects	13,575,691	-	12,941,112	-	-	634,579
Recreation	-	-	-	-	-	-
Special Facilities	12,000	-	-	12,000	-	-
	<u>13,958,062</u>	<u>-</u>	<u>13,172,132</u>	<u>151,351</u>	<u>-</u>	<u>634,579</u>
Public Works:						
Drainage Maintenance	-	-	-	-	-	-
Engineering	9,387	-	-	9,387	-	-
Facilities Maintenance	19,975	5,255	-	14,720	-	-
Public Works Administration	20,517	-	-	20,517	-	-
Capital Projects	38,750,966	-	1,430,035	-	36,463,181	857,750
Streets Maintenance	100,313	-	-	100,313	-	-
Traffic Signs/Markings	-	-	-	-	-	-
Traffic Signals	-	-	-	-	-	-
	<u>38,901,158</u>	<u>5,255</u>	<u>1,430,035</u>	<u>144,937</u>	<u>36,463,181</u>	<u>857,750</u>
Other:						
Non-departmental	127,563,105	18,631,439	1,076,980	-	105,932,158	1,922,528
	<u>127,563,105</u>	<u>18,631,439</u>	<u>1,076,980</u>	<u>-</u>	<u>105,932,158</u>	<u>1,922,528</u>
Construction in Progress						
	15,063,588	4,602,878	860,964	1,127,242	8,472,504	-
	<u>15,063,588</u>	<u>4,602,878</u>	<u>860,964</u>	<u>1,127,242</u>	<u>8,472,504</u>	<u>-</u>
Total Governmental Funds Capital Assets	<u>\$ 219,108,772</u>	<u>\$ 23,239,572</u>	<u>\$ 16,540,111</u>	<u>\$ 3,717,559</u>	<u>\$ 151,474,904</u>	<u>\$ 24,136,626</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.

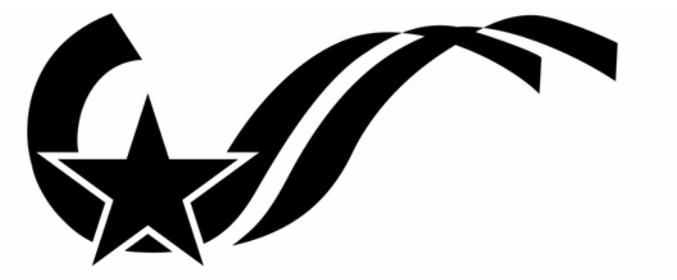
CITY OF COLLEGE STATION, TEXAS
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 As of September 30, 2004

