

FINANCIAL HIGHLIGHTS

The assets of the City of College Station exceeded its liabilities at the close of the fiscal year by \$387.5 million (net assets). Of this amount, \$98.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The city's total net assets increased by \$15.8 million during the fiscal year.

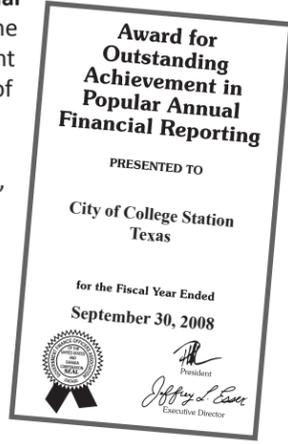
FINANCIAL REPORTING AWARDS

The City of College Station received the following awards from the Government Finance Officers Association (GFOA) in 2009.

Certificate of Achievement for Excellence in Financial Reporting for the year ending on Sept. 30, 2008. This is the highest form of recognition in state and local government financial reporting. The city has received this award in 21 of the last 22 years.

Popular Annual Financial Report for the year ending Sept. 30, 2008, marking a first for the city.

Distinguished Budget Presentation Award for the year beginning Oct. 1, 2008. The GFOA established this program in 1984 to encourage and assist state and local governments to prepare high-quality budget that reflect the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting.



ACKNOWLEDGEMENT

The preparation of this report could not have been accomplished without the efforts of the entire staff of the Fiscal Services Department. We also express our thanks to the city's Public Communications Department for its support on the City's PAFR.

Our appreciation is 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.



Department of Fiscal Services
P.O. Box 9960, 1101 Texas Avenue
College Station, TX 77842
979.764.3575 • cstx.gov

MAJOR INITIATIVES

In fiscal year 2009, Council priorities of a green College Station, citywide safety and security, exceptional infrastructure, and a destination place to live and work were addressed. The city made available \$13 million in new provisions for governmental capital projects and \$42 million in business-type projects.

The city started designing its reclaimed water project to provide reclaimed water from Carters Creek Wastewater Treatment Plant for irrigation at Veteran's Park and Athletic Complex. The city's parks and recreation department began its water conservation program, providing for more trees in the design and planning of city projects. Texas Avenue streetlights were retimed, reducing travel times by 24 percent and cutting emissions by reducing idling at intersections.

The city equipped its new Fire Station No. 3 with two fire pumpers, two Advanced Life Support ambulances, a fire tanker and a grass firefighting vehicle to provide improved service to citizens in recently annexed areas of the city.



Aggie Field of Honor

In 2009, the city completed College Park/Breezy Heights Utility and Street Rehabilitation Project, expansion of William D. Fitch (Pebble Creek Parkway to Rock Prairie), Barron Road Phase 1 (State Highway 6 frontage road to Decatur), Eagle Avenue extension, Edelweiss Gartens Park, University Park and Woodland Hills Park. The Memorial Cemetery and Aggie Field of Honor were completed in 2009.

The Adamson Lagoon bathhouse was completed along with police department renovations, the build out of the second floor of the Municipal Court Building, and the College Station Utilities Meeting and Training Building. In Northgate, the city built a public restroom, improved parking and began a video surveillance program. Chimney Hill Retail Plaza was purchased as the future site for a convention center.



Adamson Lagoon Bathhouse

In July 2009, the city issued \$34.7 million in debt that will permit significant improvements to infrastructure and provide a higher quality of life to citizens. Included in the newly funded projects are the site for a new convention center, construction of a new landfill, hike and bike trails, streets and sidewalks, improvements to fire stations and technological improvements. The City carries an AA rating from Standard and Poor's and an Aa3 bond rating from Moody's, indicating the City's strong capability to meet its financial commitments.

ECONOMIC DEVELOPMENT

The recent slowing of the national economy has begun to impact College Station. However, growth continues despite the slowdown. Housing and commercial growth continued with 536 new housing starts, essentially the same pace as in 2008. The City welcomed the ground breaking of several significant projects, including a Walmart expansion/redevelopment, a new Lowe's and a new HEB grocery store in the southern part of the city.

