OFFICIAL STATEMENT
DATED AUGUST 14, 2014

Ratings:
Moody's: "Aa2"
S&P: "AA+"
(See "OTHER INFORMATION – RATINGS" herein

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Obligations will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

CITY OF COLLEGE STATION, TEXAS
(a Home-Rule City located in Brazos County, Texas)

$35,865,000
GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS
SERIES 2014

$34,005,000
CERTIFICATES OF OBLIGATION
SERIES 2014

Dated Date: September 1, 2014
Interest Accrual Date: Date of Delivery

Due: February 15, as shown on inside cover

The $35,865,000 City of College Station, Texas General Obligation Improvement and Refunding Bonds, Series 2014 (the "Bonds") and the $34,005,000 City of College Station, Texas Certificates of Obligation, Series 2014 (the "Certificates") are being issued by the City of College Station, Texas (the "City") pursuant to the terms of two separate ordinances adopted by the governing body of the City. In each of the ordinances, the City Council of the City delegated authority to certain authorized officials of the City to finalize the pricing of the Obligations. The Bonds and the Certificates are referred to herein collectively as the "Obligations."

The Obligations are issuable only in fully registered form in the denomination of $5,000 principal amount or integral multiples thereof, initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Obligations. The Obligations initially will be available to purchasers in book-entry-form only. So long as Cede & Co. is the registered owner of the Obligations, as nominee for DTC, the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") will pay the principal of and interest on the Obligations to Cede & Co., which will, in turn, remit such amounts to DTC participants for subsequent disbursement to the beneficial owners of the Obligations.

Interest on the Obligations will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Obligations will accrue from the date of delivery, and will be payable on February 15, 2015, and on each August 15 and February 15 thereafter until maturity or prior redemption.

The City reserves the right, at its option, to redeem Obligations of either series having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (see "THE OBLIGATIONS – OPTIONAL REDEMPTION").

SEE MATURITY SCHEDULE, INTEREST RATES AND YIELDS ON INSIDE COVER

The Obligations are payable from annual ad valorem taxes levied against all taxable property in the City, within the legal limits prescribed by law. The Certificates are additionally payable from a subordinate lien on and pledge of $1,000 of the surplus revenues of the City's combined utility system (see "THE OBLIGATIONS – SECURITY AND SOURCE OF PAYMENT," and "– TAX RATE LIMITATION").

The Bonds and the Certificates are being offered by the City concurrently, under a common Official Statement. The Bonds and the Certificates are separate and distinct securities being issued and sold independently except for the Official Statement, and, while the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the date of accrual and payment of interest for each series of the securities being offered, the redemption provisions and the tax treatment of interest for federal income tax purposes.

The Obligations of each series are offered for delivery, when issued, and received by the underwriters listed below (the "Underwriters") thereof and subject to the opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel for the City (see "APPENDIX C – FORMS OF OPINIONS OF BOND COUNSEL"). Certain legal matters will be passed upon for the Underwriters by Bracewell & Giuliani LLP, counsel for the Underwriters. It is expected that the Obligations will be available for delivery through the services of DTC on or about September 11, 2014.

RAYMOND JAMES

BOSC, INC
A Subsidiary of BOK Financial Corporation

RBC CAPITAL MARKETS

BAIRD

MATURITY SCHEDULES

$35,865,000
General Obligation Improvement and Refunding Bonds, Series 2014

Due Feb. 15	Principal	Interest Rate	Yield	CUSIP [1]	Due Feb. 15	Principal	Interest Rate	Yield	CUSIP [1]
2015	$1,880,000	2.000%	0.180%	194469 BT8	2025 [2]	$2,685,000	5.000%	2.480% [3]	194469 CD2
2016	3,175,000	3.000%	0.270%	194469 BU5	2026 [2]	2,840,000	5.000%	2.610% [3]	194469 CE0
2017	2,945,000	3.000%	0.510%	194469 BV3	2027 [2]	695,000	4.000%	2.950% [3]	194469 CF7
2018	2,465,000	5.000%	0.800%	194469 BW1	2028 [2]	720,000	4.000%	3.110% [3]	194469 CG5
2019	1,985,000	5.000%	1.120%	194469 BX9	2029 [2]	750,000	4.000%	3.260% [3]	194469 CH3
2020	2,100,000	5.000%	1.490%	194469 BY7	2030 [2]	780,000	4.000%	3.340% [3]	194469 CJ9
2021	2,200,000	3.000%	1.770%	194469 BZ4	2031 [2]	810,000	3.500%	3.550%	194469 CK6
2022	2,290,000	3.000%	2.010%	194469 CA8	2032 [2]	840,000	3.500%	3.600%	194469 CL4
2023	2,395,000	5.000%	2.170%	194469 CB6	2033 [2]	870,000	3.500%	3.630%	194469 CM2
2024	2,540,000	5.000%	2.310%	194469 CC4	2034 [2]	900,000	3.625%	3.680%	194469 CN0

$34,005,000
Certificates of Obligation, Series 2014

Due Feb. 15	Principal	Interest Rate	Yield	CUSIP [1]	Due Feb. 15	Principal	Interest Rate	Yield	CUSIP [1]
2015	$1,545,000	2.000%	0.180%	194469 CP5	2025 [2]	$1,345,000	5.000%	2.480% [3]	194469 CZ3
2016	1,480,000	3.000%	0.270%	194469 CQ3	2026 [2]	1,410,000	5.000%	2.610% [3]	194469 DA7
2017	1,530,000	3.000%	0.510%	194469 CR1	2027 [2]	1,480,000	5.000%	2.730% [3]	194469 DB5
2018	1,585,000	5.000%	0.800%	194469 CS9	2028 [2]	1,560,000	5.000%	2.860% [3]	194469 DC3
2019	1,670,000	5.000%	1.120%	194469 CT7	2029 [2]	1,640,000	5.000%	2.930% [3]	194469 DD1
2020	1,685,000	3.500%	1.490%	194469 CU4	2030 [2]	1,730,000	5.000%	3.000% [3]	194469 DE9
2021	1,750,000	3.500%	1.770%	194469 CV2	2031 [2]	1,815,000	5.000%	3.070% [3]	194469 DF6
2022	1,825,000	5.000%	2.010%	194469 CW0	2032 [2]	1,905,000	5.000%	3.130% [3]	194469 DG4
2023	1,920,000	5.000%	2.170%	194469 CX8	2033 [2]	2,000,000	5.000%	3.160% [3]	194469 DH2
2024	2,025,000	5.000%	2.310%	194469 CY6	2034 [2]	2,105,000	5.000%	3.210% [3]	194469 DJ8

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(1) CUSIP numbers have been assigned to the Obligations by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association, and are included solely for the convenience of the purchasers of the Obligations. Neither the City, the Financial Advisor nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) The City reserves the right, at its option, to redeem Obligations of either series having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

(3) Yield shown to the first available call date of February 15, 2014.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. CUSIP numbers have been assigned to this issue by CUSIP Global Services, and are included solely for the convenience of the owners of the Obligations. Neither the City, the Financial Advisor nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown on the inside cover page.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize the market price of the issue at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Obligations are exempt from registration with the Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Obligations in accordance with applicable securities law provisions of the jurisdiction in which these securities have been registered or exempted should not be regarded as a recommendation thereof.

NEITHER THE CITY, ITS FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See "OTHER INFORMATION – FORWARD-LOOKING STATEMENTS DISCLAIMER" herein.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Obligations to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY .... The City of College Station, Texas (the "City") is a political subdivision and a home-rule city of the State, located in Brazos County, Texas. The City covers approximately 50.6 square miles (see "INTRODUCTION - DESCRIPTION OF THE CITY").

THE BONDS .... The Bonds are issued as $35,865,000 City of College Station, Texas General Obligation Improvement and Refunding Bonds, Series 2014. The Bonds are issued as serial bonds maturing on February 15 in each of the years 2015-2034, inclusive (see "THE OBLIGATIONS - GENERAL DESCRIPTION").

THE CERTIFICATES .... The Certificates are issued as $34,005,000 City of College Station, Texas Certificates of Obligation, Series 2014. The Certificates are issued as serial certificates maturing on February 15 in each of the years 2015-2034, inclusive (see "THE OBLIGATIONS - GENERAL DESCRIPTION").

PAYMENT OF INTEREST ...... Interest on the Obligations will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Obligations will accrue from the date of delivery, and will be payable on February 15, 2015, and on each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS - GENERAL DESCRIPTION").

AUTHORITY FOR ISSUANCE OF THE BONDS .... The Bonds are issued pursuant to the general laws of the State, particularly Chapters 1207, 1251, 1331 and 1371, Texas Government Code, an ordinance passed by the City Council of the City, and an election held November 4, 2008. In the ordinance authorizing the issuance of the Bonds, the City Council delegated pricing of the Bonds to a “Pricing Officer” who approved the terms of sale of the Bonds. (see "THE OBLIGATIONS - AUTHORITY FOR ISSUANCE OF THE BONDS").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES .... The Certificates are issued pursuant to the general laws of the State, particularly Chapter 1371, Texas Government Code and Subchapter C of Chapter 271, Texas Local Government Code, as amended; and an ordinance passed by the City Council of the City. In the ordinance authorizing the issuance of the Certificates, the City Council delegated pricing of the Certificates to a “Pricing Officer” who approved the terms of sale of the Certificates. (see "THE OBLIGATIONS - AUTHORITY FOR ISSUANCE OF THE CERTIFICATES").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, secured by and payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see "THE OBLIGATIONS - SECURITY AND SOURCE OF PAYMENT"). Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home-Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation.

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, secured by and payable from a combination of (i) the levy and collection of an annual direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a subordinate lien on and pledge of $1,000 of the surplus revenues derived from the City’s combined utility system (see "THE OBLIGATIONS - SECURITY AND SOURCE OF PAYMENT"). Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home-Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation.

REDEMPTION .... The City reserves the right, at its option, to redeem Obligations of either series having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – OPTIONAL REDEMPTION").

TAX EXEMPTION .... In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, including the alternative minimum tax on corporations. See “Tax Matters” for a discussion of the opinions of Bond Counsel and Exhibit C.

USE OF BOND PROCEEDS..... Proceeds from the sale of the Bonds will be used to (i) pay for the costs of construction, acquisition and improvements to City streets, (ii) pay for park facilities improvements, (iii) library expansion, (iv) refund certain obligations of the City described in Schedule I to this Official Statement (the "Refunded Obligations") and (v) pay the costs incurred in connection with the issuance of the Bonds (see "PLAN OF FINANCING – SOURCES AND USE OF PROCEEDS").

USE OF CERTIFICATE PROCEEDS.......................... Proceeds from the sale of the Certificates will be used to (i) pay for the costs of construction, acquisition and improvements to City streets (ii) information technology improvements (iii) to pay for the cost of construction of improvements to the City's combined electric, waterworks and sewer system and (iv) to pay the costs incurred in connection with the issuance of the Certificates (see "PLAN OF FINANCING – SOURCES AND USE OF PROCEEDS").

RATINGS .... The Obligations and presently outstanding tax supported debt of the City are rated "Aa2" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), without regard to credit enhancement (see "OTHER INFORMATION – RATINGS").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD .... Other than a late payment on the City's Certificates of Obligation, Series 2002 that occurred in 2003, the City has never defaulted in payment of its general obligation tax debt.

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	Net Ad Valorem Tax Debt[3]	Per Capita Net Ad Valorem Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Percent Total Collection
2008	89,140	$ 4,477,073,139	$ 50,225	$ 100,660,000	$ 1,129	2.25%	98.99%
2009	91,298	5,024,154,213	55,030	97,720,000	1,070	1.95%	99.93%
2010	93,991	5,390,791,001	57,354	107,570,000	1,144	2.00%	98.49%
2011	94,669	5,455,432,461	57,626	99,140,000	1,047	1.82%	99.76%
2012	97,888	5,738,615,002	58,624	96,390,000	985	1.68%	99.83%
2013	97,929	5,944,312,987	60,700	88,100,000	900	1.48%	100.24%
2014	100,394	6,231,119,010 [4]	62,067	110,735,000 [5]	1,103 [5]	1.78% [5]	97.32% [6]

(1) Source: The City.
(2) As reported by the Brazos Central Appraisal District; subject to change during the ensuing year.
(3) Payable from ad valorem taxes. Does not include self-supporting debt. See "TABLE 10 – SELF-SUPPORTING DEBT" for detail on the City's self supported tax debt.
(4) Certified taxable assessed valuation for tax year 2014 released on August 1, 2014 as reported by the Brazos Central Appraisal District was $6,561,741,569. This amount is subject to change during ensuing year.
(5) Includes the Obligations and excludes the Refunded Obligations.
(6) Collections as of June 30, 2014.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Beginning Balance	$ 16,492,693	$ 14,393,033 [2]	$ 13,815,881	$ 11,274,207 [3]	$ 11,177,933
Total Revenue	48,229,096	46,560,274	44,034,999	43,729,324	41,074,252
Total Expenditures	59,483,559	55,670,118	56,171,633	56,980,061	57,916,764
Other Financing Sources	10,687,301	11,209,504	12,713,810	15,792,411	15,043,008
Ending Balance[1]	$ 15,925,531	$ 16,492,693	$ 14,393,057	$ 13,815,881	$ 9,378,429

(1) The City's financial policies require a General Fund balance of 15% of budgeted appropriations at year end. To the extent that the General Fund balance exceeds this amount, this surplus may be expended in future years for one time expenditures such as capital items and short term projects.
(2) Restated.
(3) Reflects reclassification of certain special revenue funds.

UTILITY SYSTEM CONDENSED STATEMENT OF OPERATIONS

	For Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Revenues:					
Electric	$ 92,892,541	$ 94,396,234	$ 98,737,655	$ 89,126,259	$ 80,676,212
Water and Wastewater	29,018,108	27,652,449	29,248,180	23,772,503	25,229,487
Interest	170,062	136,974	142,700	129,691	579,520
Other	3,670,710	2,857,223	2,584,985	2,531,326	2,461,853
Total Revenues	$ 125,751,421	$ 125,042,880	$ 130,713,520	$ 115,559,779	$ 108,947,072
Expenses:					
Total Expenses	$ 90,519,871	$ 88,927,662	$ 96,938,864	$ 91,551,106	$ 80,848,570
Net Available for Debt Service	$ 35,231,550	$ 36,115,218	$ 33,774,656	$ 24,008,673	$ 28,098,502
Water (Units Served)	40,767	39,338	37,565	37,596	37,344
Wastewater (Units Served)	38,608	36,908	35,563	35,853	34,743
Electric (Units Served)	38,456	39,123	37,829	38,255	37,818

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Position	Length of Service	Term Expiration	Occupation
Nancy Berry	Mayor	4 Years (1)	11/16	Full-time Volunteer
Blanche Brick	Council Member	3 Years (2)	11/14	Professor
Steve Aldrich	Council Member	9 Months (3)	11/16	Financial Advisor
Karl Mooney	Mayor Pro Tem	3 Years (2)	11/14	Texas A&M University Director
John Nichols	Council Member	2 Years (4)	11/15	Retired Professor
Julie Schultz	Council Member	3 Years (2)	11/14	Business Owner
James Benham	Council Member	2 Years (4)	11/15	Business Owner

(1) Elected Mayor in May 2010; former City of College Station Council Member 2004-2006.
(2) Elected May 2011.
(3) Elected November 2013.
(4) Elected November 2012.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to the City
Kelly Templin	City Manager	2.5 Years (1)
Chuck Gillman	Deputy City Manager	6 Years (2)
Jeff Kersten	Assistant City Manager	23 Years (3)
Jeff Capps	Assistant City Manager	21.5 Years (4)
Carla Robinson	City Attorney	15 Years (5)
Sherry Mashburn	City Secretary	3.5 Years
Ty Elliott	Internal Auditor	6.5 Years
David Coleman	Director of Water Services	8.5 Years
Timothy Crabb	Director of Electric Utility	7.5 Years (6)
Ben Roper	Director of Information Technology	9.5 Years
David Schmitz	Director of Parks and Recreation	5.5 Years (7)
Lance Simms	Director of Development Services	18 Years (8)
Donald Harmon	Director of Public Works and CIP	14.5 Years (9)
Alison Pond	Director of Human Resources	5 Years
Jay Socol	Public Communications Director	4 Years

(1) City Manager since November 2013; previously served as Planning & Development Director 2002-2004.
(2) Deputy City Manager since January 2014; previously served as Director of Public Works and CIP.
(3) Assistant City Manager since January 2014; previously served as Chief Financial Officer.
(4) Assistant City Manager since June 2014; previously served as Chief of Police.
(5) City Attorney since February 2011; previously served as Assistant City Attorney.
(6) Director of Electric Utility since December 2012; previously served as Assistant Director of Electric Utility.
(7) Director of Parks and Recreation since May 2011; previously served as Assistant Director of Parks and Recreation.
(8) Director of Development Services since March 2014; previously Assistant Director of Development Services.
(9) Director of Public Works and CIP since January 2014; previously Assistant Director of Public Works and CIP.

CONSULTANTS AND ADVISORS

Auditors .... Ingram, Wallis & Company
Bryan, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor.. First Southwest Company
Houston, Texas

For additional information regarding the City, please contact:

Jeff Kersten Assistant City Manager City of College Station 1101 Texas Avenue College Station, Texas 77840 (979) 764-3555 Phone	or	Drew Masterson First Southwest Company 700 Milam Street, Suite 500 Houston, Texas 77002 (713) 651-9850 Phone

OFFICIAL STATEMENT

RELATING TO
CITY OF COLLEGE STATION, TEXAS
(a Home-Rule City located in Brazos County, Texas)

$35,865,000
GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS SERIES 2014

$34,005,000
CERTIFICATES OF OBLIGATION SERIES 2014

INTRODUCTION

This Official Statement, which includes the cover pages and Appendices hereto, provides certain information regarding the issuance of the $35,865,000 City of College Station, Texas General Obligation Improvement and Refunding Bonds, Series 2014 (the "Bonds") and the $34,005,000 City of College Station, Texas Certificates of Obligation, Series 2014 (the "Certificates"). The Bonds and the Certificates are referred to herein collectively as the "Obligations." Capitalized terms used in this Official Statement, except as otherwise indicated herein, have the same meanings assigned to such terms in the ordinances authorizing the issuance of the Bonds (the "Bond Ordinance") and the Certificates (the "Certificate Ordinance"), respectively. The Bond Ordinance and the Certificate Ordinance are collectively referred to herein as the "Ordinances." In the Ordinances, the City Council delegated to certain officers known as "Pricing Officers" of the City the authority to finalize the pricing of the Obligations.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Houston, Texas.

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in October 1938, and first adopted its Home-Rule Charter in October 1938, which was last amended in November 2012. The City operates under a Council/City Manager form of government with a City Council comprised of the Mayor and six Council members. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 Census population was 93,857 and the current estimated population of the City is 100,394. The City covers approximately 50.6 square miles.

PLAN OF FINANCING

PURPOSE OF THE BONDS

Proceeds from the sale of the Bonds will be used to (i) pay for the costs of construction, acquisition and improvements to City streets, (ii) pay for park facilities improvements, (iii) library expansion, (iv) refund certain obligations of the City described in SCHEDULE I to this Official Statement (the "Refunded Obligations") and (v) pay the costs incurred in connection with the issuance of the Bonds. (see "PLAN OF FINANCING – SOURCES AND USE OF PROCEEDS").

PURPOSE OF THE CERTIFICATES

Proceeds from the sale of the Certificates will be used to (i) pay for the costs of construction, acquisition and improvements to City streets (ii) information technology improvements, (iii) to pay for the cost of construction of improvements to the City's combined electric, waterworks and sewer system, and (iv) to pay the costs incurred in connection with the issuance of the Certificates (see "PLAN OF FINANCING – SOURCES AND USE OF PROCEEDS").