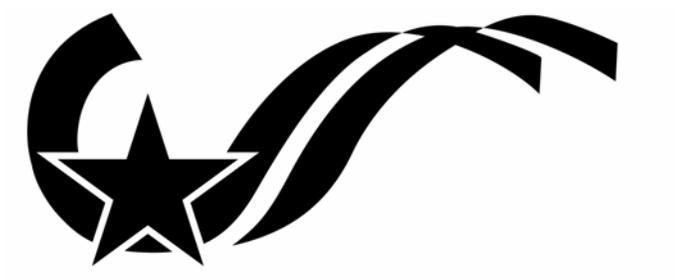
Function and Activity	Governmental Funds				Governmental Funds
	Capital Assets 9/30/03	Additions	Retirements	Transfers/Other	Capital Assets 9/30/04
Development Services:					
Development Services Administration	\$ 2,124	\$ 10,028	\$ (300)	\$ (11,852)	\$ -
Engineering	3,028	-	-	(3,028)	-
Planning	9,853	-	-	(9,853)	-
	<u>15,005</u>	<u>10,028</u>	<u>(300)</u>	<u>(24,733)</u>	<u>-</u>
Fire:					
Emergency Medical Services	190,067	-	-	(11,653)	178,414
Fire Administration	192,738	-	-	(3,993)	188,745
Fire Prevention	10,030	-	(10,030)	-	-
Fire Suppression	116,625	184,316	-	(53,880)	247,061
	<u>509,460</u>	<u>184,316</u>	<u>(10,030)</u>	<u>(69,526)</u>	<u>614,220</u>
Fiscal Services:					
Accounting	7,261	-	-	(7,261)	-
Fiscal Administration	37,207	-	-	(37,207)	-
Municipal Court	33,334	31,328	-	(20,099)	44,563
Purchasing	-	-	-	-	-
Risk Management	-	-	-	-	-
	<u>77,802</u>	<u>31,328</u>	<u>-</u>	<u>(64,567)</u>	<u>44,563</u>
General Government:					
Budget/Research	11,085	-	-	(11,085)	-
Community Development	20,840	-	-	-	20,840
City Manager	89,205	-	-	(9,883)	79,322
City Programs	1,437,504	-	-	-	1,437,504
City Secretary	-	-	-	-	-
Economic Development	14,470	-	-	-	14,470
Human Resources	7,452	-	-	(7,452)	-
Legal	9,871	-	-	(9,871)	-
Capital Projects	16,368,378	3,461,378	(13,740)	-	19,816,016
Public Relations	-	63,642	-	-	63,642
	<u>17,958,805</u>	<u>3,525,020</u>	<u>(13,740)</u>	<u>(38,291)</u>	<u>21,431,794</u>
Office of Technology and Information Services:					
Geographic Information Systems	67,909	-	-	(49,324)	18,585
Library Services	158,940	40,000	-	(8,216)	190,724
Management Information Systems	962,945	110,041	(13,089)	(204,247)	855,650
OTIS Administration	169,070	-	-	(13,076)	155,994
	<u>1,358,864</u>	<u>150,041</u>	<u>(13,089)</u>	<u>(274,863)</u>	<u>1,220,953</u>
Police:					
Criminal Investigation	19,885	19,830	-	(3,095)	36,620
Communications/Jail	7,933	-	-	(7,933)	-
Police Administration	269,359	-	-	-	269,359
Professional Standards	-	-	-	-	-
Quartermaster	3,890	-	-	(3,890)	-
Special Services	-	-	-	-	-
Technical Services	-	-	-	-	-
Uniform Patrol	103,203	5,350	-	(103,203)	5,350
	<u>404,270</u>	<u>25,180</u>	<u>-</u>	<u>(118,121)</u>	<u>311,329</u>

CITY OF COLLEGE STATION, TEXAS
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 As of September 30, 2004

Function and Activity	Governmental Funds				Governmental Funds
	Capital Assets 9/30/03	Additions	Retirements	Transfers/Other	Capital Assets 9/30/04
Parks and Recreation:					
Forestry	19,212	13,735	(8,922)	-	24,025
Parks Administration	50,689	143,353	(15,605)	(6,172)	172,265
Parks Maintenance/Operations	210,448	-	-	(36,366)	174,082
Capital Projects	13,531,720	43,970	-	-	13,575,690
Recreation	11,291	-	-	(11,291)	-
Special Facilities	30,799	-	(1,415)	(17,384)	12,000
	<u>13,854,159</u>	<u>201,058</u>	<u>(25,942)</u>	<u>(71,213)</u>	<u>13,958,062</u>
Public Works:					
Drainage Maintenance	-	-	-	-	-
Engineering	20,548	-	-	(11,161)	9,387
Facilities Maintenance	23,715	-	-	(3,740)	19,975
Public Works Administration	35,283	-	(14,766)	-	20,517
Capital Projects	32,942,120	5,808,846	-	-	38,750,966
Streets Maintenance	127,878	7,638	(24,325)	(10,878)	100,313
Traffic Signs/Markings	-	-	-	-	-
Traffic Signals	-	-	-	-	-
	<u>33,149,544</u>	<u>5,816,484</u>	<u>(39,091)</u>	<u>(25,779)</u>	<u>38,901,158</u>
Other:					
Non-departmental	121,229,511	6,346,721	-	(13,127)	127,563,105
	<u>121,229,511</u>	<u>6,346,721</u>	<u>-</u>	<u>(13,127)</u>	<u>127,563,105</u>
Construction in Progress					
	13,843,104	8,820,648	(7,600,164)	-	15,063,588
	<u>13,843,104</u>	<u>8,820,648</u>	<u>(7,600,164)</u>	<u>-</u>	<u>15,063,588</u>
Total Governmental Funds Capital Assets	<u>\$ 202,400,524</u>	<u>\$ 25,110,824</u>	<u>\$ (7,702,356)</u>	<u>\$ (700,220)</u>	<u>\$ 219,108,772</u>