One reason College Station did not see a larger economic slowdown in fiscal year 2009 was due to the major influence of Texas A&M University (TAMU). TAMU contributes more than one billion dollars annually to the local economy. Fall 2009 enrollment was 48,702 students and the university employs more than 20,000 full-time and part-time staff.

Sales tax collections in 2009 were \$368,760 less than 2008 (a 1.8 percent decrease) and \$1.12 million under the amount of revenue expected for budget purposes. Investment income decreased almost \$2 million (41.7 percent) from 2008 (\$240,032 less than expected). The city decreased its spending budget to match the lower revenues, thus keeping its budget balanced. In fiscal year 2009, the city's general fund departments decreased their budgets by a total of \$954,175. In fiscal year 2010, the general fund was reduced by \$1.9 million.

As a result of these actions, the city maintains a strong financial position as we continue to monitor the local effect of the nationwide economic slowdown.

TYPES OF FUNDS

Most city services and projects are accounted for in a general category referred to as Governmental Funds.

General Fund - revenues and expenditures associated with the general operations of the city that are not required to be accounted for in separate funds. Sales tax and property tax are the major revenues paying for these activities.

Special Revenue Funds - proceeds of specific revenue sources that are legally restricted for specific purposes (example: Community Development Block Grants).

Debt Service Funds - the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Property taxes pay for the governmental debt from this fund.

Capital Projects Funds - financial resources used for the construction and/or acquisition of major capital facilities. Bond proceeds go into these funds to pay for the major capital projects.

Proprietary (business-type) Funds - activities the city operates in a manner similar to private businesses. There are two types of proprietary funds: Enterprise funds and internal service funds. The city has five enterprise funds (electric, water, wastewater, sanitation and Northgate parking garage) and eight internal service funds (communication services, employee benefits, equipment replacement, fleet maintenance, property and casualty, unemployment, utility customer service and workers' compensation).

Popular Annual Financial Report

Fiscal Year 2009

In our effort to keep you informed of how your tax dollars are being spent, we are pleased to present the 2009 Popular Annual Financial Report (PAFR). The PAFR summarizes the financial activities of the city's governmental and proprietary funds and was drawn from information found in the 2009 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) and includes financial statements audited by Ingram, Wallis & Co., P.C., certified public accountants.

Unlike the CAFR, the PAFR is unaudited and presented on a non-GAAP basis. The GAAP basis presentation in the CAFR includes the presentation of individual funds, as well as full disclosure of all material events, financial and non-financial, in notes to the financial statements. Copies of the CAFR are available for public viewing at city hall and online at cstx.gov/cafr.

THE CITY OF COLLEGE STATION

College Station was incorporated in 1938 and on Sept. 30, 2009 had an estimated population of 93,149. The city covers 47.2 miles in East Central Texas and is the home of Texas A&M University (TAMU), one of the top 50 universities in the United States.

The city 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, municipal court judge and internal auditor. Almost all other city staff works under the direction of the city manager. In 2009, the city employed approximately 940 full-time equivalent (full-time, part-time and seasonal/temporary) employees.

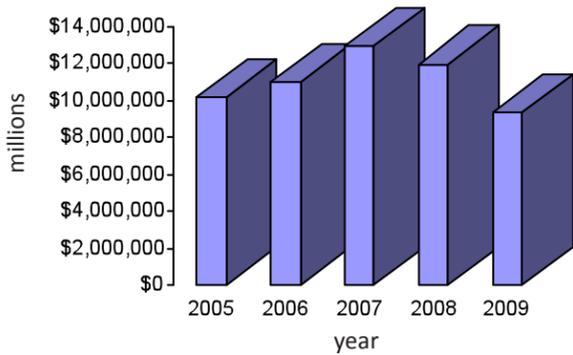


FUND BALANCE OF THE GENERAL FUND

Fund balance is the excess of what the city owns (assets) over what the city owes (liabilities or bills). Fund balance is either unspendable (as an example, inventories are assets, but are not cash that can be spent); restricted (hotel occupancy tax monies can only be spent on what the law says they can be spent on, for example); committed (the city council sets these monies aside by ordinance or resolution); assigned (a city official or committee assigns funds for a specific purpose); or unassigned. The unassigned fund balance is the amount of funds available to spend at the city's discretion. The city's fiscal and budgetary policies require that the general fund's undesignated (unassigned) fund balance be at least equal to 15 percent of budgeted expenditures, a percentage equal to 55 days of expenditures. At the end of the fiscal year, the unassigned fund balance is approximately 13 percent of fiscal year 2009 budgeted expenditures, while total fund balance represents 16.2 percent.