REFUNDED OBLIGATIONS

The principal of and interest due on the Refunded Obligations are to be paid on the respective interest payment dates and redemption dates of such Refunded Obligations, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent"). The Bond Ordinance authorizing the Bonds provides that from the proceeds of the sale of the Bonds the City will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase (i) State and Local Government Series Securities (the "Federal Securities").

Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

Grant Thornton LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the underwriters listed on the cover page hereof (the "Underwriters") thereof the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. **Such maturing principal of and interest on the Federal Securities will not be available to make debt service payments on the Bonds** (see "OTHER INFORMATION - VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS").

By the deposit of the Federal Securities and cash, with the Escrow Agent pursuant to the Escrow Agreement sufficient to pay the redemption price of the Refunded Obligations on their respective redemption dates, the City will have effected the defeasance of all of the Refunded Obligations in accordance with State law. As a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes or revenues nor for the purpose of applying any limitation on the issuance of debt.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

SOURCES AND USES OF PROCEEDS

The proceeds from the sale of the Obligations, and the cash contribution by the City, will be applied approximately as follows:

THE BONDS

Sources of Funds	
Par Amount	$ 35,865,000.00
Original Issue Premium	4,082,881.75
Total Uses of Funds	$ 39,947,881.75
Use of Funds	
Deposit to Project Fund	$ 13,690,000.00
Deposit to Escrow Fund	26,128,113.53
Deposit to Interest and Sinking Fund	3,647.85
Underwriters' Discount	126,120.37
Total Uses of Funds	$ 39,947,881.75

THE CERTIFICATES

Sources of Funds	
Par Amount	$ 34,005,000.00
Original Issue Premium	5,125,504.95
Total Uses of Funds	$ 39,130,504.95
Use of Funds	
Deposit to Project Fund	$ 38,695,000.00
Deposit to Interest and Sinking Fund	$ 2,137.41
Underwriters' Discount	132,367.54
Costs of Issuance	301,000.00
Total Uses of Funds	$ 39,130,504.95

THE OBLIGATIONS

GENERAL DESCRIPTION

The Obligations will bear interest from the date of delivery to the Underwriters, and mature on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest on the Obligations will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Obligations will accrue from the date of delivery, and will be payable on February 15, 2015, and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "BOOK-ENTRY-ONLY SYSTEM").

AUTHORITY FOR ISSUANCE OF THE BONDS

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1251, 1207, 1331 and 1371, Texas Government Code, as amended; an election held November 4, 2008 passed by a majority of the participating voters; and the Bond Ordinance.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1371, Texas Government Code and Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended; and the Certificate Ordinance.

SECURITY AND SOURCE OF PAYMENT

The Bonds are secured by and payable from a direct and continuing annual ad valorem tax levied within the limits prescribed by law, against all taxable property in the City.

The Certificates are secured by and payable from an annual continuing ad valorem taxes levied against all taxable property in the City, within the legal limits prescribed by law and payable from a subordinate lien on and pledge of $1,000 of the surplus revenues of the City's combined utility system.

TAX RATE LIMITATION

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home-Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service for obligations payable from annual ad valorem property taxes, as calculated at the time of issuance.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Obligations of either series having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City shall determine the Obligations, or portions thereof, within such maturity to be redeemed. If Obligations (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligations (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION

Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Obligations, unless certain prerequisites to such redemption required by the Ordinances have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Obligations to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Obligations and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Obligations have not been redeemed.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Obligations is to be transferred and how the principal of and interest on the Obligations are to be paid to and credited by the DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City, the Financial Advisor and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate for each maturity will be issued for the Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to collectively herein as "Participants". DTC is rated AA+ by Standard and Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system described herein is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity in the series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.
Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City and the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligations are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Underwriters.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In each Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations of either series are duly paid and any successor Paying Agent/Registrar must be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations of either series. Upon any change in the Paying Agent/Registrar for the Obligations, the City will promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice will also include the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the corporate trust office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds or Certificates registered and delivered in an exchange or transfer will be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar will be required to transfer or exchange any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for determining the person to whom the interest is payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (a "Special Payment Date," which will be 15 days after the Special Record Date) will be sent at least five days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Holder of a Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the day next preceding the date of mailing of such notice.

DEFEASANCE

The Ordinances provide for the defeasance of the Obligations when the payment of the principal of and premium, if any, on the Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agency, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations. The Ordinances provide that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any securities and obligations now or hereafter authorized by Texas law that are eligible to refund, retire or otherwise discharge obligations such as the Obligations. The City has additionally reserved the right, subject to satisfying the requirement of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvestment the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

REMEDIES OF HOLDERS OF OBLIGATIONS

The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Obligations including but not limited to, their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinances provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of either series of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to undertaken of the initiative of, and be financed by, the registered owners of the Obligations. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia,* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, registered owners of either series of the Obligations may not be able to bring such a suit against City for breach of the Obligations of covenants contained in either Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Chapter 1371 of the Texas Government Code, which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its obligations. The City has relied upon Chapter 1371 in connection with the issuance of the Obligations, but the City has not waived sovereign immunity.

The City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or registered owners of the Obligations of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors, principles of sovereign immunity and by general principles of equity which permit the exercise of judicial discretion.

TAX INFORMATION

AD VALOREM TAX LAW

The appraisal of property within the City is the responsibility of the Brazos Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title 1, Texas Tax Code (referred to herein as the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the Appraisal District or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, (b) the appraised value of the property for the preceding tax year and (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older; (2) An exemption to the disabled from all ad valorem taxes thereafter levied by the political subdivision; and (3) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is $5,000. In addition State law mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs. Further, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1. Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. On December 8, 2011, the Council passed an ordinance approving taxation on certain goods-in-transit. After taking such official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body of the taxing unit rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the goods-in-transit for the payment of a debt, taxes may continue to be imposed on goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligation of the contract by which the debt was created.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones within the City, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "- TAX ABATEMENT POLICY" for a discussion of the City's economic development guidelines and criteria.

CONSTITUTIONAL AMENDMENT

In a statewide election held on September 13, 2003, voters approved an amendment to Section 1-b, Article VIII of the Texas Constitution, that authorized a county, city, town or junior college district to establish an ad valorem tax freeze on residence homesteads of the disabled and of the elderly and their spouses. City Council did not take action to establish the tax limitation. Voters within the City were authorized to submit a petition signed by five percent of the registered voters of the City requiring the City Council to call an election to determine by majority vote whether to establish the tax limitation.

A petition was submitted and an election was held on May 10, 2008. The voters of College Station voted to approve the ad valorem tax freeze. The City can provide no assurances of the impact, if any, implementation of this ad valorem tax freeze may have on the City's finances.

Under the tax freeze, the total amount of ad valorem taxes imposed by the City on a homestead that receives the exemption may not be increased while it remains the residence homestead of that person or that person's spouse who is disabled or sixty-five years of age or older, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five years of age or older at the time of the person's death. In addition, the Texas Legislature by general law may provide for the transfer of all or a proportionate amount of the tax limitation applicable to a person's homestead to be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE

By the later of September 30th or 60 days after the certified appraisal roll is delivered to the City, the City Council adopts a tax rate per \$100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearing (including the requirement that notice be posted on the City's website if City owns, operates or controls an internet website and public notice be given by television if the City has a free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in the year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT

Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September. Effective January 1, 2012, oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recent published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 15 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due before February 15 of each year and the final installment due before August 15.

PENALTIES AND INTEREST

Charges for penalties and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an amount up to 20% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF PROPERTY TAX CODE

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $30,000. The City has not granted an additional exemption of 20% of the market value of residence homesteads. Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt. The City does not tax nonbusiness personal property. The City does permit split payments, but discounts are not allowed. The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes. The City has adopted a tax abatement policy (see "TAX INFORMATION - TAX ABATEMENT POLICY"). An election was held on May 10, 2008 and the voters of College Station approved the ad valorem tax freeze for residential homesteads for disabled and age 65 or older persons. Brazos County collects the taxes for the City.

TAX ABATEMENT POLICY

The City has established tax abatement guidelines and criteria for economic development prospects in the City. In order to be eligible for designation as a Reinvestment Zone and receive tax abatement, the planned improvement:

1. Must be expected to have an increased appraised ad valorem tax value of at least $1,000,000 based upon the Brazos Central Appraisal District's assessment of the eligible property.
2. Must be expected to prevent the loss of payroll or retain, increase or create a payroll on a permanent basis in the City.

The following factors among others should be considered in determining whether to grant tax abatement and, if so, the percentage of value to be abated and the duration of the tax abatement:

1. Value of land and existing improvements, if any;
2. Type and value of proposed improvements;
3. Productive life of proposed improvements;
4. Number of existing jobs to be retained by proposed improvements;
5. Number of type of new jobs to be created by proposed improvements;
6. Amount of local payroll to be created;
7. Whether persons residing or projected to reside within the City will have the opportunity to fill the new jobs being created;
8. Amount of local taxes to be generated directly;

9. Amount of property tax base valuation which will be increased during term of abatement and after abatement, which shall include a definitive commitment that such valuation shall not, in any case, be less than $1,000,000;
10. The costs to be incurred by the City to provide facilities or services directly resulting from the new improvements;
11. The amount of ad valorem taxes to be paid to the City during the abatement period considering (a) the existing values, (b) the percentage of new value abated, (c) the abatement period, and (d) the value after expiration of the abatement period;
12. The population growth of the City that occurs directly as result of new improvements;
13. The types of public improvements, if any, to be made by the applicant seeking abatement;
14. Whether the proposed improvements compete with existing businesses to the detriment of the local economy;
15. The impact on the business opportunities of existing businesses;
16. The attraction of other new businesses to the area;
17. The overall compatibility with the zoning ordinances and comprehensive plan for the area; and/or
18. Whether the project is environmentally compatible with no negative impact on quality of life perceptions.

Neither a Reinvestment Zone nor abatement agreement shall be authorized if it is determined that:

1. There would be substantial adverse affect on the provision of government service or tax base;
2. The applicant has insufficient financial capacity;
3. Planned or potential use of the property would constitute a hazard to public safety, health or morals;
4. Violation of other code or laws;
5. The agreement was signed after the commencement of construction, alteration or installation of improvements related to the project; or
6. Any other reason deemed appropriate by the City Council

ECONOMIC DEVELOPMENT

In the fall of 2013, the College Station City Council adopted an Economic Development Master Plan. This document represents the City’s first such effort and joins the many other Master Plans, Neighborhood, Corridor, and District Plans created to aid in successful implementation of the Comprehensive Plan. The Master Plan defines the goals and objectives of the City’s economic development efforts and lays out strategies and detailed actions to achieve these goals and objectives. The plan specifically identified six strategic initiatives that the City’s economic development program area should focus its efforts on: sustain and enhance high quality of life; support and partner with Texas A&M University and the Texas A&M University System; support retail development; support and stimulate biotechnology research and advanced manufacturing; support and stimulate health and wellness market; and support and stimulate sports, entertainment, and hospitality market.

Furthermore, the Plan also details how the plan should be monitored and updated over time, and identifies a series of formal economic development policy guidelines that were also adopted. These guidelines state that in order to ensure the ongoing competitiveness of the community, no State authorized incentive should immediately be discounted. The Texas Constitution and multiple State statutes identify the role of economic development by both the State and its municipalities as a public purpose. While recognizing there is no standard strategy, policy, or program for economic development, the Texas Legislature has created a vast array of tools that local governments have at their disposal. The objective of these tools is to not only encourage development and diversification of the Texas economy, but to simultaneously enhance the participating community’s overall quality of life. Incentives to consider may include, but not be limited to: Chapter 380 financing; development fee rebates; enterprise zone program sponsorship; Freeport exemptions; infrastructure assistance; land transactions; delayed annexation or limited purpose annexation; special districts; reinvestment zones (tax abatement or tax increment); and fast track development process.

The City and the City of Bryan, Texas have also entered into an "Interlocal Cooperation and Joint Development Agreement" (the "Interlocal Agreement") in connection with implementing a joint economic development program known as the Joint Research Valley BioCorridor Development Project (the "Project"). Under the terms of the Interlocal Agreement, the City will make funds available to the City of Bryan, and the City of Bryan will make funds available to the City, for certain defined public infrastructure projects that are intended to enhance development of the Project. The obligations of each city under the Interlocal Agreement shall not constitute a debt for purposes of any provision of the State Constitution, and are intended to be paid from the general revenues of each city.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2013/2014 Market Valuation Established by Brazos Central Appraisal District (excluding exempt property)		$ 6,448,842,274
Less Exemptions/Reductions at 100% Market Value:		
Productivity Loss	$ 109,732,538	
Over 65 Homestead Exemptions	76,248,565	
Community Housing Development Organization	7,953,100	
House Bill 366	153,971	
Freeport	9,850,939	
Disabled Veteran	13,409,353	
Proration	305,320	
Miscellaneous	69,478	217,723,264
2013/2014 Taxable Assessed Valuation		$ 6,231,119,010 (1)
Debt Payable from Ad Valorem Taxes (as of 6/30/2014)		
General Obligation Refunding Bonds, Series 2006	5,070,000	
Certificates of Obligation, Series 2006(2)	530,000	
General Obligation Improvement Bonds, Series 2006(2)	175,000	
Certificates of Obligation, Series 2007	2,195,000	
General Obligation Improvement Bonds, Series 2007	2,180,000	
Certificates of Obligation, Series 2008	20,015,000	
General Obligation Improvement Bonds, Series 2008	6,680,000	
General Obligation Refunding Bonds, Series 2009	4,030,000	
Certificates of Obligation, Series 2009(4)	21,515,000	
General Obligation Improvement Bonds, Series 2009	2,785,000	
General Obligation Refunding Bonds, Series 2010	28,010,000	
Certificates of Obligation, Series 2010	2,695,000	
General Obligation Improvement Bonds, Series 2010	16,620,000	
Certificates of Obligation, Series 2011	7,100,000	
General Obligation Improvement Bonds, Series 2011	840,000	
Certificates of Obligation, Series 2012	15,315,000	
General Obligation Improvement and Refunding Bonds, Series 2012	17,090,000	
Certificates of Obligation, Series 2013	9,865,000	
General Improvement and Refunding Bonds, Series 2013	19,485,000	
The Bonds	35,865,000	
The Certificates(3)	34,005,000	252,065,000
Less: Self Supporting Debt(4)		$ 141,330,000
Less: Interest and Sinking Fund as of 9/30/2013(5)		3,802,443
Net Debt Payable from Ad Valorem Taxes		$ 106,932,557
Ratio of Net Debt Payable from Ad Valorem Taxes to Taxable Assessed Valuation(6)		1.72%

2014 Estimated Population - 100,394
Per Capita Taxable Assessed Valuation - $62,067
Per Capita Net Funded Debt - $1,065 (6)

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(1) Certified taxable assessed valuation for tax year 2014 released on August 1, 2014 as reported by the Brazos Central Appraisal District was $6,561,741,569. This amount is subject to change during ensuing year.
(2) Excludes the Refunded Obligations.
(3) A portion of the Certificates will be internally allocated by the City as being payable from the surplus revenues from the respective enterprise funds. Approximately $8,750,000 of the proceeds of the Certificates will pay for improvements to the City's electric system, approximately $6,500,000 will pay for improvements in the City's water system, and approximately $11,400,000 will pay for improvements in the City's wastewater system. The debt service on this portion of the Certificates will be internally allocated by the City as being payable from the surplus revenues from the respective enterprise funds. Although the City expects to pay for this portion of the Certificates with surplus enterprise funds, the Certificates are secured solely by a pledge of ad valorem taxes and by a pledge of combined utility system surplus net revenues limited to $1,000. See "THE OBLIGATIONS- SECURITY AND SOURCE OF PAYMENT." There is no guarantee that payments from these enterprise funds will be made. If payments are not made from the enterprise funds, the City will be required to levy ad valorem taxes in amounts sufficient to make such payments.
(4) In the past, the City has sold certificates of obligation to finance projects for the City's water and sewer system, and electric system and has internally allocated portions of this debt as payable from the respective enterprise funds. The self-supporting amounts listed above are projections of debt that is expected to be retired by the City based on actual historical payments from these funds to pay for debt service the outstanding certificates of obligation. There is no guarantee that payments from these funds will continue in the future. Includes a portion of the Obligations. See "DEBT INFORMATION – TABLE 10 – SELF SUPPORTING DEBT."
(5) In fiscal year 2012, the City transferred $157,979.48 to the Interest and Sinking Fund for the Certificates of Obligation, Series 2009. The amount transferred by the City will be used to pay off future payments of the Certificates of Obligation, Series 2009 attributable to the Convention Center.
(6) Net of Interest and Sinking Fund as of September 30, 2013.