¹ 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	\$ 1,834,869	\$ 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	\$ 110,341,452
2004	7,536,427	1,953,189	9,654,447	7,189,495	1,586,114	5,004,976	6,154,862	2,652,957	3,448,533	2,890,998	41,120,750	6,542,184	7,214,296	5,460,285	108,209,513

(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	
2004	80,044,245	3,208,957	10,446,058	34,073,652	1,886,905	4,386	129,664,203	

(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				Financing	Sources	
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		
2004	31,209,942	1,112,766	2,956,836	2,398,165	8,422,120	1,149,458	8,919,386	56,168,673		

(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		
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
2004	14,668,641	14,957,697	1,974,587	281,298		31,882,223

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 Administrative	All Other	Debt Service	Transfers Out	Total
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	30,802,519
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
2004	10,693,348	9,803,577	7,275,289	5,534,404	6,387,846	665,291	978,568	(5,486,919)	1,648,676	8,813,797	9,499,773	55,813,650

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

(2) Includes refunding of \$3,460,000 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 Tax Levy		Tax Collections		Percent of Levy Collected	Delinquent Tax Collections		Total Tax Collections		Total Collections as a Percent of Current Levy		Outstanding Delinquent Taxes		Outstanding Delinquent Taxes as a Percent of Current Levy	
	\$		\$			\$		\$		%	\$		\$		%
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%	
2004	14,092,814		13,790,565		97.86%	125,543		13,916,108		98.75%		321,487		2.28%	

Source: City Of College Station

CITY OF COLLEGE STATION, TEXAS

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

<u>Fiscal Year</u>	<u>Land and Improvements</u>	<u>Personal Property and Minerals</u>	<u>Less Exemptions and Abatements</u>	<u>Less TIF (2) Captured Value</u>	<u>Total</u>
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
2004	3,201,775,895	320,496,233	493,364,734	39,971,363	2,988,936,031

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

(2) Tax Increment Financing District (TIF)

Sources: Brazos County Appraisal District
2003 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
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
2004	0.4653	1.7700	0.4350	100%	100%	100%	14,092,814	57,990,642	26,931,269

(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**

<u>Fiscal Year</u>	<u>Current Assessment</u>	<u>Assessments Collected</u>	<u>Percentage of Assessments Collected (%)</u>	<u>Total Outstanding Assessments</u>
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
2004	-	-	0.00%	-

Source: City of College Station Fiscal Services Department

CITY OF COLLEGE STATION, TEXAS

COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2004

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
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
2004	80,219 (1)	2,988,936,031	47,085,000	585,336	46,499,664	1.56	580

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, 2004**

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)	\$ 65,670,000	8/31/2004	\$ 54,821,316	83.48%	\$ 683	
Brazos County (2)	\$ 39,220,568	9/30/2004	18,355,226	46.80%	229	
Bryan I.S.D. (3)	\$ 63,265,000	9/1/2004	<u>3,270,801</u>	5.17%	<u>41</u>	
			\$ 76,447,343		\$ 953	
NET BONDED DEBT						
City of College Station (4)	\$ 81,790,000	9/30/2004	<u>81,790,000</u>	100.00%	<u>1,020</u>	
NET BONDED AND ESTIMATED OVERLAPPING DEBT						
			<u>\$ 158,237,343</u>		<u>\$ 1,973</u>	

*Population: 80,219

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>
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%
2004	5,445,000	3,275,554	8,720,554	55,813,650	15.62%

(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		Net Revenues	Average Total		Annual Coverage	Maximum Total		Annual Coverage
	Operating Revenues	Operating Expenses (Excluding Depreciation)		Total	Total		Total	Total	
1995	\$ 47,365,953	\$ 34,682,369	\$ 12,683,584	\$ 2,819,408	4.50	\$ 6,099,551	2.08		
1996	(1) 45,380,036	32,395,644	12,984,392	2,655,401	4.89	6,089,271	2.13		
1997	48,615,366	29,608,260	19,007,106	2,968,110	6.40	6,388,449	2.98		
1998	49,966,216	27,885,854	22,080,362	3,014,943	7.32	5,906,739	3.74		
1999	49,101,104	30,080,145	19,020,959	2,844,899	6.69	5,502,384	3.46		
2000	52,932,584	41,925,412	11,007,172	3,472,421	3.17	5,687,161	1.94		
2001	59,143,896	45,465,778	13,687,118	4,688,518	2.92	6,395,244	2.14		
2002	62,141,066	46,274,555	15,866,511	5,825,064	2.72	8,048,707	1.97		
2003	64,046,246	47,785,550	16,260,696	5,773,582	2.81	8,084,285	2.01		
2004	64,785,122	44,719,241	20,065,881	5,651,966	3.55	7,998,465	2.51		