At the end of the current fiscal year, the total general fund balance reached \$9.4 million, a decrease of \$1.8 million (7.3 percent) from the prior fiscal year. The primary factor for this reduction was the purchase of one-time equipment and inclusion of one-time projects coupled with lower than anticipated sales tax revenues. Additionally, salary and benefit costs increased due to filling additional full-time positions, including police and fire positions.

General Fund: Total Fund Balance



GOVERNMENTAL FUNDS' FINANCIAL ACTIVITIES

The city adjusts the fund statements to report all governmental activities in a format designed for comparison to "for profit" entities in the government wide financial statements. On Sept. 30, 2009, the city's governmental funds (which includes the general fund, all the special revenue funds, the debt service fund, capital project funds and an allocation of the internal service funds) reported a combined fund balance of \$53.4 million, a \$19.5 million decrease over the prior year. These financial activities comprise the major changes in governmental fund balances:

GOVERNMENTAL REVENUES

Total revenues of the governmental funds increased \$2.9 million over the prior year. Below are details accounting for the increase:

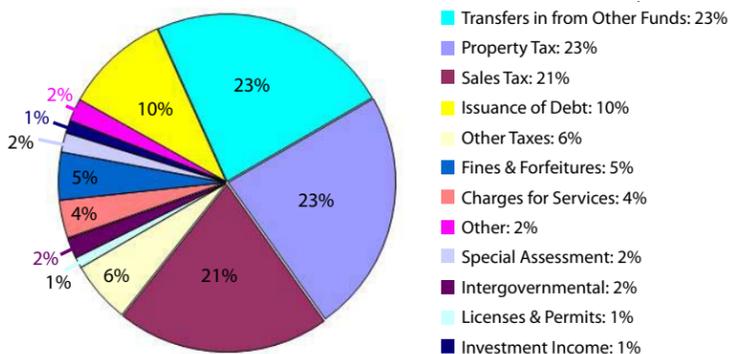
Property taxes increased \$2.1 million (10.2 percent). This is primarily the result of the total ad valorem assessed valuations increasing by \$478 million over the previous fiscal year.

Sales and mixed beverage taxes decreased \$368,760 (1.8 percent). This is attributed to the economic slowdown in the area.

Interest and investment income decreased by \$1.9 million (41.7 percent). This is attributed to lower interest rates on governmental investments.

Charges for services increased \$1.9 million (16.8 percent) primarily due to changes in the ambulance collection services that resulted in higher unavailable deferred revenue.

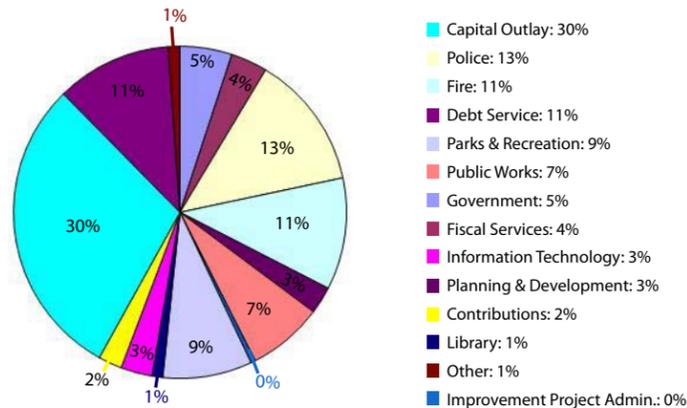
Governmental Fund Revenues



GOVERNMENTAL EXPENDITURES

Total expenditures of the governmental funds increased from \$90.4 million to \$107.9 million. The primary cause of the rise was an increase in capital outlays (amounts used for the purchase of equipment, roads, bridges and other capital assets) of \$5.3 million and increasing personnel costs.