Table 2 - Taxable Assessed Valuations by Category

	Taxable Appraised Value, Fiscal Year Ending September 30,					
	2014		2013		2012	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$3,449,698,417	53.49%	$3,277,087,380	53.12%	$3,169,329,494	53.29%
Real, Residential, Multi-Family	1,121,645,054	17.39%	1,070,207,772	17.35%	996,353,707	16.75%
Real, Vacant Lots/Tracts	142,441,840	2.21%	118,939,480	1.93%	115,085,384	1.93%
Real, Acreage (Land Only)	111,056,120	1.72%	171,879,670	2.79%	183,146,931	3.08%
Real, Farm and Ranch Improvements	76,318,782	1.18%	22,726,592	0.37%	18,078,677	0.30%
Real, Commercial/Industrial	1,159,961,447	17.99%	1,121,943,869	18.19%	1,088,046,209	18.29%
Real, Oil, Gas & Other Mineral Reserves	3,329,602	0.05%	5,391,913	0.09%	5,982,912	0.10%
Real and Tangible Personal, Utilities	35,261,190	0.55%	35,139,050	0.57%	39,148,700	0.66%
Tangible Personal, Business	318,648,040	4.94%	309,881,970	5.02%	298,432,950	5.02%
Tangible Personal, Other	2,138,640	0.03%	2,217,020	0.04%	2,232,990	0.04%
Real Property Inventory	18,049,612	0.28%	23,728,660	0.38%	23,307,800	0.39%
Special Inventory	10,293,530	0.16%	8,851,423	0.14%	8,004,300	0.13%
Exempt Property Adjustment	-	0.00%	794,503	0.01%	449,950	0.01%
Total Appraised Value Before Exemptions	$6,448,842,274	100.00%	$6,168,789,302	100.00%	$5,947,600,004	100.00%
Less: Total Exemptions/Reductions	217,723,264		224,476,315		208,985,002	
Taxable Assessed Value	$6,231,119,010		$5,944,312,987		$5,738,615,002	

	Taxable Appraised Value, Fiscal Year Ending September 30,			
	2011		2010	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$3,008,625,229	53.27%	$2,887,801,921	51.63%
Real, Residential, Multi-Family	965,909,631	17.10%	953,349,494	17.05%
Real, Vacant Lots/Tracts	113,005,459	2.00%	99,960,600	1.79%
Real, Acreage (Land Only)	152,872,161	2.71%	153,251,021	2.74%
Real, Farm and Ranch Improvements	17,561,011	0.31%	19,005,291	0.34%
Real, Commercial/Industrial	1,032,016,904	18.27%	1,058,340,988	18.92%
Real, Oil, Gas & Other Mineral Reserves	6,676,457	0.12%	5,595,938	0.10%
Real and Tangible Personal, Utilities	39,468,220	0.70%	37,016,190	0.66%
Tangible Personal, Business	281,551,650	4.98%	336,024,109	6.01%
Tangible Personal, Mobile Home	2,264,960	0.04%	2,341,500	0.04%
Tangible Personal, Other	21,258,188	0.38%	31,792,970	0.57%
Real Property Inventory	7,113,630	0.13%	8,270,790	0.15%
Exempt Property Adjustment	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$5,648,323,500	100.00%	$5,592,750,812	100.00%
Less: Total Exemptions/Reductions	192,841,039		201,959,811	
Taxable Assessed Value	$5,455,482,461		$5,390,791,001	

NOTE: Valuations shown are certified taxable assessed values reported by the Brazos Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt[(3)]	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation[(4)]	Net G.O. Tax Debt Per Capita
2009	91,298	$ 5,024,154,213	$ 55,030	$ 97,720,000	1.95%	$ 1,070
2010	93,991	5,390,791,001	57,354	107,570,000	2.00%	1,144
2011	94,669	5,455,432,461	57,626	99,140,000	1.82%	1,047
2012	97,888	5,738,615,002	58,624	96,390,000	1.68%	985
2013	97,929	5,944,312,987	60,700	88,100,000	1.48%	900
2014	100,394	6,231,119,010 (5)	62,067	110,735,000 (6)	1.78% (6)	1,103 (6)

(1) Source: The City.
(2) As reported by the Brazos Central Appraisal District; subject to change during the ensuing year.
(3) Payable from ad valorem taxes. Does not include self-supporting debt.
(4) Certified taxable assessed valuation for tax year 2014 released on August 1, 2014 as reported by the Brazos Central Appraisal District was $6,561,741,569. This amount is subject to change during ensuing year.
(5) Includes the Obligations and excludes the Refunded Obligations.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2009	$ 0.4394	$ 0.1934	$ 0.2460	$ 22,076,134	98.73%	99.93%
2010	0.4394	0.2100	0.2294	23,623,086	97.93%	98.49%
2011	0.4475	0.2273	0.2202	24,304,840	99.31%	99.76%
2012	0.4380	0.2365	0.2015	25,043,183	99.10%	99.83%
2013	0.4307	0.2351	0.1956	25,518,199	99.50%	100.24%
2014	0.4260	0.2329	0.1931	26,422,760	96.82% (1)	97.32% (1)

(1) Collections as of June 30, 2014.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2013/2014 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Post Oak Mall - College Station, LLC	Retail	$ 57,078,010	0.92%
College Station Hospital L.P.	Medical	55,074,030	0.88%
SHP - The Callaway House LP	Apartments	48,001,150	0.77%
SW Meadows Point LP	Apartments	41,401,080	0.66%
Wal-Mart Real Estate Business Trust	Retail	39,708,580	0.64%
BVP 2818 Place LP	Apartments	39,422,730	0.63%
Jamespoint Management	Housing	39,240,330	0.63%
Weinberg, Isreal & David Alkosser	Housing	38,977,930	0.63%
Woodlands of College Station LP	Apartments	38,632,380	0.62%
CVCS LLC	Retail	37,192,140	0.60%
		$ 434,728,360	6.98%

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE OBLIGATIONS - TAX RATE LIMITATION").

TABLE 6 - TAX ADEQUACY

Net Maximum Tax Supported Principal and Interest Requirements (2015)...............................	$ 13,321,133 (1)
$0.21595 Tax Rate at 99% Collection Produces	$ 13,321,540
Net Average Tax Supported Principal and Interest Requirements (2015-2034)...........................	$ 7,239,181 (1)
$0.11736 Tax Rate at 99% Collection Produces	$ 7,239,713

(1) Includes the Obligations and excludes the Refunded Obligations and self supporting debt.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed by the City from information obtained from the Brazos Central Appraisal District. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

	2013/2014 Taxable Assessed Value	2013 Tax Rate	Total Tax Debt as of 6/30/2014	Estimated % Applicable	City's Overlapping Tax Debt as of 6/30/2014
City of College Station	$ 6,231,119,010 (1)	0.4307	$ 110,735,000 (2)	100.00%	$ 110,735,000
Brazos County	11,735,963,016	0.4875	92,910,000	53.09%	49,325,919
Bryan ISD	5,182,283,174	1.2900	138,870,000	1.90%	2,638,530
College Station ISD	6,293,149,752	1.3200	286,140,000	87.95%	251,660,130

Total Direct and Overlapping Funded Tax Debt	$ 414,359,579
Ratio of Direct and Overlapping Funded Tax Debt to Taxable Assessed Valuation	6.650%
Per Capita Overlapping Funded Tax Debt	$ 4,127

Source: Municipal Advisory Council of Texas.

(1) Certified taxable assessed valuation for tax year 2014 released on August 1, 2014 as reported by the Brazos Central Appraisal District was $6,561,741,569. This amount is subject to change during ensuing year.

(2) Includes the Obligations and excludes self supporting debt.

TABLE 8 - AD VALOREM TAX DEBT SERVICE REQUIREMENTS

Year End 9/30	Total Outstanding Debt	Less: The Refunded Obligations	The Bonds Principal	The Bonds Interest	The Bonds Total	The Certificates Principal	The Certificates Interest	The Certificates Total	Less: Self-Supporting Debt Service[1]	Total Net Tax Supported Debt Service Requirements[1]
2014	$ 23,597,426								$ 11,244,226	$ 12,353,200
2015	22,339,884	$ 421,656	$ 1,880,000	$ 1,321,862	$ 3,201,862	$ 1,545,000	$ 1,415,346	$ 2,960,346	14,759,303	13,321,133
2016	21,990,169	1,155,250	3,175,000	1,359,800	4,534,800	1,480,000	1,489,075	2,969,075	15,680,673	12,658,121
2017	21,515,116	1,029,516	2,945,000	1,268,000	4,213,000	1,530,000	1,443,925	2,973,925	15,238,479	12,434,046
2018	20,061,872	1,039,984	2,465,000	1,162,200	3,627,200	1,585,000	1,381,350	2,966,350	14,256,048	11,359,390
2019	18,907,676	1,048,244	1,985,000	1,050,950	3,035,950	1,670,000	1,299,975	2,969,975	13,547,773	10,317,585
2020	18,979,186	1,054,269	2,100,000	948,825	3,048,825	1,685,000	1,228,738	2,913,738	13,599,079	10,288,401
2021	17,523,571	1,058,494	2,200,000	863,325	3,063,325	1,750,000	1,168,625	2,918,625	13,319,515	9,127,512
2022	15,175,804	1,070,694	2,290,000	795,975	3,085,975	1,825,000	1,092,375	2,917,375	11,363,534	8,744,926
2023	14,209,362	1,075,188	2,395,000	701,750	3,096,750	1,920,000	998,750	2,918,750	10,373,123	8,776,551
2024	13,481,269	1,086,828	2,540,000	578,375	3,118,375	2,025,000	900,125	2,925,125	10,042,123	8,395,818
2025	12,521,618	1,095,288	2,685,000	447,750	3,132,750	1,345,000	815,875	2,160,875	9,485,440	7,234,516
2026	11,269,880	1,100,531	2,840,000	309,625	3,149,625	1,410,000	747,000	2,157,000	8,863,445	6,612,529
2027	10,219,538		695,000	224,725	919,725	1,480,000	674,750	2,154,750	7,644,790	5,649,223
2028	9,799,817		720,000	196,425	916,425	1,560,000	598,750	2,158,750	7,666,965	5,208,027
2029	7,201,045		750,000	167,025	917,025	1,640,000	518,750	2,158,750	6,442,802	3,834,018
2030	4,998,598		780,000	136,425	916,425	1,730,000	434,500	2,164,500	4,538,129	3,541,394
2031	3,338,380		810,000	106,650	916,650	1,815,000	345,875	2,160,875	4,322,824	2,093,081
2032	2,747,244		840,000	77,775	917,775	1,905,000	252,875	2,157,875	3,729,519	2,093,375
2033	1,334,000		870,000	47,850	917,850	2,000,000	155,250	2,155,250	2,562,563	1,844,538
2034			900,000	16,313	916,313	2,105,000	52,625	2,157,625	1,824,500	1,249,438
	$ 271,211,453	$ 12,235,941	$35,865,000	$ 11,781,625	$ 47,646,625	$ 34,005,000	$ 17,014,533	$ 51,019,533	$ 200,504,850	$ 157,136,821

(1) In the past, the City has sold certificates of obligation to finance projects for the City's water and sewer system, and electric system and has internally allocated portions of this debt as payable from the respective enterprise funds. The self-supporting amounts listed above are projections of debt that is expected to be retired by the City based on actual historical payments from these funds to pay for debt service the outstanding certificates of obligation. There is no guarantee that payments from these funds will continue in the future. Includes a portion of the Obligations. See "TABLE 10 – SELF SUPPORTING DEBT" and the accompanying footnotes.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Total Net Tax Supported Debt Service Requirements, Fiscal Year Ending September 30, 2014 (1)		$ 12,353,200
Interest and Sinking Fund, September 30, 2013 (2)	$ 3,433,255	
Calcuated Interest and Sinking Fund Tax Levy @ 99% Collection	12,557,948	
Budgeted Investment Earnings	50,000	16,041,203
Estimated Balance, September 30, 2014		$ 3,688,003

(1) Excludes self-supporting debt.
(2) The outstanding portion of the Certificates of Obligation, Series 2009, supported by the Convention Center, have been paid for in full as one transfer in the amount of 157,979.48 to the Interest and Sinking Fund. That amount will be used to pay off future payments of the Certificates of Obligation, Series 2009 supported by the Convention Center.

TABLE 10 – SELF-SUPPORTING DEBT

Year End 9/30	Electric Fund (1)	Wastewater Fund (2)	Water Fund (3)	Convention Center (4)	Landfill (5)	Parking Garage (6)	Total Self-Supporting Debt Service (7)
2014	$ 4,451,805	$ 2,979,027	$ 2,945,373	$ 4,599	$ 400,960	$ 462,463	$ 11,244,226
2015	5,602,624	3,963,021	4,313,849	9,524	403,910	466,375	14,759,303
2016	5,939,709	4,232,091	4,629,014	9,374	406,560	463,925	15,680,673
2017	5,759,259	4,148,191	4,457,820	43,599	359,135	470,475	15,238,479
2018	5,624,834	3,826,966	4,205,176	12,724	361,610	224,738	14,256,048
2019	5,458,353	3,520,173	3,970,964	12,361	363,448	222,475	13,547,773
2020	5,477,749	3,533,094	3,992,426	7,074	364,335	224,400	13,599,079
2021	5,497,987	3,491,403	3,958,717	6,874	364,535	-	13,319,515
2022	5,458,195	2,592,441	2,941,889	6,674	364,335	-	11,363,534
2023	5,236,037	2,244,408	2,522,642	6,471	363,566	-	10,373,123
2024	4,895,562	2,234,548	2,538,811	6,261	366,941	-	10,042,123
2025	4,578,113	1,974,793	2,558,120	6,030	368,385	-	9,485,440
2026	4,319,948	1,973,075	2,195,833	5,793	368,798	-	8,863,445
2027	3,760,912	1,753,501	1,755,524	5,568	369,285	-	7,644,790
2028	3,773,823	1,756,314	1,767,276	5,343	364,210	-	7,666,965
2029	3,261,339	1,585,081	1,222,986	5,115	368,280	-	6,442,802
2030	2,296,493	1,589,755	651,881	-	-	-	4,538,129
2031	2,103,384	1,568,565	650,875	-	-	-	4,322,824
2032	1,746,850	1,335,669	647,000	-	-	-	3,729,519
2033	1,196,288	924,275	442,000	-	-	-	2,562,563
2034	599,625	779,000	445,875	-	-	-	1,824,500
	$ 87,038,887	$ 52,005,389	$ 52,814,050	$ 153,381	$ 5,958,293	$ 2,534,850	$ 200,504,850

(1) Includes a portion of the City's Certificates of Obligation, Series 2008, Series 2009, Series 2010, Series 2011, Series 2012, Series 2013 and a portion of the General Obligation Refunding Bonds, Series 2010, General Obligation Improvement and Refunding Bonds, Series 2012 and Series 2013 and a portion of the Obligations.
(2) Includes a portion of the City's Certificates of Obligation, Series 2008, Series 2010, Series 2011, Series 2012, Series 2013 and a portion of the General Obligation Refunding Bonds, Series 2010, General Obligation Improvement and Refunding Bonds, Series 2012 and Series 2013 and a portion of the Obligations.
(3) Includes a portion of the City's Certificates of Obligation, Series 2008, Series 2008, Series 2009, Series 2012, Series 2013 and a portion of the General Obligation Refunding Bonds, Series 2010, General Obligation Improvement and Refunding Bonds, Series 2012 and Series 2013 and a portion of the Obligations.
(4) Includes a portion of the City's Certificates of Obligation, Series 2009. The City has transferred to the Interest and Sinking Fund $157,979.48 from the Convention Center fund to pay the debt service shown in this column.
(5) Includes a portion of the City's Certificates of Obligation, Series 2009.
(6) Includes a portion of the City's General Obligation Refunding Bonds, Series 2009.
(7) The debt service described in this table is general obligation debt for which repayment is provided from revenues from other sources. It is the City's current policy to provide these payments from such sources. There is no assurance that the use of these sources to make these payments will continue in the future. If payments are not made from such sources in the future, the difference will be paid for with ad valorem taxes

TABLE 11 - AUTHORIZED BUT UNISSUED TAX BONDS

Date of Authorization	Purpose	Amount Authorized	Issued To Date	The Bonds	Unissued
1/24/1984 (1)	Fire Substation Building	$ 700,000	$ -	$ -	$ 700,000
1/24/1984 (1)	Street Improvements	6,325,000	5,825,000	-	500,000
11/4/2003	Municipal Complex Improvements	7,610,000	3,955,000	-	3,655,000
11/4/2008	Street Improvements	48,785,000	22,885,000	7,610,000	18,290,000
11/4/2008	Library Improvements	8,385,000	-	500,000	7,885,000
11/4/2008	Park Improvements	12,790,000	6,565,000	5,580,000	645,000
		$ 84,595,000	$ 39,230,000	$ 13,690,000	$ 31,675,000

(1) Contains projects which may have been completed or abandoned; therefore, the remaining authorized but unissued bonds are not likely to ever be issued.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The City has no firm plans for the issuance of additional general obligation debt payable from ad valorem taxes within the next twelve months.

OTHER OBLIGATIONS

Currently, the City has no outstanding capital leases or loans.

PENSION FUND

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see "APPENDIX B - EXCERPTS FROM THE ANNUAL FINANCIAL REPORT" - Section V - Note D.)

The City recently received the contribution rates for Plan Year 2015 from TMRS as determined by the December 31, 2013 actuarial valuation. The City's contribution rate for January 1, 2015 will be 13.22%. On September 13, 2012, Council approved revisions to the City's TMRS Ordinance. The revisions include a reduction in the updated service credits (USC) for current employees and a reduction in the Annuity Increase Cost of Living Adjustment (COLA) for retirees. The City's contributions rate of 13.53% became effective January 1, 2014. The funding status as of December 31, 2013 is as follows:

	12/31/2013
Actuarial Value of Assets	$ 188,844,993
Actuarial Accrued Liability (AAL)	221,999,821
Percent of Pension Benefit Obligation	85.07%
Unfunded Actuarial Accrued Liability (UAAL)	$ 33,154,828
Annual Covered Payroll	45,604,730
Percent of Covered Payroll	72.70%
Estimated Employer Contribution	$ 6,028,945

OTHER POST EMPLOYMENT BENEFITS

PROGRAM DESCRIPTION . . . In addition to pension benefits, as required by state laws and defined by City policy, the City makes available postretirement medical, dental, vision, drug and life insurance benefits to all employees who meet TMRS retirement qualifications, retire from the City and who enroll themselves and their eligible dependent(s) on or before the effective date of their retirement through the City's single-employer defined benefit other post-employment benefit (OPEB) plan. The life insurance plan provides a $10,000 fully insured death benefit coverage upon retirement which ceases upon attainment of age 65 for retirees. So long as monthly premium payments are made, the healthcare plan provides insurance to eligible retirees, their spouses and dependents through the City's group health insurance plan, which covers both active and retired members, until attainment of age 65. Benefit provisions as well as retiree premium contributions are established by management.

The City determines the employer and participant contribution rates annually based on recommendations of City staff and the City's consultant. All medical, dental, vision and drug care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees. Life insurance for eligible retirees is paid entirely by the City.

During fiscal year 2013, 43 former employees were covered under this arrangement, with claims totaling -$3,833.

ANNUAL OPEB COST AND NET OPEB OBLIGATION . . . The City's annual OPEB cost is based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. Despite the apparent implications of the term ARC, the City is not required to contribute the ARC to the plan each year, Instead, the ARC provides a basis for evaluating whether the City's contributions for OPEB are adequate to fund the benefits during the working lifetime of current employees (i.e., the normal cost) and to amortize existing unfunded obligations (i.e., the obligations for current retirees plus that portion of the current employees' obligations that are attributed to past service) in a systematic manner over the amortization period prescribed by GASB.

The annual OPEB cost is the annual accounting expense recorded on the City's Statement of Revenues, Expenses and Changes in Net Assets and on the City's Statement of Activities. The annual OPEB cost is equal to (1) the ARC for the current fiscal year, plus (2) interest on the Net OPEB Obligation at the beginning of the year, reduced by (3) an adjustment to the ARC which is equal to an amortization of the beginning of the year Net OPEB Obligation. The City terminated its Borrowed Employee Agreement with BVSWMA, Inc. Therefore, the related OPEB obligation of $134,385 was removed.

	2011	2012	2013
Annual Required Contribution (ARC)	$ 1,850,510	$ 1,360,907	$ 1,449,844
Interest on Net OPEB Obligations	211,750	276,044	333,710
Adjusted to the ARC	(262,374)	(342,039)	(413,492)
Annual OPEB Cost	1,799,886	1,294,912	1,370,062
Contributions Made	(513,998)	(141,585)	3,833
Increase in net OPEB obligation	$ 1,285,888	$ 1,153,327	$ 1,373,895
Net OPEB Obligation, beginning of year	4,234,990	5,520,878	6,674,205
Net OPEB Obligation, end of year	$ 5,520,878	$ 6,674,205	$ 8,048,100

Three-Year Trend Information

Fiscal Year Ended 9/30	Annual OPEB Costs	Actual Contribution Made	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
2011	$1,799,886	$ 513,998	28.56%	$5,520,878
2012	1,294,912	141,585	10.93%	6,674,205
2013	1,370,062	(3,833)	-0.28%	8,048,100

Generally, the Net OPEB Obligation is the cumulative difference since the effective date of GASB 45 between the annual OPEB cost and the employer's contributions to the plan including the OPEB liability/(asset) at transition, if any. Because the City did not have an OPEB liability/(asset) at transition, the Net OPEB Obligation as of October 1, 2008 is zero. Whenever the City contributes an amount less than the annual OPEB cost, this shortfall will increase the City's Net OPEB Obligation.

ACTUARIAL METHODS AND ASSUMPTIONS . . . Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. GASB No. 45 calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan participants to that point. In addition, the projection of benefits for financial reporting purposes *does not* explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan participants in the future.