(1) 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	
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
2004	549	80,567,342	143	94,924,256	175,491,598

Source: City of College Station Planning & Development Services

CITY OF COLLEGE STATION, TEXAS

**PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2004**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
CB&L Associates	Retail Mall	\$ 49,331,205	1.65%
Verizon Communications, Inc	Utility	34,528,500	1.16%
College Station Hospital, LP	Medical	31,254,230	1.05%
Alkasser/Weinberg	Housing	31,168,425	1.04%
Wal-Mart's/Sam's	Retail	24,916,345	0.83%
HE Butt Store Property Co.	Grocery	18,912,125	0.63%
301 Church Avenue, LP	Housing	17,936,445	0.60%
Melrose Apartments	Housing	17,753,830	0.59%
Fairfield College Station, LP	Housing	17,514,700	0.59%
University Commons	Housing	17,279,200	0.58%
		<u>\$ 260,595,005</u>	<u>8.72%</u>

Source: Brazos County Appraisal District

CITY OF COLLEGE STATION, TEXAS

PRINCIPAL UTILITY CUSTOMERS
SEPTEMBER 30, 2004

Utility Customer	Type of Business	FY2004 KWH Consumption	Total Percent of KWH Consumed
CSISD	Schools	17,146,469	2.41%
City of College Station	Municipality	16,169,225	2.27%
CBL & Associates	Retail Mall	13,703,672	1.93%
Texas A&M	University	9,463,120	1.33%
Wal-Mart	Retail	7,869,120	1.11%
Kroger	Retail Grocery	6,848,080	0.96%
Albertsons	Retail Grocery	6,383,282	0.90%
College Station Medical Ctr	Hospital	5,967,400	0.84%
US Dept of Agriculture	Government	5,285,440	0.74%
HEB	Retail Grocery	5,216,280	0.73%
TOTAL		94,052,088	13.22%

Total KWH Consumption for the period October 1, 2003 to September 30, 2004 was
711,486,221

Source: City of College Station Utility Billing Division

CITY OF COLLEGE STATION
SUMMARY OF INSURANCE COVERAGE
September 30, 2004

Insurance Company	Coverage	Self Insured Retention	Limits
State National Insurance Co.	General Liability	\$250,000 occurrence General Aggregate	\$5 million \$15 million
State National Insurance Co.	Auto Liability	\$250,000 CSL	\$5 million
State National Insurance Co.	Workers Compensation	\$250,000	\$5 million
State National Insurance Co.	Employer's Liability	\$250,000	\$5 million
State National Insurance Co.	Law Enforcement Liability	\$250,000 General Aggregate	\$5 million \$15 million
State National Insurance Co.	Public Officials Liability	\$250,000 General Aggregate	\$5 million \$15 million
Federal Insurance Co.	Employee Theft	\$100,000	\$300,000
Federal Insurance Co.	Premises	\$100,000	\$300,000
Federal Insurance Co.	Transit	\$100,000	\$300,000
Federal Insurance Co.	Depositors Forgery	\$100,000	\$300,000
Federal Insurance Co.	Computer Theft Fund	\$100,000	\$1 million
Affiliated FM Ins. Co.	Property Coverage	\$100,000	\$122 million
Affiliated FM Ins. Co.	Mobile Equipment	\$100,000	\$7 million
Affiliated FM Ins. Co.	Boiler & Machinery	\$100,000	\$50 million
Affiliated FM Ins. Co.	Certified Act of Terrorism Coverage	\$100,000	\$122 million
Affiliated FM Ins. Co.	Flood	\$100,000	\$2.5 million
Affiliated FM Ins. Co.	Gross Earnings	\$100,000	\$1 million
Affiliated FM Ins. Co.	Newly Acquired Property	\$100,000	\$1.5 million
Affiliated FM Ins. Co.	Coverage A & B Demolition & Increased Cost	\$100,000	\$1 million each