Governmental Fund Expenditures

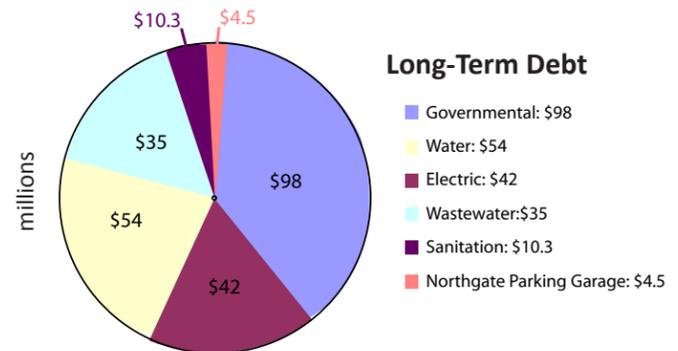


LONG-TERM DEBT

The city issues long-term debt to fund long-term governmental projects (using general obligation bonds and certificates of obligation) and business-type projects (using utility revenue bonds and certificates of obligation).

In 2009, the city had \$244 million in long term debt outstanding, of which \$16 million will mature in fiscal 2010. The city's total debt increased by \$19.7 million (8.1 percent) in fiscal year 2009. The rise in total debt resulted from the city issuing \$3.335 million in general obligation bonds and \$31.315 million in certificates of obligation.

General obligation debt is payable from the city property tax revenues (the debt service property tax levy). Utility revenue bonds are payable from a portion of the charges for utility service. Certificates of obligation are paid from either source, depending on the project being funded.



PROPRIETARY FUND INFORMATION

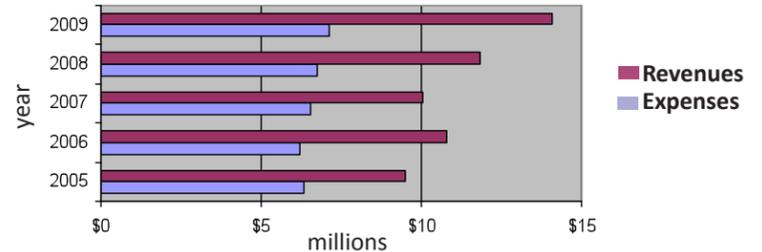
College Station owns and operates its water and wastewater plants and transmits and distributes its electricity. The financial activities of each operation are recorded in the city's respective water, wastewater and electric funds.

Operating revenues for each fund have shown steady growth in response to the expanding customer base and rate increases which correspond to rising costs. The following charts display water, wastewater and electric fund revenues and expenses for this year and the previous four years.

WATER FUND

The water fund ended the current fiscal year with an operating income of \$7 million on \$14 million in operating revenues. The water fund's revenues have been gradually increasing due to an increase in the number of customers as well as rate increases, including conservation water rates in 2009. The water fund also receives developer contributions of installed water infrastructure, which amounted to \$1.7 million in non-cash donations in fiscal year 2009.

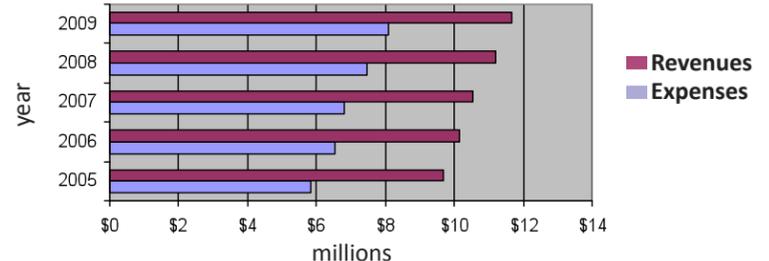
Water Fund: Revenues & Expenses



WASTEWATER FUND

The wastewater fund ended fiscal year 2009 with an operating income of \$3.6 million on \$11.6 million of revenue. The wastewater fund's operating revenues have been increasing due to an expanding customer base and rate increases. The wastewater fund received \$3.4 million in non-cash developer contributions in fiscal year 2009.

Wastewater Fund: Revenues & Expenses



ELECTRIC FUND

The electric fund generated an operating income of \$6.9 million on \$82.6 million of operating revenues. The net assets of the electric fund also increase each year through developer contributions of installed electric lines. In fiscal year 2009, this non-cash contribution was valued at \$1.6 million.

Electric Fund: Revenues & Expenses