Actuarial calculations reflect a long-term perspective. In addition, consistent with that perspective, actuarial methods and assumptions used in developing the amounts in this report include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

The required contribution rates were determined as part of the October 1, 2012 actuarial valuation. Significant methods and assumptions follow:

Actuarial valuation date	10/1/2012
Asset Valuation Method:	Market
Actuarial Cost Method:	Projected Unit Credit
Actuarial Assumption:	
Investment Rate of Return*	5.00%
*Includes Inflation at:	4.00%
Projected Salary Increases	N/A
Annual Healthcare Trend Rates:	8.50% in FYE 2013 declining to 5.00% in FYE 2020
Amortization Method:	Level Dollar
Remaining Amortization Period:	30 year open period

FUNDING STATUS AND FUNDING PROGRESS . . . The Schedule of Funding Progress presents information as of the current valuation date and the two preceding valuation dates. As of the date of this financial statement, the City has had two valuations, that for the fiscal year beginning October 1, 2008, and one for the fiscal year beginning October 1, 2010.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (AAL)	Annual Covered Payroll (Fiscal Year)	UAAL as Percentage of Covered Payroll
10/1/2010	$ -	$ 13,868,768	0.00%	$ 13,868,768	$42,298,776	32.79%
10/1/2010	-	9,356,116	0.00%	9,356,116	42,298,776	22.12%
10/1/2012	-	10,897,037	0.00%	10,897,037	44,000,000	24.77%

There are factors that affect the ability to compare amounts reported from one actuarial valuation date to the next. The assumptions that have been changed since the previous valuation are:

- the Discount Rate has been updated to reflect changes in the allocation of assets of the employer and the expected return on such assets;

- the Assumed Per Capita Health Benefit Costs and Assumed Expenses for retirees and dependents have been updated to reflect changes in claims and expense expectations; and

- the Health Benefit Cost Trend and Expense Trend have been updated to reflect changes in short-term expectations of the annual rate of increase of the Assumed Per Capita Health Benefit Costs.

Two separate valuations, one of which used the October 1, 2010 valuation date and one the October 1, 2012 valuation date, were used to develop results for the fiscal years ending September 30, 2012 and September 30, 2013. The plan was changed effective January 1, 2012 to eliminate post-65 medical coverage and was changed effective January 1, 2013 to eliminate one of the PPO benefit options. While the plan typically undergoes a biennial valuation, pursuant to paragraph 12 of GASB 45, a new valuation must be performed if there are significant changes to the plan since the previous valuation.

As previously stated, for the fiscal year ending September 30, 2013, a new actuarial valuation incorporating these changes to the plan provisions was performed using October 1, 2012 valuation date.

FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Revenues:					
Taxes	$ 39,654,465	$ 37,527,211	$ 35,236,521	$ 33,134,813	$ 31,662,441
Licenses & Permits	1,238,967	1,496,424	1,054,986	964,344	1,007,151
Intergovernmental	469,783	520,948	589,326	795,750	829,506
Charges for Services	2,605,519	2,296,105	2,539,881	4,043,200	2,922,495
Fines, Forfeits and Penalties	3,252,418	3,636,209	3,823,406	3,817,193	3,589,478
Investment Income	88,198	88,684	92,017	69,379	235,181
Rents & Royalties	650,407	686,729	589,528	749,635	292,660
Contributions	56,990	20,168	33,995	15,366	22,725
Reimbursed Expenditures	-	-	-	-	358,756
Other	212,349	287,796	75,339	139,644	153,859
Total Revenues	$ 48,229,096	$ 46,560,274	$ 44,034,999	$ 43,729,324	$ 41,074,252
Expenditures:					
General Government	$ 3,825,760	$ 4,189,987	$ 5,021,221	$ 4,098,364	$ 4,763,622
Fiscal Services	2,970,342	2,871,677	2,997,993	3,086,275	3,161,357
Police Department	16,515,820	15,465,837	14,890,520	13,724,355	14,083,071
Fire Department	13,297,527	12,578,396	11,444,702	11,414,188	11,754,088
Planning & Development Services	3,505,029	3,523,742	3,298,725	2,456,322	2,803,512
Parks and Recreation	4,463,535	4,329,869	6,602,097	8,295,138	8,785,858
Information Technology	4,271,209	3,844,107	648,589	3,886,102	3,298,479
Public Works	6,519,248	5,884,577	5,021,642	6,099,189	6,495,104
Library Services	994,476	1,072,551	3,901,721	1,080,030	1,119,771
Claims	-	-	1,061,581	1,600,000	-
Contributions	1,086,012	937,813	-	783,883	790,262
Other	1,300,627	183,530	736,192	327,210	385,178
Capital Improvement Projects	733,974	788,032		129,005	476,462
Total Expenditures	$ 59,483,559	$ 55,670,118	$ 56,171,633	$ 56,980,061	$ 57,916,764
Other Financing Sources (Uses):					
Sale of General Fixed Assets	$ -	$ -	$ 8,690	$ 5,615	$ 5,606
Operating Transfers In	14,664,450	15,539,293	16,065,942	15,786,796	15,047,102
Operating Transfers Out	(3,977,149)	(4,329,789)	(3,360,822)	-	(9,700)
Total Other Financing Sources (Uses)	$ 10,687,301	$ 11,209,504	$ 12,713,810	$ 15,792,411	$ 15,043,008
Net Change in Fund Balance	$ (567,162)	$ 2,099,660	$ 577,176	$ 2,541,674	$ (1,799,504)
Fund Balance, Beginning of Year	16,492,693	14,393,033 (1)	13,815,881	11,274,207 (2)	11,177,933
Fund Balance, End of Year	$ 15,925,531	$ 16,492,693	$ 14,393,057	$ 13,815,881	$ 9,378,429

Source: The City's audited financial statements.

(1) Restated.

(2) Reflects reclassification of certain special revenue funds.

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In May 1990, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for property tax reduction. The total sales tax rate for the City is 1.5%.

Fiscal Year Ended 9/30	Total Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita(3)
2009	$ 19,438,179	88.05%	$ 0.39	$ 213
2010	19,328,577	81.82%	0.36	206
2011	20,292,871	83.49%	0.37	214
2012	21,498,319	85.84%	0.38	220
2013	23,064,035	90.38%	0.39	236
2014	16,568,199 (2)	62.70%	0.27	165

(1) Provided by the City.
(2) As of June 30, 2014.
(3) Based on population estimates provided by the City.

FINANCIAL POLICIES

Basis of Accounting . . .The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. Government funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund . . . The General Fund is the City's primary operating fund. It is used to account for all activities typically considered governmental functions of the City. These include Public Safety, Public Works, Parks and Recreation, Economic and Planning and Development Services, the support functions for these areas, and the administrative functions for the City.

The General Fund for the 2013-2014 fiscal year is influenced by current policies and any approved policy changes. The policies include inter-fund equity; maintaining a balance between revenues and expenditures; and maintaining the level of service currently provided as the City experiences residential and commercial growth.

The City's financial policies are for a General Fund balance of 15% of budgeted appropriations at year end. To the extent that the General Fund balance exceeds this amount, this surplus is to be expended in future years for one time expenditures such as capital items and short term projects.

Debt Service Fund . . .The Debt Service Fund accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds. It is the City's policy to maintain at least 8 1/3% of annual appropriated expenditures for debt service and any associated fees as the Debt Service Fund balance at fiscal year end. The City is in compliance with that policy.

Budgetary Procedures . . .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 of financing them. All budget requests are compiled by the Finance Department and presented with comparative and supporting data to the Mayor and City Council for review. Public hearings are properly advertised and conducted at City Hall for taxpayer comments. Prior to September 27, the budget is legally enacted through passage of an ordinance. The City Council must approve all transfers of budgeted amounts between departments within any fund and any revision that alters the total expenditure of any fund. An amount is also budgeted each year for contingencies which may arise.

THE COMBINED UTILITY SYSTEM

WATERWORKS SYSTEM

Since December 1981, the City has had the capability to produce and deliver 100% of its water. The system has been expanded to a system of nine wells, with a combined capacity of 29 million gallons per day. The water is delivered to the distribution system by 14 miles of 30-inch diameter and 36 inch diameter pipeline and two pumping stations. These pipelines will be fully redundant once TxDoT completes the Villa Maria / 2818 overpass and the City completes the pipeline re-routing necessary to accommodate the overpass.

Two of the wells mentioned above are shallow wells, less than 1,500 feet, drilled into the Carrizo and Sparta aquifers. The remaining six are deep wells, approximately 3,000 feet, drilled in the Simsboro Sand formation of the Carrizo-Wilcox aquifer. This is a very prolific aquifer of high quality water that has the capacity to provide an adequate water supply for the City and surrounding communities through the year 2060, and well beyond, if managed properly.

The Simsboro Sand, and all local aquifers, are regulated by the Brazos Valley Groundwater Conservation District, and permitting requirements have been implemented for all new water wells. College Station has obtained a Drilling/Operating Permit from the Groundwater District for the City to drill another Simsboro Well, Well #9, which will be designed in FY-15 and constructed in FY-16. This well will meet our projected demands for water for many years into the future. Well #10 remains in the planning stages, and would be constructed later, depending upon the growth of water demands. College Station is also investigating other water supply strategies for the future. The prime example is Aquifer Storage and Recovery (ASR), which would store treated wastewater effluent in an aquifer for future use, most likely during summer peaks. If implemented, this ASR system would greatly reduce the demand on the drinking water system and ensure a very stable water supply for the City.

The City has completed a Water Reclamation project, which pumps effluent from the wastewater treatment plant up to Veteran's Park for irrigation of playing fields, reducing the demand on the potable water system by approximately 350,000 gallons per day. Additional phases of the reclaimed water system are in the planning stages. In June 2014, the City entered into a two year agreement, with an oil company, to provide a firm supply of 3 million gallons per day of reclaimed water. This can be increased to 5 million gallons if adequate surplus flow exists.

The City also has stand by generators at strategic locations sufficient to provide adequate potable water for health and safety during and extended electrical power outage.

Water rates were established by ordinance, passed and approved by the City Council, and became effective October 1, 2010. The Residential rates are inclined block rates to encourage water conservation.

Type of Customer	Usage Charge (per 1,000 gallons)	Service Charge	Meter Size
Residential, Commercial and Industrial		$ 10.19 per mo.	5/8"
		10.19 per mo.	3/4"
		12.78 per mo.	1"
		19.03 per mo.	1 1/2"
		30.05 per mo.	2"
		94.84 per mo.	3"
		140.90 per mo.	4"
		171.53 per mo.	6"
Residential	$2.26 for usage from 0-10,000 gallons		
	$2.94 for usage from 11,000-15,000 gallons		
	$3.61 for usage from 16,000-20,000 gallons		
	$4.28 for usage from 21,000-25,000 gallons		
	$4.96 for usage from 26,000 gallons and more		
Commercial and Industrial	$2.49 per 1,000 gallons		
Commercial Irrigation Usage Charge	$2.68 per 1,000 gallons		

WASTEWATER SYSTEM

The City's waste water is treated by three City-owned wastewater treatment plants, Carter Creek Treatment Plant, Lick Creek Treatment Plant, and Carter's Lake Treatment Plant located within the City limits. The three plants have a combined treatment capacity of 11.5 mgd as compared to average current daily demand of 6.5mgd. The treatment plant's capacity is adequate to serve a population estimated at 122,000.

Sewer rates were established by ordinance, passed and approved by the City Council, and became effective on October 1, 2012.

Residential (metered water)	\$18.78 including 4,000 gallons of metered water
Usage Charge	\$3.76 per 1,000 gallons of additional metered water
	\$41.34 maximum per month
Residential (without meter to each unit)	\$23.89 per unit per month
Commercial and Industrial	\$16.11 per month
Usage Charge	\$4.44 per 1,000 gallons of metered water usage

ELECTRIC SUPPLY SOURCE

The City began purchasing power from American Electric Power (AEP) Energy Partners (AEPEP), Inc. on February 1, 2003. The City's contracts provide for base load power through 2026, wind power until 2029, and intermediate load power through the end of 2014. The variable components for purchased power are the costs for additional power needed above the contracted load shape, congestion charges through the transmission grid, and ancillary charges from the ERCOT System. The City continues to pay transmission charges to a number of outside utility systems at current Public Utility Commission of Texas defined rates.

On January 1, 2015, the City will begin a three year contract (with a possible two-one year extensions) with Garland Power and Light (GPL) for Qualified Scheduling Entity (QSE) services and a two year contract for full requirements power above the contracted resources from AEPEP. As the QSE, they will also schedule power to address any discrepancies in the production from the AEPEP base load or wind contracts. This contract will replace the intermediate load power contract from AEPEP.

The City is served through the Electric Reliability Council of Texas (ERCOT) transmission grid, and owns 20 miles of 138kV transmission lines, seven substations, and 440 miles of distribution lines.

The current electric rates were established by ordinance passed and approved by the City Council and became effective on October 1, 2010. The electric rates are subject to a transmission delivery adjustment (TDA) charge which requires that the net energy charge per kilowatt hour must be increased or decreased by an amount per kilowatt hour equal to additional transmission charges above those accounted for in the wholesale rate. The TDA had been set at zero prior to March 1, 2007. It is currently set at \$0.005 per kilowatt hour of energy consumed.

In January 2009, College Station Utilities began offering residential electric customers renewable wind energy. In February 2010, the renewable wind energy program was expanded to include commercial customers. Wind energy is generated from the South Trent Mesa Wind Project located west of Abilene, Texas.

Electric rates were established by Ordinance #2010-3288 on September 23, 2010, passed and approved by the City Council, and became effective on October 1, 2010.

Single Family Residential	Service Charge	\$7.00 per month
	plus:	
	kwhrs (May through October)	\$0.1181 per kwhr
	kwhr (November through April)	\$0.1134 per kwhr
	Tax	1.50%
	Transmission Delivery Adjustment (TDA)	0.50%
Master Metered Multiple Dwelling Units	Service Charge	\$100.00 per month per master meter
	plus:	
	kwhrs (May through October)	\$0.1181 per kwhr
	kwhr (November through April)	\$0.1134 per kwhr
	Tax	1.50%
	TDA	Calculated as needed

Small Commercial (1-10 KW demand)	Service Charge	$9.00 per month
	plus:	
	First 1,000 kwhrs	$0.1358 per kwhr
	Over 1,000 kwhrs	$0.1038 per kwhr
	Tax	8.25%
	TDA	0.50%
Medium Commercial (15-300 KW)	Service Charge	$25.00 per month
	plus:	
	Demand Charge (Per KW)	$10.40 per KW
	Energy Charge All kwhrs	$0.0736 per KW
	Minimum Monthly Charge	$181.00
	Tax	8.25%
	TDA	0.50%
Large Commercial (300 – 1,500 KW)	Service Charge	$75.00 per month
	plus:	
	Demand Charge (Per KW)	$10.40 per KW
	Energy Charge All kwhrs	$0.0710 per KW
	Minimum Monthly Charge	$3,195.00
	Tax	8.25%
	TDA	0.50%
Industrial (1,500 KW and over)	Service Charge	$250.00 per month
	plus:	
	Demand Charge (Per KW)	$9.85
	Energy Charge (first 500,000 kwhrs)	$0.0689 per KW
	Minimum Monthly	$15,034.85
	Tax	8.25%
	TDA	Calculated as needed

WIND WATT RATES

Wind rates were established by Ordinance #2012-3397 on February 23, 2012, passed and approved by the City Council, and became effective on March 1, 2012.

Participation Level: Residential & Commercial

10%	$0.0005 per KW
50%	$0.0025 per KW
100%	$0.0050 per KW

TABLE 14 - HISTORICAL UTILITY USERS (UNITS SERVED)

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Water	40,767	39,338	37,565	37,596	37,344
Wastewater	38,608	36,908	35,563	35,853	34,743
Electric	38,456	39,123	37,829	38,255	37,818

TABLE 15 - TEN LARGEST UTILITY CUSTOMERS

Utility Customer	Type of Business	FY 2013 KWH Consumption	Total Percent of KWH Consumed
CSISD	School	24,872,070	3.21%
City of College Station	Municipality	21,428,956	2.77%
Scott & White Hospital & Clinic	Hospital/Clinic	15,838,147	2.04%
Texas A&M	University	11,282,440	1.46%
CBL & Associates	Retail Mall	10,167,300	1.31%
College Station Medical Center	Hospital	9,385,373	1.21%
Wal-Mart	Retail	5,232,000	0.68%
EH College Station LP	Hotel	4,999,200	0.65%
HEB Grocery	Retail Grocery	4,726,680	0.61%
Dealer Computer Services, Inc.	Retail	4,719,600	0.61%
		112,651,766	14.54%

TABLE 16 - CONDENSED STATEMENT OF OPERATIONS

	For Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Revenues:					
Electric	$ 92,892,541	$ 94,396,234	$ 98,737,655	$ 89,126,259	$ 80,676,212
Water and Wastewater	29,018,108	27,652,449	29,248,180	23,772,503	25,229,487
Interest	170,062	136,974	142,700	129,691	579,520
Other	3,670,710	2,857,223	2,584,985	2,531,326	2,461,853
Total Revenues	$ 125,751,421	$ 125,042,880	$ 130,713,520	$ 115,559,779	$ 108,947,072
Expenses:					
Total Expenses	$ 90,519,871	$ 88,927,662	$ 96,938,864	$ 91,551,106	$ 80,848,570
Net Available for Debt Service	$ 35,231,550	$ 36,115,218	$ 33,774,656	$ 24,008,673	$ 28,098,502
Water (Units Served)	40,767	39,338	37,565	37,596	37,344
Wastewater (Units Served)	38,608	36,908	35,563	35,853	34,743
Electric (Units Served)	38,456	39,123	37,829	38,255	37,818

TABLE 17 – VALUE OF THE SYSTEM

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Utility Systems	$ 446,518,318	$ 435,064,838	$ 366,563,463	$ 348,347,759	$ 318,485,023
Construction in Progress	36,982,355	20,430,326	69,987,787	69,448,456	69,561,781
	$ 483,500,673	$ 455,495,164	$ 436,551,250	$ 417,796,215	$ 388,046,804
Less: Accumulated Depreciation	171,069,875	158,428,406	142,344,667	131,366,712	120,579,498
Net System Value	$ 312,430,798	$ 297,066,758	$ 294,206,583	$ 286,429,503	$ 267,467,306

TABLE 18 – CITY'S EQUITY IN THE SYSTEM

	Fiscal Year Ended September 30,				
Resources	2013	2012	2011	2010	2009
Net System Value	$ 312,430,798	$ 297,066,758	$ 294,206,583	$ 286,429,503	$ 267,467,306
Current Assets	59,428,776	53,031,034	47,319,652	42,528,426	53,391,673
Restricted Assets	5,757,167	10,143,761	5,166,872	5,592,025	6,926,456
Other Resources	120,000	120,000	240,000	360,000	360,000
Deferred Charges	1,665,943	780,390	919,183	842,458	869,924
Total	$ 379,402,684	$ 361,141,943	$ 347,852,290	$ 335,752,412	$ 329,015,359
Obligations					
Current Liabilities	$ 23,329,045	$ 17,180,367	$ 20,308,090	$ 18,126,521	$ 15,418,179
Current Liabilities Payable from Restricted Assets	7,190,577	13,474,895	11,049,949	10,735,762	9,942,046
General Obligation Debt	36,930,000	30,675,000	24,020,000	-	-
Certificates of Obligation Debt	66,695,000	55,865,000	48,085,000	42,265,000	36,185,000
Revenue Bond Debt	34,765,000	41,505,001	49,845,002	81,525,000	87,745,000
Other Debt	4,825,184 (1)	4,561,927 (1)	3,249,873 (1)	1,551,658 (1)	152,262
Total Liabilities	$ 173,734,806	$ 163,262,190	$ 156,557,914	$ 154,203,941	$ 149,442,487
City's Equity in System	$ 205,667,878	$ 197,879,753	$ 191,294,376	$ 181,548,471	$ 179,572,872
Percentage of Equity in System	54.21%	54.79%	54.99%	54.07%	54.58%

(1) Includes OPEB Net Pension Obligations.