CITY OF COLLEGE STATION, TEXAS

MISCELLANEOUS STATISTICAL AND DEMOGRAPHIC DATA SEPTEMBER 30, 2004

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:	Year	Square Miles
	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
	2004	47.2

Miles of streets	Paved	352.6 Linear Miles
	Unpaved	3.0 Lane Miles
Miles of sidewalks		89 Miles

Fire Protection:

Number of stations	4
Number of full-time employees	104

Police Protection:

Number of employees (sworn)	103
Number of employees (civilian)	45
Number of patrol units	24
One jail facility with a capacity of 17	

CITY OF COLLEGE STATION, TEXAS

MISCELLANEOUS STATISTICAL AND DEMOGRAPHIC DATA SEPTEMBER 30, 2004 (Continued)

RECREATION:

Number of playgrounds	35	Number of gyms	1
Number of basketball courts	20	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	Luther Jones	1.80
Arboretum/Bee Creek	43.50	Merry Oaks	4.60
Bill Madeley	5.14	Oaks	7.50
Brisson	9.20	Parkway	1.90
Brother's Pond	16.12	Pebble Creek	10.20
Castlegate	8.26	Raintree	13.00
Central	47.20	Richard Carter	7.14
Conference Center	2.30	Sandstone	15.21
Cy Miller	2.50	Shenandoah	14.77
Eastgate	1.80	Southeast Park	62.00
Edelweiss	12.30	Southwest Park Site	4.78
Edelweiss Gardens	7.74	Southwood Complex	44.70
Emerald Forest	4.59	Steeplechase Park Site	9.00
Gabbard	10.70	Thomas	16.10
Georgia K. Fitch	11.30	University Park Site	10.20
Hensel-TAMU	29.70	Veterans Athletic	150.00
Jack and Dorothy Miller	10.00	W.A. Tarrow (includes Lincoln)	21.26
John Crompton	9.26	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
		TOTAL ACREAGE	1,216.89

CITY OF COLLEGE STATION, TEXAS

MISCELLANEOUS STATISTICAL AND DEMOGRAPHIC DATA SEPTEMBER 30, 2004 (Continued)

UTILITY FUNDS:

Electric Customers (Connections)	35,307	
Average Electrical Consumption:		55,673,526 KWH/Month
Water Customers (Connections)		31,038
Average Water Consumption:		236,355 MGW/Month
Number of Employees:		
Electric		60
Water		27
Sewer		41
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		317 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		264 miles
Solid Waste Collection Fund:		
Number of Users (Units)		28,594
Methodology		Curbside pickup using automated containers

CITY OF COLLEGE STATION, TEXAS

MISCELLANEOUS STATISTICAL AND DEMOGRAPHIC DATA SEPTEMBER 30, 2004 (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)	86,283
Last municipal election	40,767
Number of votes cast in:	
Last general election (Brazos County)	54,904
Last municipal election	3,250
Percentage of registered voters voting in:	
Last general election (Brazos County)	64.00%
Last municipal election	7.97%
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, 2004
 (Continued)

ACTUAL TEXAS A&M UNIVERSITY ENROLLMENT
 BY FALL SEMESTERS

Year	University Enrollment
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
2004	44,435

Source: WWW.TAMU.EDU

PRIMARY LABOR FORCE FOR COLLEGE STATION

Year	Total Labor Force		Number		Percent Unemployed
	Employed	Unemployed	Employed	Unemployed	
1995	27,430	26,561	869	3.2	
1996	26,691	25,973	718	2.7	
1997	28,453	27,862	591	2.1	
1998	28,889	28,377	512	1.8	
1999	30,793	30,246	547	1.8	
2000	31,273	30,802	471	1.5	
2001	30,572	30,020	552	1.8	
2002	29,734	29,105	629	2.1	
2003	33,975	33,160	815	2.4	
2004	35,348	34,709	639	1.8	

Source: WWW.TEXASWORKFORCE.COM