TABLE 19 – UTILITY REVENUE BOND AND SYSTEM SUPPORTED CERTIFICATE DEBT SERVICE

Series	Original Principal Amount	Outstanding Principal as of 6/30/2014
2006	$ 16,950,000	$ 745,000 *
2007	18,665,000	14,175,000
2008 (2)	15,925,000	12,625,000
2009 (2)	19,490,000	16,630,000
2010 (2)	2,850,000	2,455,000
2010 (1)(3)	25,905,000	19,710,000
2011 (2)	7,920,000	7,100,000
2012 (2)	16,415,000	15,315,000
2012 (1)(3)	9,570,000	7,395,000
2013 (2)	10,230,000	9,865,000
2013 (1)(3)	6,255,000	6,255,000
2014 (2)	23,340,000	23,340,000 *
2014 (1)(3)	14,635,000	14,635,000 *
	$ 188,150,000	$ 150,245,000

* Includes a portion of the Obligations and excludes the Refunded Obligations.
(1) Represents refunding bonds.
(2) Certificates of Obligation supported in whole or in part by Utility System revenues.
(3) General Obligation Improvement Bonds supported in part by the Utility System revenues.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

LEGAL INVESTMENTS

Under State law, the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted, at least annually, by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; provided, however, that the City is not authorized to invest in the aggregate more than 15% of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in such no-load mutual funds, and (13) for bond proceeds, guaranteed investment contracts that have a defined termination date, are secured by obligations of the United States or its agencies and instrumentalities in an amount equal to the amount invested under the contract, and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City is also authorized to invest its funds through an eligible investment pool if the governing body of the City by rule, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. To be eligible to receive funds from and invest funds on behalf of the City, an investment pool must furnish to the investment officer or other authorized representative of the City an offering circular or other similar disclosure instrument that contains, at a minimum, the following information: (1) the types of investments in which money is allowed to be invested; (2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool; (3) the maximum stated maturity date any investment security within the portfolio has; (4) the objectives of the pool; (5) the size of the pool; (6) the names of the members of the advisory board of the pool and the dates their terms expire; (7) the custodian bank that will safekeep the pool's assets; (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation; (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment; (10) the name and address of the independent auditor of the pool; (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City will submit an investment report detailing (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value and ending market value for each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Assistant City Manager and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (9) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Under Texas law, the City may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance or resolution. The City has not contracted with, and has no present intention of contracting with, any such investment management firm or the State Securities Board to provide such services.

CITY'S INVESTMENT POLICY

The Assistant City Manager or his designee will promptly cause all City funds to be deposited with the bank depository and invested in accordance with the provisions of the current Bank Depository Agreement or in any negotiable instrument that the City Council has authorized under the provisions of the PFIA, as amended, and in accordance with the City Council approved Investment Policies.

At the end of each fiscal year, a report on investment performance will be provided to the City Council. In conjunction with the quarterly financial report, the Assistant City Manager or his designee will prepare and provide a written recapitulation of the City's investment portfolio to the Council, detailing each City investment instrument with its rate of return and maturity date.

The City's adopted investment policy permits the City to invest its funds and funds under its control in all of the enumerated investments authorized by the PFIA.

TABLE 20 - CURRENT INVESTMENTS

As of June 30 2014, the City's investable funds were invested in the following categories:

Investment Type	Book Value	Market Value
Cash	$ 37,162,138	$ 37,162,138
Certificate Of Deposit	15,057,861	15,057,861
Local Government Investment Pool	29,336,892	29,336,892
Money Market	30,533,100	30,533,100
	$ 112,089,991	$ 112,089,991

TAX MATTERS

OPINION

On the date of initial delivery of each series of the Obligations, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Obligations for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Obligations will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations. See Appendix C - FORMS OF OPINIONS OF BOND COUNSEL.

In rendering its opinions, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate, (b) the Verification Report prepared by Grant Thornton LLP with respect to the refunding of the Refunded Obligations and (c) covenants of the City contained in the respective Ordinances authorizing each series of the Obligations relating to certain matters, including arbitrage and the use of the proceeds of the Obligations and the property financed or refinanced therewith. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds or Certificates, as the case may be, to become includable in gross income retroactively to their date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for interest on the Obligations to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Obligations to be included in gross income retroactively to the date of issuance of the Obligations. The opinions of Bond Counsel are rendered in reliance upon the compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Obligations.

Bond Counsel's opinions are not a guarantee of a result, but represent its legal judgment based upon its review of Existing Law and reliance on the aforementioned information, representations and covenants. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Obligations.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Obligations or the property financed or refinanced with proceeds of the Obligations. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Obligation holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The initial public offering price to be paid for one or more maturities of the Obligations is less than the principal amount thereof or one or more periods for the payment of interest on the Obligations may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Obligations"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Obligation in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Obligation was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Obligation is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period within each accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Obligation for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Obligation.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Obligations which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Obligations should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE OBLIGATIONS.

Interest on the Obligations will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Obligations, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Obligations, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Obligations under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

FUTURE AND PROPOSED LEGISLATION

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under federal or state law, and could affect the market price or marketability of the Obligations. Any of the foregoing could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any of the foregoing becoming effective cannot be predicted. Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of each series of Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available at no cost on the Electronic Municipal Market Access of the MSRB, with the web address www.emma.msrb.org ("EMMA").

ANNUAL REPORTS

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6, 8 through 20 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year ending in and after the City's 2013-14 fiscal year. The City will provide the updated information to the MSRB through EMMA in accordance with Rule 15c2-12 (the "Rule") promulgated by the United States Securities and Exchange Commission (the "SEC").

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide notice that the audited financial statements are not available and provide unaudited financial information of the type found in the numbered tables described in the preceding paragraph and unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. The term "unaudited financial statements" in the preceding sentence means the following tables that appear under the section "Basic Financial Statements" in Appendix B: Balance Sheet – Governmental Funds; Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds; Statement of Net Position – Proprietary Funds; Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds. Any financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any suchactions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional paying agent or the change of name of a paying agent, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports". For these purposes, any event described in clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

The City will provide each notice described in the previous paragraph to the MSRB through EMMA, in accordance with the Rule.

LIMITATIONS AND AMENDMENTS

The City has agreed to update information and to provide notices of specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

In connection with prior transactions, the City has entered into undertakings pursuant to which it agreed to provide certain updated financial information and operating data within six months of the end of the City's fiscal year along with notices of specified material events at required times. In addition, the City previously agreed to provide audited financial statements within six months of the end of the City's fiscal year if audited financial statements were available by such time. If audited financial statements were not available, the City agreed to provide unaudited financial statements for the applicable fiscal year.

During the previous five years, the City filed certain updated financial information and operating data in the form of tables (the "Tables") identified in the official statements for each respective debt issuances within six months (March 31) after the end of each fiscal year. The audited financial statements for the fiscal years ending September 30, 2009 and September 30, 2010 were filed on July 5, 2010 and May 26, 2011, respectively, which is more than six months after the end of the fiscal year. In each instance, the City filed Tables that contained certain unaudited financial statement information that was similar to the type included in the audited financial information within six months of the end of the applicable fiscal year.

OTHER INFORMATION

RATINGS

The Obligations and presently outstanding tax supported debt of the City are rated "Aa2" by Moody's and "AA+" by S&P, without regard to credit enhancement. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

The City is a party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the city with respect to the various proceedings. The City's management believes that the ultimate outcome of the various lawsuits will not have a material adverse effect on the City's financial position.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations must not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA requires that the Obligations be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL OPINIONS

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Obligations and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P. has reviewed the information under the captions "PLAN OF FINANCING" (except for the subsection "SOURCES AND USES OF PROCEEDS"), "THE OBLIGATIONS," "TAX MATTERS," "OTHER INFORMATION – LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE," "OTHER INFORMATION – LEGAL OPINIONS," and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "COMPLIANCE WITH PRIOR UNDERTAKINGS", as to which no opinion is expressed) in the Official Statement to determine whether such information fairly summarized matters of law and the provisions of the documents referred to therein, and Bond Counsel is of the opinion that the information relating to the Obligations and the Ordinances contained under such captions is a fair and accurate summary of the information purported to be shown. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System. In connection with the transactions described in the Official Statement, Bond Counsel represents only the City. Bond Counsel has represented the underwriters on separate unrelated matters, which does not impact Bond Counsel's representation of the City in the matter. Certain legal matters will be passed upon for the Underwriters by Bracewell & Giuliani LLP, Houston, Texas. The legal fees to be paid to Underwriters' Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations.

The various legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinions of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by First Southwest Company on behalf of the City relating to (a) computation of forecasted receipts of principal and interest on the Federal Securities and the forecasted payments of principal and interest to redeem the Refunded Obligations and (b) computation of the yields of the Bonds and the restricted Federal Securities were verified by Grant Thornton, LLP, certified public accountants. Such computations were based solely on assumptions and information supplied by First Southwest Company on behalf of the City. Grant Thornton, LLP has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

UNDERWRITERS

Raymond James and Associates, Inc., as representative for the underwriters, BOSC, Inc., RBC Capital Markets, LLC and Robert W. Baird & Co., (the "Underwriters"), have agreed, subject to certain customary conditions precedent to closing, to purchase the Bonds from the City. The purchase price for the Bonds is $39,821,761.38 (representing the par amount of the Bonds, plus a premium of $4,082,881.75 and less an underwriters' discount of $126,120.37). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters, have agreed, subject to certain customary conditions precedent to closing, to purchase the Certificates from the City. The purchase price for the Certificates is $38,998,137.41 (representing the par amount of the Certificates, plus a premium of $5,125,504.95 and less an underwriters' discount of $132,367.54). The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

One of the Underwriters is BOSC, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

MISCELLANEOUS

The Ordinances authorizing the issuance of the Obligations will also approve the form and content of this Official Statement, and any addenda or amendment thereto, and authorize its further use in the reoffering of the Obligations by the Underwriters.

/s/ Nancy Berry
Mayor
City of College Station, Texas

ATTEST:

/s/ Sherry Mashburn
City Secretary
City of College Station, Texas

Schedule I

SCHEDULE OF REFUNDED OBLIGATIONS

General Obligation Debt

Certificates of Obligation, Series 2006

Maturity February 15	Interest Rate	Par Amount to be Refunded	Call Date	Call Price
2016	4.375%	$ 435,000	2/15/2015	100.00
2017	4.375%	325,000	2/15/2015	100.00
2018	4.375%	345,000	2/15/2015	100.00
2019	4.500%	365,000	2/15/2015	100.00
2020	4.500%	385,000	2/15/2015	100.00
2021	4.500%	405,000	2/15/2015	100.00
2022	4.500%	430,000	2/15/2015	100.00
2023	4.625%	450,000	2/15/2015	100.00
2024	4.625%	480,000	2/15/2015	100.00
2025	4.750%	505,000	2/15/2015	100.00
2026	4.750%	535,000	2/15/2015	100.00
		$ 4,660,000		

General Obligation Improvement Bonds, Series 2006

Maturity February 15	Interest Rate	Par Amount to be Refunded	Call Date	Call Price
2016	4.375%	$ 315,000	2/15/2015	100.00
2017	4.375%	330,000	2/15/2015	100.00
2018	4.375%	350,000	2/15/2015	100.00
2019	4.500%	370,000	2/15/2015	100.00
2020	4.500%	390,000	2/15/2015	100.00
2021	4.500%	410,000	2/15/2015	100.00
2022	4.500%	435,000	2/15/2015	100.00
2023	4.625%	460,000	2/15/2015	100.00
2024	4.625%	485,000	2/15/2015	100.00
2025	4.750%	515,000	2/15/2015	100.00
2026	4.750%	540,000	2/15/2015	100.00
		$ 4,600,000		

Utility System Revenue Debt

Utility System Revenue Refunding Bonds, Series 2005A

Maturity February 1	Interest Rate	Par Amount to be Refunded	Call Date	Call Price
2015	5.250%	$ 1,405,000	9/18/2014	100.00
2016	5.000%	1,465,000	9/18/2014	100.00
2017	5.000%	1,290,000	9/18/2014	100.00
2018	4.000%	670,000	9/18/2014	100.00
		$ 4,830,000		

Utility System Revenue Bonds, Series 2006

Maturity February 1	Interest Rate	Par Amount to be Refunded	Call Date	Call Price
2016	4.375%	$ 785,000	2/1/2015	100.00
2017	4.375%	830,000	2/1/2015	100.00
2018	4.500%	875,000	2/1/2015	100.00
2019	4.500%	925,000	2/1/2015	100.00
2020	4.500%	975,000	2/1/2015	100.00
2021	4.500%	1,035,000	2/1/2015	100.00
2022	4.500%	1,090,000	2/1/2015	100.00
2023	4.625%	1,155,000	2/1/2015	100.00
2024	4.625%	1,220,000	2/1/2015	100.00
2025	4.750%	1,285,000	2/1/2015	100.00
2026	4.750%	1,360,000	2/1/2015	100.00
		$ 11,535,000		

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City, located in Brazos County, is situated in the middle of a triangle bounded by Dallas/Fort Worth, Houston, and San Antonio/Austin. Approximately 80% of the Texas population is located within a 200 mile radius of the City. In addition to being a residential community for faculty, students and other personnel of Texas A&M University, the City also serves as a regional manufacturing, retail and health care hub.

The City was incorporated in 1938 and has a Council-City Manager form of government with City employees totaling 902 currently.

The City adopted and enforces comprehensive zoning and building restrictions aimed at assuring orderly growth and development. The City's ordinances require all subdividers, at their own expense and without provision for refund, to install streets and water and wastewater lines in any planned subdivision. These facilities are constructed under the City's specifications and inspection and when completed are deeded to the City free and clear. All areas within the City are now adequately served with water, wastewater and electric service.

In March 2013 Forbes magazine named College Station one of the nation's 25 best places to retire. College-town cultural amenities, low cost of living, median home price, warm climate and low crime rate help land the City on Forbes list.

CITY OWNED FACILITIES

The City owns many facilities including, streets, utilities, parks, public buildings, and other infrastructures. Approximately 482 miles of streets (99%) within the City are hard surface. The City has a complete water distribution, wastewater collection and treatment system with 739 miles of wastewater and water lines. The City owns the electrical distribution system with approximately 458 miles of distribution lines, and purchases its electricity from American Electric Power.

The City has a fully equipped police department with 132 full time police officers and 62 support personnel. The department has 36 police patrol cars and one holding facility with a capacity of 17. The fire department consists of 135 full time fire fighters and 7 support personnel. There are six stations and a total of 8 engines, 6 ambulances, 2 command vehicles, 1 rescue truck, 2 ladder trucks, 1 tanker truck, and 1 grass fire truck. Fire Station #6 opened in December 2012.

EDUCATIONAL FACILITIES

The College Station Independent School District (the "School District") is a fully accredited system offering 15 educational campuses for pre-kindergarten through high school. The School District has a student enrollment in excess of 11,000 and employs over 1,500 people. The School District opened a second high school, College Station High School, in August 2012 and a ninth elementary school will open in August of 2015. The School District's facilities are also used by Blinn College, a community college offering two years of college level courses.

Texas A&M University provides higher educational facilities, offering both four year college programs and graduate degree programs.

HEALTH CARE

The College Station Medical Center "The MED" is located on 25 acres within the City. The 200,000 square foot facility is a full care hospital containing 167 beds and employing more than 650 people. The MED recently completed a $23 million hospital expansion. The MED is a Trauma Level III facility, Cycle III accredited Chest Pain Center, Certified Primary Stroke Center and was the region's first Sleep Center to be accredited by the American Academy of Sleep Medicine. The Med partnered with Areofit to open a fitness center that provides a way to create new and creative approaches to wellness. The facility which opened in April 2014, offers outpatient therapy, health and wellness facilities and rehab services.

In April 2014, Strategic Behavioral Health, LLC opened a 72-bed, acute psychiatric hospital in College Station. The hospital provides a structured, therapeutic and safe environment for children, adolescents, adults and seniors who require acute care for their psychiatric or behavioral challenges.

On March 30, 2011, Baylor Scott and White broke ground on a 403,000 square foot, 5-story 143 bed hospital. The hospital opened in August 2013. Baylor Scott and White Hospital-College Station will house an emergency department, cardiac services including cath labs, neonatal intensive care unit, comprehensive cancer services, operating rooms, maternity services suites, endoscopic procedure suites, intra operative robotics and other specialty services, all supported by a pharmacy, comprehensive state-of-the-art imaging technology and other diagnostic capabilities

Other area health care providers include: St. Joseph Regional Health Care Center, Baylor Scott and White Clinic, and The Physicians Centre.

TRANSPORTATION

U.S. Highway 190/State Highway 21 links the City to Interstate 45 which is located approximately 35 miles to the east. State Highway 21 via U.S. Highway 290 also links the City to Austin, located approximately 110 miles to the west. State Highway 6 links the City to Waco (100 miles) and Interstate 35 to the north and Houston (90 miles) to the south. Also, State Highway 30 links the City to Huntsville (45 miles) and Interstate 45 to the east.

Airlines	Commercial, corporate and private airport facilities are provided by Easterwood Airport, which is located on the City's west side and is owned and operated by Texas A&M University. American Eagle Airlines provides daily flights to and from Dallas-Fort Worth Airport out of Easterwood. United Airlines provides daily flights to and from Houston Bush Intercontinental Airport out of Easterwood.
	Coulter Field is located north of the City of Bryan and provides a 4,000 foot lighted runway. Coulter Field offers all types of services for the private aircraft.
Bus Lines	Two bus lines serve the City with daily service connecting the City with Houston and Dallas.
Railroads	Rail freight service is provided by the Union Pacific Railroad. Union Pacific Railroad operates a main freight line from Houston through Bryan-College Station to Dallas-Fort Worth and beyond.

RECREATION

The College Station park system presently includes 55 parks encompassing 1,337.39 acres, including a 515 acre wilderness park, and a 150-acre regional athletic park. Collectively, these parks contain 66 playgrounds, 31 soccer fields, 26 basketball courts, 36 softball/baseball backstops, 14 tennis courts, 3 swimming pools, a spray park, a skate park, a gymnasium, an outdoor amphitheater with a green room and plaza area, 1 festival site and a number of picnic shelters and 7 picnic pavilions. The Parks and Recreation Department sponsors a variety of organized athletic and aquatic programs as well as many special events throughout the year.

POPULATION

	Official U.S. Census[1]				
	1970	1980	1990	2000	2010
City of College Station	17,676	37,272	52,456	67,890	93,857
Brazos County	57,978	93,588	121,862	152,415	194,851

(1) U.S. Census Bureau, American Community Survey

ECONOMIC BACKGROUND

Texas A&M University and System

The City of College Station's major asset is being 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 over $1.77 billion dollars annually to the local economy. TAMU has consistently ranked in the top 20 nationally among public institutions of higher education in both enrollment and research grants. TAMU's faculty-research members conduct an estimated $802 million worth of sponsored research projects each year, raking them in the top tier universities nationwide. In 2012, U.S. News and World Report ranked Texas A&M second in the nation among public universities in the "great school, great prices" category. Kiplinger's 2013 "best value" ranks Texas A&M 1st in Texas and 18th among the nation's top public colleges.

Texas A&M ranks as the nation's fifth largest university in enrollment, more than 53,000 students. Texas A&M ranks as one of the nation's top 10 university for National Merit Scholars having over 400 National Merit Scholars enrolled. TAMU and its System, combined with its system agencies, employ more than 27,000 full-time and part-time staff.

George Bush Presidential Library and Museum

The City is the site of the George Bush Presidential Library and Museum, located on the campus of Texas A&M University. Texas A&M provides programs and facilities such as research and instructional programs related to the library and museum, a conference center, communications center, educational museum/library center, and family-oriented facilities such as a park surrounding the presidential library and museum. The Presidential Library and Museum is also part of the George Bush Presidential Library Center which is home to the prestigious Bush School of Government and Public Service.

One Health Plus Biocorridor

College Station entered into an interlocal agreement for the One Health Plus Biocorridor with the City of Bryan. The 3,500 acre Biocorridor will be an international destination for education, research, development, commercialization and production of innovative technologies to improve global health. In March 2013, Texas A&M University announced a partnership with pharmaceutical giant GlaxoSmithKline to create $91 million influenza-manufacturing facility. The facility is expected to bring 7,000 jobs to the area.

Medical District

The City recently amended its Comprehensive Plan to include the College Station Medical District Master Plan. The Master Plan establishes guiding principles for the development of approximately 1,700 acres in south College Station to accommodate medical facilities, walkable village centers, commercial space, and a variety of residential unit types, all in close proximity to parks, open space, and trails. To ensure the long-term success of the District, the City has created two Tax Increment Reinvestment Zones to help fund the necessary infrastructure. The City is also in the process of establishing 2 Municipal Management Districts to be used as a tool for development of these areas as well.

Athletics

Athletics is an integral part of College Station. Texas A&M University, along with the City, hosts a multitude of athletic events. Texas A&M University is the home of Kyle Field, Reed Arena, Olsen Field at Bluebell Park, Aggie Softball Complex, George P. Mitchell Tennis Center and Gilliam Indoor Track Stadium. Several of Texas A&M teams have won both conference and national titles over the past five years which has positioned the University to host regional payoffs as well as national championship games. In the Fall of 2012, Texas A&M began playing in the Southeastern Conference. Texas A&M's move to the SEC has proved positive for the City. At the end of the 2013 football season, the University began a $450 million renovation to Kyle Field making it the largest college stadium in the SEC and Texas with a seating capacity of 102,500. The first phase of the renovations will be completed prior to the 2014 football season. The entire renovation will be completed prior to the 2015 football season.

The City's sport complex's as well as the ease to get around makes College Station attractive to several organizations. Over the past several years, the Amateur Softball Association and the Texas Amateur Athletic Federation have chosen College Station to host state tournaments and events. In addition, the City facilitates two major softball tournaments, a soccer tournament, a 7 on 7 flag football tournament and baseball tournaments throughout the year. The City has added 2 additional synthetic athletic fields at Veterans Park and Athletic Complex. This is anticipated to allow additional tournaments to be held in this area.

MAJOR AREA EMPLOYERS

Firm Name	Product	Number of Employees
Texas A&M University and System	Education/Research	18,000+
Bryan ISD	Education	1000+
St. Joseph's Regional Hospital	Health Service	1000+
Baylor Scott & White Clinic	Health Service	1000+
Sanderson Farms, Inc.	Poultry Processing	1000+
College Station ISD	Education	1000+
Reynolds & Reynolds	Computer Hardware and Software	1000+
City of College Station	Government	500-999
Brazos County	Government	500-999
City of Bryan	Government	500-999
Wal-Mart/Sam's	Retail	500-999
HEB Grocery	Retail	500-999
College Station Medical Center	Health Service	500-999
Kent Moore Cabinets	Cabinets	400+
Blinn College - Bryan Campus	Education	400+

Source: Research Valley Partnership

Employment is provided by a variety of high growth industries located in, or adjacent to, the City which include ambulatory health care services; professional, scientific, and technical services; specialty trade contractors; food manufacturing; administrative and support services as identified in the Local Employment Dynamics data. Additionally College Station is also home to the 350 acre Research Park, located on the Texas A&M University campus, which houses 30 public-private tenants including the Research Valley Partnership, Schlumberger, Texas A&M Transportation Institute, and Offshore Technology Research Center. The City also developed the 200-acre, Class "A" Business Center at College Station (BCCS), tenants of which include Reynolds and Reynolds Cognizant Technology Solution, Suddenlink Media, Stata Corporation, Heat Transfer Research, Inc. (HTRI), and the Texas A&M University System. In addition, the City has worked to develop a new Science Park at Research Valley, which currently houses Lynntech, Inc. and RBC Technologies.

LABOR STATISTICS

College Station

Year	Labor Force	Total Employment	Unemployment	Rate
2007	41,082	39,507	1,575	3.8%
2008	43,687	41,844	1,843	4.2%
2009	45,998	43,566	2,432	5.3%
2010	47,301	44,488	2,813	5.9%
2011	47,972	44,939	3,033	6.3%
2012	47,092	44,328	2,764	5.9%
2013	47,557	45,087	2,470	5.2%
2014 (1)	51,078	49,062	2,016	3.9%

Brazos County

Year	Labor Force	Total Employment	Unemployment	Rate
2007	88,010	84,788	3,222	3.7%
2008	91,440	87,805	3,635	4.0%
2009	96,669	91,418	5,251	5.4%
2010	99,119	93,101	6,018	6.1%
2011	100,643	94,245	6,398	6.4%
2012	98,755	92,963	5,792	5.9%
2013	99,812	94,610	5,202	5.2%
2014 (1)	105,844	101,653	4,191	4.0%

Source: Texas Workforce Commission.
(1) As of May 31, 2014

BUILDING PERMITS

College Station has grown rapidly over the past 30 years as evidenced by an increase in population from 37,272 in 1980 to 93,857 in 2010. As of 2014, the estimated population of College Station was 100,394. The following table sets forth the number and value of construction permits issued by the City over the past several years.

Calendar Year	Residential Construction Number of Permits	Residential Construction Value	Commercial Construction Number of Permits	Commercial Construction Value	Total Number of Permits	Total Value
2007	990	$ 161,466,990	413	$ 74,683,795	1,403	$ 236,150,785
2008	1,131	164,494,779	346	154,313,994	1,477	318,808,773
2009	792	82,316,558	243	46,947,099	1,035	129,263,657
2010	860	93,158,066	309	162,053,510	1,169	255,211,576
2011	971	124,132,135	359	123,779,052	1,330	247,911,187
2012	1,208	149,737,218	325	67,478,910	1,533	217,216,128
2013	1,030	145,142,757	333	67,516,132	1,363	212,658,889

Source: The City.

COUNTY CHARACTERISTICS

Brazos County was created in 1841 from Robertson and Washington Counties. The economy is diversified primarily by agribusiness, computer manufacturing, research and development, and education. The Texas Almanac designates cattle, hogs, sorghums, corn, cotton, wheat, oats and pecans as the principal sources of agricultural income.

The County had a 2010 population of 194,851, an increase of 27.8% since 2000. Minerals produced in the County include sand and gravel, lignite, gas and oil.

<u>APPENDIX B</u>

EXCERPTS FROM THE

CITY OF COLLEGE STATION, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2013

The information contained in this Appendix consists of excerpts from the City of College Station, Texas Annual Financial Report for the Year Ended September 30, 2013, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

Ingram, Wallis & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council of
the City of College Station, Texas

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

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appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note IV.G. to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system information, other post employment benefits information and budgetary comparison information on pages 14–29 and 69–71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, 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 and related budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and related budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance. In accordance with OMB Circular A-133, we have also issued our report dated March 11, 2014 on compliance for each major program and on internal control over compliance. This report and the results of testing of internal control and compliance for each major program can be found in the Compliance and Single Audit Reports for the year ended September 30, 2013.

Ingram, Wallis & Company, P.C.

Bryan, Texas
March 11, 2014

CITY OF COLLEGE STATION

Home of Texas A&M University®

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, 2013. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent Fiscal year by $438,675,077 (net position). Of this amount $77,812,508 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by $16,824,965 during the fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $65,929,436 an increase of $3,187,007 when compared to the prior year.
- Approximately 22.2 percent of the combined governmental funds ending fund balance, or $14,626,901 are available for spending at the City's discretion (unassigned fund balance).
- The City's total amount of outstanding debt is $241,890,000 which is a net increase of $355,000 over last year. This increase is comprised of several factors: the issuance of general obligation improvement bonds and certificates of obligation for new projects; refunding of general obligation improvement bonds, certificates of obligation, and utility revenue bonds; and retirement of general obligation improvement bonds, certificates of obligation and utility revenue bonds. Details can be found in the notes to the financial statements.

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.

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:

Relationship Between Comprehensive Annual Financial Report (CAFR) and Basic Financial Statements and Required Supplementary Information (RSI)

Introductory Section

General information on the government structure, services, and environment
Page 1-10

Financial Section

Basic Financial Statements And RSI

Management's Discussion and Analysis
Pages 14-29

Government-Wide Financial Statements
Pages 30-31

Governmental Fund Financial Statements
Pages 32-35

Proprietary Fund Financial Statements
Pages 36-38

Notes to the Financial Statements
Pages 39-68

Additional Required Supplementary Information
Pages 69-71

Information on individual funds and other supplementary information not required by GAAP
Pages 72-108

Statistical Section

Trend Data and Non-financial Data
Pages 110-135

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 position** presents information on all of the City's assets and liabilities, and deferred inflows/outflows of resources with the differences reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, fiscal services, police, information technology, planning and development, fire, municipal services, streets, drainage, traffic, park and recreation, and citizen and neighborhood resources. The business-type activities of the City include electric, water, wastewater, sanitation, and the Northgate parking garage. The government-wide financial statements can be found on pages 30-31.

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 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.

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 Projects Fund, all of 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 nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 32-35.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, Special Revenue Funds, and Capital Projects Funds. A budgetary comparison statement has been provided for the General Fund, Debt Service Fund, Special Revenue Funds and Capital Projects 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, wastewater, sanitation, and parking activities of the City. The Electric, Water, and Wastewater funds are considered to be major funds of the City, while the remaining funds (Sanitation and Northgate Parking Garage) are presented in aggregate as nonmajor enterprise funds. Individual fund data for the nonmajor 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 fleet maintenance and utility customer services. It also uses internal service funds to account for equipment replacement; employee benefits; and unemployment, workers' compensation, and property and casualty insurance. All of these services benefit both the governmental activities and the business-type activities and have been split between governmental activities and 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 36-38.

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. The notes to the financial statements can be found on pages 39-68.

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

Combining Statements
The combining statements referred to earlier in connection with the nonmajor governmental funds, the nonmajor enterprise funds, and the internal service funds are found on pages 73-108.

GOVERNMENT-WIDE FINANCIAL ANYALYSIS
As noted earlier, net position may serve as a useful indicator of government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $438,675,077 at the close of the most recent fiscal year. The largest portion of the City's net position (78.1 percent) reflects its investment of $342,529,731 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 Position	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	$ 92,398,592	$ 86,482,799	$ 88,070,772	$ 85,818,899	$ 180,469,364	$ 172,301,698
Capital assets	242,046,195	238,028,556	319,523,837	305,406,104	561,570,032	543,434,660
Total assets	334,444,787	324,511,355	407,594,609	391,225,003	742,039,396	715,736,358
Total deferred outflow of resources	1,430,043	-	1,733,009	-	3,163,052	-
Liabilities						
Long-term liabilities outstanding	105,277,452	102,751,989	142,438,144	140,098,230	247,715,596	242,850,219
Other liabilities	19,666,305	19,211,970	39,145,470	31,824,059	58,811,775	51,036,029
Total liabilities	124,943,757	121,963,959	181,583,614	171,922,289	306,527,371	293,886,248
Net Position						
Invested in capital assets, net of related debt	153,214,549	149,875,513	189,315,182	179,123,899	342,529,731	328,999,412
Restricted	16,751,846	13,606,487	1,580,992	1,580,992	18,332,838	15,187,479
Unrestricted	40,964,678	39,065,396	36,847,830	38,597,823	77,812,508	77,663,219
Total net position	$ 210,931,073	$ 202,547,396	$ 227,744,004	$ 219,302,714	$ 438,675,077	$ 421,850,110

An additional portion of the City's net position, $18,332,838 (4.2 percent) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, $77,812,508 (17.8 percent) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City was able to report positive balances in all three categories of net position, 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. The City's net position increased by $16,506,701 as a result of fiscal year 2013 operations, as compared to the increase of $14,510,522 for fiscal year 2012 operations. The year over year difference is mostly attributable to increases in sales and mixed beverage taxes.

The following table provides a summary of the City's operations for the year ended September 30, 2013 and highlights key elements of the change in the City's net position:

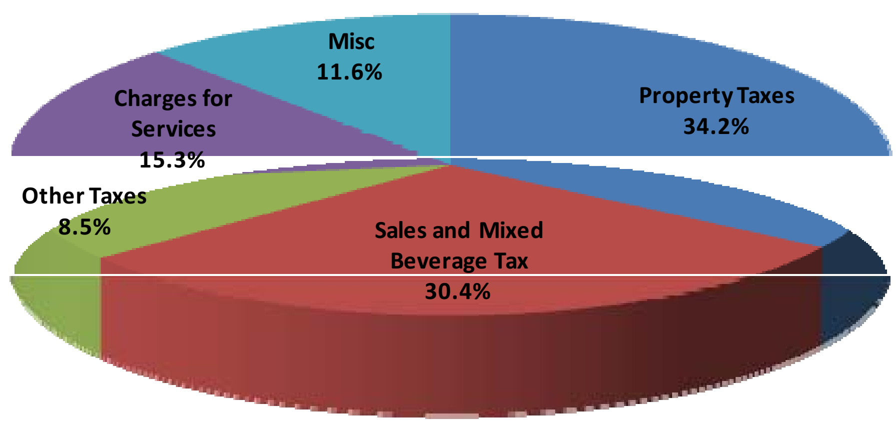
Changes in Net Position:	Governmental Activities		Business-Type Activities		Total	
Revenues	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	$ 11,869,339	$ 12,288,801	$ 134,519,144	$134,113,489	$ 146,388,483	$ 146,402,290
Operating grants and contributions	1,753,970	2,766,187	982	9,718	1,754,952	2,775,905
Capital grants and contributions	7,016,449	4,216,095	5,345,176	6,890,916	12,361,625	11,107,011
General revenues:						
Property taxes	26,451,943	24,978,388	-	-	26,451,943	24,978,388
Sales and mixed beverage taxes	23,506,772	21,878,057	-	-	23,506,772	21,878,057
Other taxes	6,602,958	5,815,164	-	-	6,602,958	5,815,164
Interest and investment income	252,308	283,648	174,170	316,035	426,478	599,683
Total revenues	77,453,739	72,226,340	140,039,472	141,330,158	217,493,211	213,556,498
Expenses						
General government	9,167,476	8,348,922	-	-	9,167,476	8,348,922
Fiscal services	3,263,269	3,313,726	-	-	3,263,269	3,313,726
Police	16,831,233	16,696,975	-	-	16,831,233	16,696,975
Fire	13,748,434	13,706,222	-	-	13,748,434	13,706,222
Planning & development svcs	4,334,608	4,912,517	-	-	4,334,608	4,912,517
Public w orks	15,371,773	13,717,564	-	-	15,371,773	13,717,564
Capital projects	733,974	819,296	-	-	733,974	819,296
Parks & recreation	8,983,919	9,638,581	-	-	8,983,919	9,638,581
Library	1,064,293	1,142,580	-	-	1,064,293	1,142,580
Information technology	4,565,385	4,268,524	-	-	4,565,385	4,268,524
Interest on long term debt	2,949,240	3,273,938	-	-	2,949,240	3,273,938
Unallocated depreciation	1,146,119	1,149,609	-	-	1,146,119	1,149,609
Electric utility	-	-	88,438,115	87,221,859	88,438,115	87,221,859
Water utility	-	-	11,662,862	11,132,787	11,662,862	11,132,787
Wastew ater utility	-	-	11,370,918	10,952,853	11,370,918	10,952,853
Sanitation services	-	-	6,301,053	7,825,491	6,301,053	7,825,491
Parking operations	-	-	1,053,839	924,532	1,053,839	924,532
Total expenses	82,159,723	80,988,454	118,826,787	118,057,522	200,986,510	199,045,976
Incr (Decr) in net position before transfers	(4,705,984)	(8,762,114)	21,212,685	23,272,636	16,506,701	14,510,522
Transfers net	12,039,798	12,502,186	(12,039,798)	(12,502,186)	-	-
Increase in net position	7,333,814	3,740,072	9,172,887	10,770,450	16,506,701	14,510,522
Net position at beginning of year	202,547,398	198,807,326	219,302,714	211,861,677	421,850,112	410,669,003
Prior period adjustment	1,049,861	-	(731,597)	(3,329,413)	318,264	(3,329,413)
Net position at end of year	$210,931,073	$202,547,398	$ 227,744,004	$219,302,714	$438,675,077	$ 421,850,112

Governmental Activities: Governmental activities increased the City of College Station's net position by $7,333,814. Key elements of this net increase are as follows:

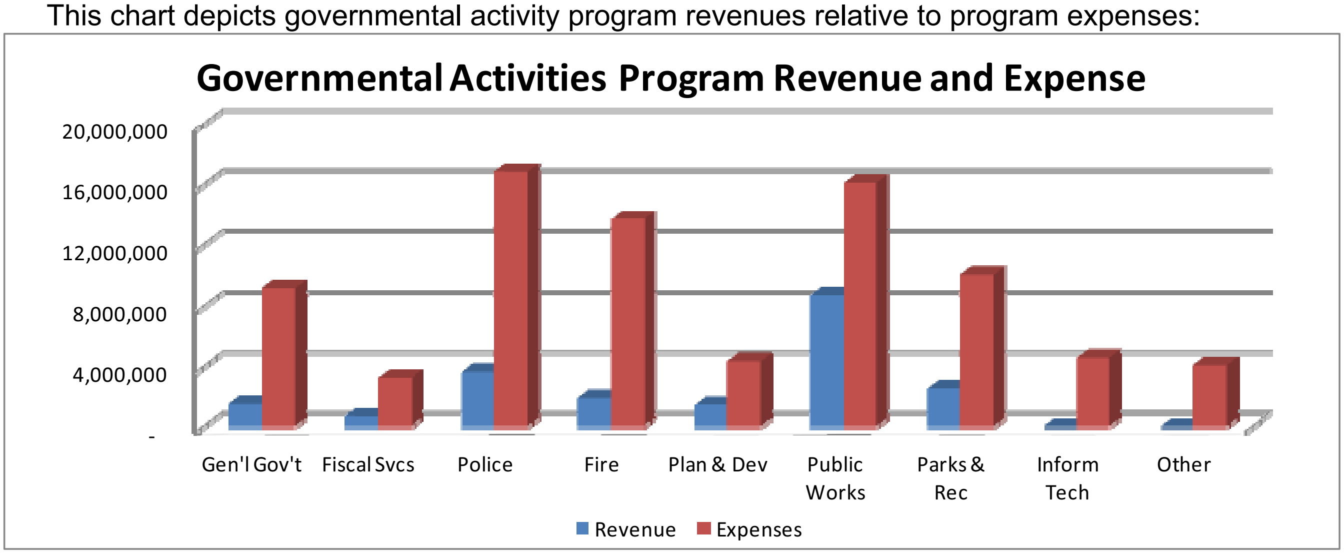
- Sales and mixed beverage taxes increased 7.4% over the prior year reflecting continued recovery in the local economy. All of the other governmental activity revenues increased 7.2 % over the prior year.
- Expenditures increased 1.5% over the prior year as a result of additional public safety funding in 2013.

The chart below illustrates the City's governmental activities revenues by source:

Governmental Activities Revenue By Source
$77,453,739



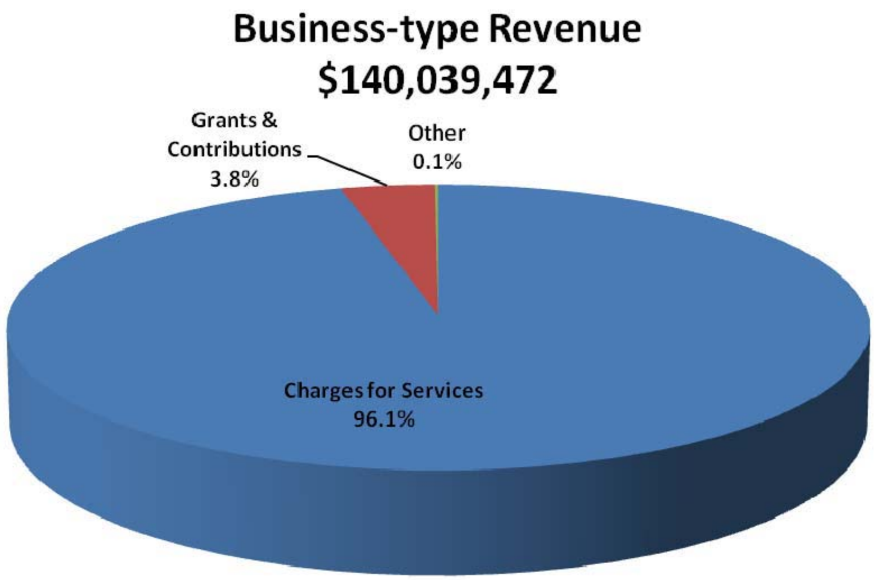
This chart depicts governmental activity program revenues relative to program expenses:



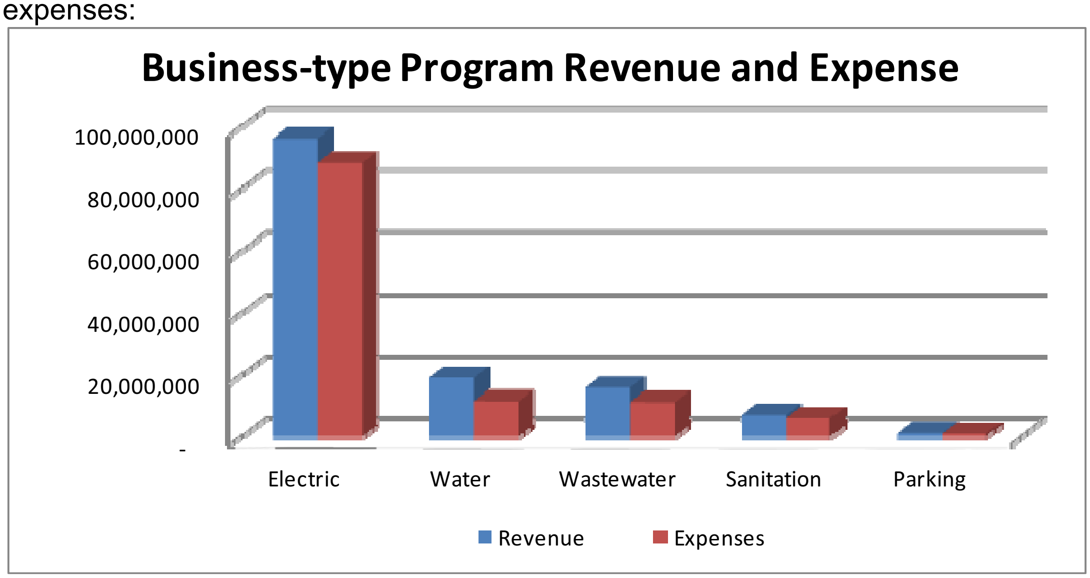
Business-type Activities: Business-type activities increased the City of College Station's net position by $9,172,887. Key elements of this increase are as follows:

- The net effect of the utility service charges and associated costs, $3,827,711, were comparable to the prior year.
- Capital infrastructure contributions from various developments throughout the City contributed $5,345,176 to the net position.

Revenues for the City's business-type activities are presented in the following chart:



Another chart depicts business-type activity program revenues relative to program expenses:



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted previously, 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, unassigned 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 major governmental funds reported by the City include the General Fund, Debt Service Fund, and Streets Projects Fund. Other governmental funds of the City are reported as nonmajor funds.

At of the end of the fiscal year 2013, the City's governmental funds reported combined ending fund balances of $65,929,436. Approximately 22.2 percent ($14,626,901) of this total amount constitutes unassigned 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:

Nonspendable	$ 6,727,238
Restricted	$ 39,594,226
Committed	$ 4,008,439
Assigned	$ 972,632

A detailed breakdown of the fund balance can be found in Note IV. I. Components of Fund Balances.

Revenues for governmental functions totaled $70,140,348 in fiscal year ended September 30, 2013, an increase of 1.3 percent or $892,099 from the fiscal year ended September 30, 2012. Expenditures for governmental functions totaling $88,444,236 decreased by approximately 3.4 percent or $3,138,596 from the fiscal year ended September 30, 2012. Other financing sources and uses (net) was $21,490,895. As a result, in fiscal year 2013, revenues for governmental functions exceeded expenditures by $3,187,007.

The General Fund is the chief operating fund of the City of College Station. At the end of the current fiscal year, the unassigned fund balance was $14,626,901 while the total fund balance was $15,925,532. The City's fiscal and budgetary policies require that the General Fund's fund balance be at least equal to 15 percent of budgeted expenditures, a percentage equal to 55 days of expenditures. The total fund balance is approximately 26.2 percent of fiscal year 2013 amended budgeted expenditures and exceeds the minimum requirement set by policy.

As a measure of fund's liquidity, it is useful to compare both unassigned and total fund balance to total fund actual expenditures. Unassigned fund balance represents 23.0 percent of total general fund expenditures, while total fund balance represents 25.1 percent of total general fund expenditures. The total fund balance for the general fund continues to meet and exceed the Fiscal and Budgetary Policy of having 15 percent of expenditures available in fund balance.
The General Fund's fund balance decreased by $567,162 during the current fiscal year due primarily to an increase in public safety expenditures for police and fire.

The Debt Service Fund ended the fiscal year with a fund balance of $3,433,255. This entire amount is reserved for the payment of debt service. The net decrease in fund balance during the current fiscal year was $369,188. This decrease is due to the refunding of bonds during fiscal year 2013 that will reduce future debt service needs. Revenues received during the year were enough to cover principal retirements and interest payments.

The Streets Projects Fund ended the fiscal year with a balance of $13,537,316. This entire amount is reserved for encumbrances related to current capital projects and for future capital projects. The net increase in fund balance during the current fiscal year was $1,422,394. This increase was attributable to bond proceeds that were issued during this fiscal year.

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 position of $227,744,004. Of this amount, 16.2 percent ($36,847,830) constitutes unrestricted net position. The remainder of net position for the proprietary funds, $190,896,174, is reported as follows:

- Invested in capital assets, net related debt ($189,315,182), and
- Restricted for debt service ($1,580,992).

Operating revenues for proprietary activities totaled $134,217,124 for the fiscal year, an increase of 0.7 percent or $959,377 from the previous fiscal year. Operating expenses increased $1,567,080 or 1.4 percent for the same period. Operating income was $22,280,412 for the fiscal year. The proprietary funds reported net non-operating expenses of $7,286,491 at the end of fiscal year 2013 as compared to net non-operating expenses of $7,189,802 in the previous fiscal year. Also, the Proprietary Funds reported a prior period adjustment of $731,597 (see Note IV.G) resulting in an overall increase of $8,441,290 in net position for fiscal year 2013.

Electric Fund
At the end of the fiscal year, the unrestricted net position for the Electric Fund totaled $5,657,640. 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, 2013, Electric Fund working capital equaled approximately 20.1 percent of annual operating expenses, as compared to 18.2 percent at September 30, 2012.

Electric Fund operating revenues decreased by 1.1 percent ($1,066,321) during fiscal year 2013, while operating expenses increased 1.0 percent ($870,587) during the same period. This resulted in operating income of $10,293,678. The operating income when combined with the net non-operating expenses, net capital contributions and transfers, and prior period adjustment of $301,740 (see Note IV.G) resulted in an increase in net position of $1,138,013 in the Electric Fund during the fiscal year.

Water Fund

Unrestricted net position for the Water Fund at September 30, 2013 totaled $7,369,987. Water Fund operating revenues increased by 3.7 percent ($556,110) during fiscal year 2013. Operating expenses of $8,997,123 increased 6.3 percent ($535,584) over fiscal year 2012. This resulted in operating income of $6,615,302. The operating income when combined with the net non-operating expenses, net capital contributions and transfers, and prior period adjustment (see Note IV.G) resulted in an increase in net position of $4,639,068 in the Water Fund during the fiscal year.

Wastewater Fund

The Wastewater Fund's unrestricted net position at the end of the fiscal year 2013 totaled $6,518,072. The Wastewater Fund ended the fiscal year with a working capital balance of $5,447,174 which was 43.7 percent lower than fiscal year 2012.

Operating revenues in Wastewater Fund were $14,412,025 or $1,185,664 (9.0 percent) increase over the previous fiscal year. Operating expenses increased from $9,550,503 to $9,867,309 or 3.3 percent while operating income increased by 23.6 percent from $3,675,858 to $4,544,716. The operating income when combined with the net non-operating expenses, net capital contributions and transfers, and prior period adjustment (see Note IV.G) resulted in an increase in net position of $2,011,036 in the Wastewater Fund during the fiscal year.

Budgetary Highlights

The final amended budget for fiscal year 2013 totaled $258,401,586 for all funds. Of this amount $216,877,859 (83.9 percent) was budgeted for operations and maintenance expenditures and $41,523,727 (16.1 percent) was budgeted for capital improvement projects.

In the General Fund the final amended budget showed a decrease in fund balance of $4,815,633. The actual change in fund balance was a decrease of $567,162. The following are some of the key factors in the change in fund balance:

- Revenues were higher than the estimate due to modest increases in sales tax revenues.
- Expenditures were overall lower due to reduced spending during the fiscal year.

Strategic planning is a driving force in the preparation of the City's budget. The City Council has identified the following areas of strategic priority:

- Good Governance
- Financially Sustainable City
- Providing Core Services and Infrastructure
- Neighborhood Integrity
- Diverse Growing Economy
- Improving Mobility
- Sustainable City

Budget resources were included in the fiscal year 2013 to address these priorities.

CAPITAL ASSETS
The City of College Station's investment in capital assets for its governmental and business-type activities as of September 30, 2013 amounted to $561,570,032 (net of accumulated depreciation). This investment in capital assets includes land, utility systems, building 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	$ 43,050,894	$ 690,750	$ 43,741,644
Utility systems	-	275,448,443	275,448,443
Buildings and building improvements	30,824,561	4,050,026	34,874,587
Improvements other than buildings	20,350,656	-	20,350,656
Machinery and equipment	11,877,226	2,342,863	14,220,089
Infrastructure	125,791,042	-	125,791,042
Construction in progress	10,151,816	36,991,755	47,143,571
	$242,046,195	$ 319,523,837	$561,570,032

Major capital projects completed by the City during the 2013 fiscal year include the following:

- Fire Station #6
- Electric – Underground duct system along Health Science Center Parkway
- Electric – Overhead feeder extension along Wallace Phillips Parkway and Greens Prairie Road
- Electric – Street light installations: Wellborn Road
- Traffic Signal at Harvey and Copperfield
- Wolf Pen Creek Festival Site
- Barron Road Widening Phase II
- University Drive Sidewalks
- College Main Rehabilitation
- Plantation Oaks Water Line
- South Knoll/The Glade Water and Wastewater Rehabilitation

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

Debt Administration
At the end of the 2013 fiscal year, the City of College Station had total debt outstanding of $241,890,000. Of this amount, $207,125,000 (85.6 percent) is comprised of debt backed by the full faith and credit of the City. Certificates of Obligation that fund business-type activities in the

Electric, Water, Wastewater and Northgate Parking Garage Funds are also backed by the surplus of revenue derived from each enterprise funds revenue source. The remaining debt $34,765,000 (14.4 percent), is revenue bonds secured by specified revenue sources from the City's combined utility system.

Year-End Outstanding Debt Payable

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	$ 79,710,000	$ 39,230,000	$ 118,940,000
Certificates of Obligation	17,160,000	71,025,000	88,185,000
Revenue Bonds	-	34,765,000	34,765,000
	$ 96,870,000	$ 145,020,000	$ 241,890,000

The City's total debt increased by $355,000 (0.2 percent) during the current fiscal year. The change in total debt was a result of the following:

- Issuance of $20,760,000 general obligation improvement bonds and refunding bonds.
- Refunding of $12,640,000 general obligation improvement bonds, certificates of obligation, and utility revenue bonds.
- Issuance of $10,230,000 in certificates of obligation, which funded business-type activities.
- Retirement of $14,440,000 in general obligation improvement bonds and certificates of obligation, and the retirement of $3,555,000 in utility revenue bonds.

The City's General Obligation and Certificates of Obligation have an underlying rating of AA by Standard & Poor's ("S&P") and Aa2 by Moody's Investors Service ("Moody's"). The underlying ratings for the City's revenue bonds are A+ by S&P and Aa2 by Moody's.

Additional information on the City's long-term debt can be found in Note IV.H to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic conditions were more positive than they have been in several years. Sales tax revenues growth has been stronger in the past year, and property values have increased as well. Growth has continued in the northern part of the City with construction taking place along the University Drive Corridor area. This includes the completion of a number of multi-family complexes and mixed use projects in the Northgate area, and ongoing construction of these projects. There also continues to be activity in the BioCorridor area. Growth also continues in the southern part of the City with the progress of new and expanded medical facilities including the opening of the Scott & White Hospital and associated medical building on Rock Prairie Road. There also continues to be retail development in the Tower Point area and other areas of the City. Two new Tax Reinvestment Zones have been established in the medical district area to help facilitate development in the district. Texas A&M University also continues to see significant growth and development. This includes the current redevelopment of Kyle Field, along with other initiatives including the long term increase in engineering students that has been announced.

The following are some key fiscal and economic indicators for College Station including:

- The total certified value of property in the City of College Station for 2013 is $5,944,312,987. This is an increase over last year of 3.6%. This increase was due in part to new property values from new construction of $197,336,049 added to the tax rolls. Existing property values increased by approximately 1.5% in 2013.
- Since 2009 taxable values have increased from approximately $3.3 billion to approximately $6.2 billion currently.
- Through August 2013 the local unemployment rate was 5.6%. This is below the state average of 6.3% and the national average of 7.3%.
- Sales and mixed drink beverage tax revenue, the largest revenue stream in the General Fund saw a healthy increase of 7.4% in fiscal year 2013.

Preparation of the fiscal year 2014 budget was again a challenging budget to prepare, but it reflects the policy and strategic direction of this City Council. The budget was prepared in a conservative manner, given the reductions and efficiency improvements over the last several years. One of the considerations made when deciding whether to add or increase a service to the budget was whether the item had been reduced in the last year or two. The budget was prepared to give a new City Manager as much flexibility as possible in the implementation of Council policy direction, while still addressing the ability to provide key services to the citizens and visitors of College Station.

Organizational Changes and Streamlining
From FY09 through FY13, significant organization restructuring was implemented that led to budget reductions each year and elimination of a number of positions. These reductions provided resources that were utilized for public safety priorities during this time. There are additional changes being implemented in FY14, the result of continued review of the organization's structure and services provided.

The organizational changes in fiscal year 2014 include the elimination of 6.5 budgeted Full-Time Equivalent (FTE) positions. Within the Parks and Recreation Department, the 3 positions responsible for the operations of the Conference Center were eliminated with the only impact on the FY14 budget being the FTE count. A part-time Community Development Project Specialist was included for FY13 only, and was removed in FY14. Also, as part of the City's continuing review of processes and cost savings, 3 positions were removed from the Cemetery operations, with the functions being outsourced with a current landscape service provider resulting in a net budget reduction of $52,217. All positions eliminated for fiscal year 2014 were vacant.

Selected Increased Service Levels
The following are some significant increases in service levels in the fiscal year 2014 budget.

Core Services and Infrastructure – Police Department – To address the growth of the community the approved budget for the Police Department includes 4 new positions. These include an additional School Resource Officer, a Patrol Sergeant, a Crime Scene Technician and a Detention Officer.

Core Services and Infrastructure – Fire Department – The opening of Fire Station #6 in recent years resulted in the growth of an additional 18 positions. The approved budget for the Fire Department includes an additional position for the start of a Safety Officer program. The Safety Officer program will help to ensure the Fire Department personnel are kept as safe as possible.

Core Services and Infrastructure - Public Works - Funds are approved in the Public Works budget for additional street rehabilitation, the replacement of facility roofs and building repairs that may be identified as part of the facility assessment review. The budget also includes an additional Facilities Maintenance Technician, and one Traffic Engineer position to assist the Traffic Division.

Core Services and Infrastructure – Parks and Recreation – Funds are included in the Parks and Recreation budget for the improvement in various Park facilities including: court resurfacing, playground equipment replacement and resurfacing, replacement of various park amenities, and repairs to pavilion facilities.

Neighborhood Integrity – Planning and Development Services - Funds are included in the budget for implementation of a portion of some of the neighborhood plans, as well as for the 5-year review of the comprehensive plan. In addition, a development of an Americans with Disabilities Act (ADA) transition plan and one part-time non-benefitted Code Enforcement Officer position was approved.

Tax Rate
The fiscal year 2014 budget was prepared using the effective tax rate of 42.5958 cents per $100 assessed valuation. This is a net decrease of 0.4729 cents from the fiscal year 2013 tax rate of 43.0687 cents. The fiscal year 2014 approved tax rate reduces the Debt Service portion of the tax rate by 0.2582, and reduces the General Fund portion of the tax rate by 0.2147 cents.

Utility Rates
The fiscal year 2014 budget does not include a rate increase in the Electric Fund, Water Fund, Wastewater Fund, Drainage Fund or residential sanitation rates. The budget includes a 15 percent rate increase in commercial rates in the Sanitation Fund. This rate increase is needed to provide the resources needed to provide Sanitation services to commercial customers. This is the first increase in commercial sanitation rates since 2006.

Capital Improvements
The fiscal year 2014 budget for capital improvements total $39,639,259. The City anticipates that capital project expenditures for general government, special revenue and utility capital projects will be significant. Infrastructure rehabilitation and improvement projects are also scheduled for fiscal year 2014. Projects underway include a number of street projects from 2008 bond authorizations, such as street rehabilitation and extension projects, facility projects and park projects. Some of the more significant upcoming capital projects are as follows:

- Cooner Street Rehabilitation
- Rock Prairie Road East Rehabilitation from Stonebrook Drive to W.D. Fitch Parkway
- Luther Street Rehabilitation
- Munson Street Rehabilitation
- Barron Road East

- University Drive Pedestrian Improvements
- Rock Prairie Road West Widening
- Lincoln Center Addition
- Library Expansion
- Eastgate Water and Wastewater Rehabilitation
- East Side FM 158 Sewer Line Project
- Royder/Live Oak Sewer Line Project
- Overhead Feeder up Wallace Phillips Parkway to Hwy 40
- Underground Feed from Northgate Substation to Church Street
- Second Transformer at Dowling Road Substation

The City plans to issue $7,415,000 in general obligation bonds from the 2008 authorization for the following: $4,100,000 for street and transportation improvements, $350,000 for traffic signals, $2,715,000 for parks and recreation projects and $250,000 for facility projects. The City also plans to issue $6,984,500 in certificates of obligations for the following: $4,330,000 for street and transportation improvements, and $2,654,500 for technology projects. The City also plans to issue $18,025,000 in long term debt for the following utility projects: $5,150,000 for electric capital projects, $5,525,000 for water capital projects and $7,350,000 for wastewater capital projects. In addition, a total of $6,850,000 in cash for the utility funds is projected to be used for capital projects in fiscal year 2014.

REQUEST 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: Assistant City Manager
PO Box 9960
College Station, Texas 77840-9960
Or visit our website at http://www.cstx.gov/cafr

CITY OF COLLEGE STATION, TEXAS
Statement of Net Position
September 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 73,453,563	$ 35,319,084	$ 108,772,647
Investments	9,620,245	4,666,293	14,286,538
Receivable (net of allow for uncollectible)	6,676,824	19,334,337	26,011,161
Inventories	6,803,514	1,857,187	8,660,701
Internal balance	(4,188,584)	4,188,584	-
Prepaids	20,334	-	20,334
Restricted assets			-
Cash and cash equivalents	11,214	5,085,306	5,096,520
Equity in investments	1,482	671,861	673,343
Equity in joint venture	-	12,618,120	12,618,120
Loan receivable	-	4,330,000	4,330,000
Capital assets (net of accum depreciation)			-
Land and construction in progress	53,202,710	37,682,505	90,885,215
Other capital assets (net accum depreciation)	188,843,485	281,841,332	470,684,817
Total assets	334,444,787	407,594,609	742,039,396
Deferred outflows of resources			
Deferred charge on refunding	1,430,043	1,733,009	3,163,052
Total deferred outflows of resources	1,430,043	1,733,009	3,163,052
Liabilities and fund balances			
Accounts payable	4,906,326	22,495,389	27,401,715
Accrued liabilities	1,222,006	516,762	1,738,768
Retainage payable	211,054	729,180	940,234
Customer construction advances	729,211	11,121	740,332
Claims payable	1,641,547	-	1,641,547
Unearned revenues	844,594	85,508	930,102
Compensated absences - current	199,556	45,411	244,967
Accrued interest payable	493,056	840,182	1,333,238
Refundable deposits	463,589	3,414,960	3,878,549
Current portion of long-term	8,955,366	11,006,957	19,962,323
Bonds and certificate of obligation payable	90,957,755	138,857,271	229,815,026
Compensated absences - long-term	2,447,572	556,966	3,004,538
Post employment benefits	6,296,011	1,617,702	7,913,713
Net pension obligation	5,576,114	1,406,205	6,982,319
Total liabilities	124,943,757	181,583,614	306,527,371
Net position			
Net investment in capital assets	153,214,549	189,315,182	342,529,731
Restricted for:			-
Debt service	5,953,242	1,580,992	7,534,234
Public safety	897,366	-	897,366
Community development	1,617,691	-	1,617,691
Tourism	6,479,599	-	6,479,599
Capital projects	1,537,376	-	1,537,376
Other purposes	266,572	-	266,572
Unrestricted	40,964,678	36,847,830	77,812,508
Total net position	$ 210,931,073	$ 227,744,004	$ 438,675,077

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

CITY OF COLLEGE STATION, TEXAS

Statement of Activities

For the Year Ended September 30, 2013

		Program Revenues			Net Revenue (Expense) and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	$ 9,167,476	$ 247,218	$ 1,346,077	$ -	$ (7,574,181)	$ -	$ (7,574,181)
Fiscal services	3,263,269	666,103	-	-	(2,597,166)	-	(2,597,166)
Police	16,831,233	3,492,692	158,272	-	(13,180,269)	-	(13,180,269)
Fire	13,748,434	1,706,923	242,038	-	(11,799,473)	-	(11,799,473)
Planning & development svcs	4,334,608	1,493,021	-	-	(2,841,587)	-	(2,841,587)
Public works	15,371,773	2,489,828	-	6,221,566	(6,660,379)	-	(6,660,379)
Capital improvement program	733,974	-	-	-	(733,974)	-	(733,974)
Parks & recreation	8,983,919	1,773,554	7,583	794,883	(6,407,899)	-	(6,407,899)
Library	1,064,293	-	-	-	(1,064,293)	-	(1,064,293)
Information technology	4,565,385	-	-	-	(4,565,385)	-	(4,565,385)
Interest on long-term debt	2,949,240	-	-	-	(2,949,240)	-	(2,949,240)
Unallocated depreciation	1,146,119	-	-	-	(1,146,119)	-	(1,146,119)
Total governmental activities	82,159,723	11,869,339	1,753,970	7,016,449	(61,519,965)	-	(61,519,965)
Business-type activities:							
Electric	88,438,115	95,737,007	-	546,231	-	7,845,123	7,845,123
Water	11,662,862	15,775,334	-	3,392,208	-	7,504,680	7,504,680
Wastewater	11,370,918	14,566,975	-	1,379,638	-	4,575,695	4,575,695
Sanitation	6,301,053	7,205,029	982	27,099	-	932,057	932,057
Northgate parking	1,053,839	1,234,799	-	-	-	180,960	180,960
Total business-type activities	118,826,787	134,519,144	982	5,345,176	-	21,038,515	21,038,515
Total primary government	$ 200,986,510	$ 146,388,483	$ 1,754,952	$ 12,361,625	(61,519,965)	21,038,515	(40,481,450)
General revenue:							
Property taxes					26,451,943	-	26,451,943
Sales and mixed beverage taxes					23,506,772	-	23,506,772
Franchise taxes					2,209,091	-	2,209,091
Hotel occupancy taxes					4,393,867	-	4,393,867
Unrestricted investment earnings					252,308	174,170	426,478
Transfers					12,039,798	(12,039,798)	-
Total general revenues and transfers					68,853,779	(11,865,628)	56,988,151
Change in net position					7,333,814	9,172,887	16,506,701
Net position - beginning					202,547,398	219,302,714	421,850,112
Prior period adjustment					1,049,861	(731,597)	318,264
Net position - ending					$ 210,931,073	$ 227,744,004	$ 438,675,077

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

CITY OF COLLEGE STATION, TEXAS
Balance Sheet
Governmental Funds
September 30, 2013

	General	Debt Service	Street Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Current assets					
Cash and cash equivalents	$ 15,597,312	$ 3,032,594	$ 13,461,458	$ 22,512,031	$ 54,603,395
Equity in investments	2,060,689	400,661	1,778,503	2,889,943	7,129,796
Receivable (net of allow for uncollectible)	4,009,810	464,268	373,512	1,885,387	6,732,977
Inventories	39,092	-	-	6,667,812	6,706,904
Prepaid costs	20,334	-	-	-	20,334
Restricted assets					
Cash and cash equivalents	12,696	-	-	-	12,696
Total assets	$ 21,739,933	$ 3,897,523	$ 15,613,473	$ 33,955,173	$ 75,206,102
Liabilities					
Accounts payable	$ 2,340,393	$ -	$ 1,580,490	$ 518,607	$ 4,439,490
Accrued liabilities	1,128,999	-	-	42,887	1,171,886
Unearned revenue-other	844,595	-	-	-	844,595
Interfund payable	240,000	-	-	-	240,000
Refundable deposits	81,498	-	373,512	8,579	463,589
Retainage payable	6,169	-	120,705	84,180	211,054
Customer construction advances	727,761	-	1,450	-	729,211
Total liabilities	5,369,415	-	2,076,157	654,253	8,099,825
Deferred inflows of resources					
Unavailable revenue-loans receivable	-	-	-	223,962	223,962
Unavailable revenue-property taxes	444,986	464,268	-	-	909,254
Unavailable revenue-other	-	-	-	43,625	43,625
Total deferred inflows of resources	444,986	464,268	-	267,587	1,176,841
Fund balances					
Nonspendable	59,426	-	-	6,667,812	6,727,238
Restricted	266,573	3,433,255	13,537,316	22,357,082	39,594,226
Committed	-	-	-	4,008,439	4,008,439
Assigned	972,632	-	-	-	972,632
Unassigned	14,626,901	-	-	-	14,626,901
Total fund balances	15,925,532	3,433,255	13,537,316	33,033,333	65,929,436
Total liabilities, deferred inflows of resources and fund balances	$ 21,739,933	$ 3,897,523	$ 15,613,473	$ 33,955,173	$ 75,206,102

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

CITY OF COLLEGE STATION, TEXAS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2013

Total fund balance per balance sheet:		$ 65,929,436
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, therefore are not reported in the governmental funds balance sheet		242,046,195
Debt refundings resulting in a defeasance of debt - the difference between the reacquisition price and the net carrying amount of the old debt - should be deferred and amortized		1,430,043
Long-term liabilities are not due and payable in the current period, therefore are not reported in the governmental funds balance sheet.		
Due within one year	(9,146,103)	
Due in more than one year	(104,554,846)	(113,700,949)
Interest payable on long-term debt does not require current financial resources and is not reported in the governmental funds balance sheet.		(493,056)
Allowance for potentially forgiven loans receivable		(85,016)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		1,176,841
Internal service funds are used by management to charge the costs of certain activities, such as insurance, fleet maintenance, and equipment replacement to individual funds. The assets and liabilities of the internal service funds are included in the government-wide statements of net position (net of the amount allocated to business-type activities).		
Assets	29,601,377	
Capital Assets	(8,135,286)	
Liabilities	(2,889,928)	
Net amount allocated to business-type activities	(3,948,584)	14,627,579
Net position of governmental activities		$ 210,931,073

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, 2013

	General	Debt Service	Street Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes	$ 13,938,602	$ 11,604,087	$ -	$ -	$ 25,542,689
Sales taxes	23,064,035	-	-	-	23,064,035
Mixed drink and franchise	2,651,828	-	-	4,393,867	7,045,695
Licenses and permits	1,238,967	-	-	1,333	1,240,300
Intergovernmental	469,783	-	111,604	1,168,418	1,749,805
Charges for services	97,711	-	5,022	3,307,856	3,410,589
Other charges for services	2,507,808	-	-	-	2,507,808
Fines, forfeits, and penalties	3,252,418	-	-	209,779	3,462,197
Investment income	88,198	22,183	49,307	92,620	252,308
Rents and royalties	650,407	-	-	102,994	753,401
Contributions	56,990	-	-	742,058	799,048
Other	212,349	-	-	100,124	312,473
Total revenues	48,229,096	11,626,270	165,933	10,119,049	70,140,348
Expenditures					
Current					
General government	3,825,760	-	-	-	3,825,760
Fiscal services	2,970,342	-	1,965	232,897	3,205,204
Police	16,515,820	-	-	34,291	16,550,111
Fire	13,297,527	-	-	-	13,297,527
Planning and development services	3,505,029	-	-	763,825	4,268,854
Public works	6,519,248	-	-	878,694	7,397,942
Capital improvement projects	733,974	-	-	-	733,974
Parks & recreation	4,463,535	-	-	3,420,369	7,883,904
Information technology	4,271,209	-	-	-	4,271,209
Library	994,476	-	-	-	994,476
Contributions	1,086,012	-	-	1,714,147	2,800,159
Other	1,300,627	-	300,000	363,529	1,964,156
Capital outlay	-	-	4,908,063	3,894,656	8,802,719
Debt service					
Principal retirement	-	8,245,000	-	-	8,245,000
Interest payments	-	3,747,520	-	-	3,747,520
Debt issuance costs	-	154,660	-	-	154,660
Intergovernmental	-	-	301,061	-	301,061
Total expenditures	59,483,559	12,147,180	5,511,089	11,302,408	88,444,236
Excess (deficit) of revenues over (under) expenditures	(11,254,463)	(520,910)	(5,345,156)	(1,183,359)	(18,303,888)
Other financing sources (uses)					
Issuance of bonds	-	-	6,525,000	2,725,000	9,250,000
Issuance of refunding bonds	-	5,255,000	-	-	5,255,000
Premium on bonds issued	-	951,174	-	-	951,174
Payment to refunded bond escrow agent	-	(6,054,452)	-	-	(6,054,452)
Transfers In	14,664,450	-	930,262	3,034,759	18,629,471
Transfers out	(3,977,149)	-	(687,712)	(1,875,437)	(6,540,298)
Total other financing sources (uses)	10,687,301	151,722	6,767,550	3,884,322	21,490,895
Net change in fund balance	(567,162)	(369,188)	1,422,394	2,700,963	3,187,007
Fund balances, October 1	16,492,694	3,802,443	12,114,922	30,332,370	62,742,429
Fund balances, September 30	$ 15,925,532	$ 3,433,255	$ 13,537,316	$ 33,033,333	$ 65,929,436

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, 2013

Net change in fund balance - total governmental funds		$ 3,187,007
Amounts reported for governmental activities in the statement of activities differ as a result of the following:		
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		9,684,235
Governmental funds do not recognize the total amount of revenue recognized in the government-wide statement of activities related to the sale of redevelopment home properties.		138,946
The effect of various miscellaneous transactions involving capital assets (e.g., sales, trade ins, and capital contributions) is to increase/decrease net assets.		6,221,566
Some property tax and loan revenues will not be collected for several months after the the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received.		1,422,536
Amortization of interest as the result of debt refundings is reported in the government-wide statement of activities but does not require the use of current financial resources. Therefore, amortized interest expense is not reported as an expenditure in governmental funds.		(176,985)
Depreciation expense on capital assets is reported in the government-wide statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(12,251,408)
The issuance of long-term debt (i.e., bonds, certificates of obligation) 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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amoritized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bonds issued	(14,505,000)	
Bond principal retirement	8,245,000	
Payment to refunded bond escrow agent	6,054,452	(205,548)
Bond premiums are recognized as an other financing source in the governmental funds, but are combined with the bond liabilities on the statement of net position. Premiums are amortized over the life of the bonds. This is the amount by which bond premium issued, and bond refunding losses exceeded amortization.		(714,236)
Long-term estimated liabilities are recognized as expenses in the Statement of Activities as incurred, but are recognized when current financial resources are used in the governmental funds.		
Compensated absences	(249,132)	
Net pension obligation	(934,208)	
Other post retirement benefits	(899,906)	(2,083,246)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, fleet maintenance, and equipment replacement to individual funds. The net revenue of the internal service funds is reported with governmental activities net of the amount allocated to business-type activities.		
Change in net position	2,984,533	
Net amount allocated to business activities	(873,586)	2,110,947
Change in net position of governmental activities		$ 7,333,814

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

CITY OF COLLEGE STATION, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2013

	Business-type Activities-Enterprise Funds					
	Electric	Water	Wastewater	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets						
Current assets						
Cash and cash equivalents	$ 22,286,461	$ 5,291,468	$ 6,819,045	$ 922,110	$ 35,319,084	$ 18,850,168
Investments	2,944,447	699,099	900,920	121,827	4,666,293	2,490,449
Restricted assets						
Cash and cash equivalents	3,747,656	330,577	1,007,073	-	5,085,306	-
Investments	495,133	43,675	133,053	-	671,861	-
Receivable (net of allow for uncollectible)	13,611,674	3,237,798	1,675,717	809,148	19,334,337	28,864
Due from other funds	40,000	40,000	40,000	-	120,000	-
Inventories	1,429,479	380,049	32,619	15,040	1,857,187	96,610
Total current assets	44,554,850	10,022,666	10,608,427	1,868,125	67,054,068	21,466,091
Noncurrent assets						
Advance to other funds	40,000	40,000	40,000	-	120,000	-
Equity in joint venture	-	-	-	12,618,120	12,618,120	-
Loan receivable	-	-	-	4,330,000	4,330,000	-
Capital assets						
Utility plant	162,535,495	160,106,661	123,876,162	-	446,518,318	654,518
Buildings	-	-	-	5,743,755	5,743,755	786,525
Machinery and equipment	-	-	-	5,590,795	5,590,795	23,248,806
Less accumulated depreciation	(77,798,998)	(47,560,123)	(45,710,754)	(4,941,661)	(176,011,536)	(16,554,563)
Construction in progress	13,914,713	11,564,616	11,503,026	9,400	36,991,755	-
Land	-	-	-	690,750	690,750	-
Total capital assets	98,651,210	124,111,154	89,668,434	7,093,039	319,523,837	8,135,286
Total noncurrent assets	98,691,210	124,151,154	89,708,434	24,041,159	336,591,957	8,135,286
Total assets	143,246,060	134,173,820	100,316,861	25,909,284	403,646,025	29,601,377
Deferred outflows of resources						
Deferred charge on refunding	550,145	653,320	462,478	67,066	1,733,009	-
Total deferred outflows of resources	550,145	653,320	462,478	67,066	1,733,009	-
Liabilities						
Current liabilities						
Accounts payable	19,960,983	936,313	1,240,452	357,641	22,495,389	466,836
Accrued liabilities	312,506	40,355	60,325	103,576	516,762	50,120
Compensated absences	19,611	7,082	11,117	7,601	45,411	8,819
Retainage payable	128,666	239,719	360,795	-	729,180	-
Claims payable	-	-	-	-	-	1,641,547
Customer construction advances	-	-	11,121	-	11,121	-
Unearned revenue	-	-	-	85,508	85,508	-
Payable from restricted assets						
Accrued interest payable	323,210	269,972	222,081	24,919	840,182	-
Refundable deposits	3,037,511	364,280	8,969	4,200	3,414,960	-
General obligation bonds (net)	1,074,267	1,205,910	1,690,972	398,174	4,369,323	-
Certificates of obligation (net)	1,659,069	707,542	505,840	230,000	3,102,451	-
Revenue bonds (net)	1,006,767	1,478,835	1,049,581	-	3,535,183	-
Total current liabilities	27,522,590	5,250,008	5,161,253	1,211,619	39,145,470	2,167,322
Noncurrent liabilities						
General obligation bonds (net)	11,060,893	13,845,505	11,905,066	1,920,870	38,732,334	-
Certificates of obligation (net)	37,711,225	14,460,834	12,402,329	4,100,000	68,674,388	-
Revenue bonds (net)	8,857,362	14,304,357	8,288,830	-	31,450,549	-
Compensated absences	240,533	86,855	136,348	93,230	556,966	108,170
Post employment benefits	715,444	242,230	380,538	279,490	1,617,702	328,550
Net pension obligation	621,249	210,307	331,050	243,599	1,406,205	285,886
Total noncurrent liabilites	59,206,706	43,150,088	33,444,161	6,637,189	142,438,144	722,606
Total liabilities	86,729,296	48,400,096	38,605,414	7,848,808	181,583,614	2,889,928
Net position						
Net investment in capital assets	50,973,336	78,491,519	55,076,332	4,773,995	189,315,182	8,135,286
Restricted for:						
Debt service	435,933	565,538	579,521	-	1,580,992	-
Unrestricted	5,657,640	7,369,987	6,518,072	13,353,547	32,899,246	18,576,163
Total net position	$ 57,066,909	$ 86,427,044	$ 62,173,925	$ 18,127,542	$ 223,795,420	$ 26,711,449

Adjustment to reflect the consolidation of internal services fund activities related to enterprise funds:	3,948,584
Net position of business-type activities:	$ 227,744,004

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 Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Wastewater	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues						
Charges for services	$ 92,892,541	$ 14,849,299	$ 14,168,809	$ 8,614,272	$ 130,524,921	$ 6,783,604
Premiums	-	-	-	-	-	10,528,888
Other	2,664,368	763,126	243,216	21,493	3,692,203	341,915
Total operating revenues	95,556,909	15,612,425	14,412,025	8,635,765	134,217,124	17,654,407
Operating expenses						
Electric operations	79,338,595	-	-	-	79,338,595	-
Salaries and benefits	-	1,952,617	3,107,689	2,498,486	7,558,792	2,487,689
Supplies	-	654,507	715,580	637,606	2,007,693	922,533
Maintenance	-	93,315	138,780	491,386	723,481	37,759
Purchased professional services	-	240,955	181,230	797,790	1,219,975	220,525
Other purchased services	-	1,578,315	1,423,352	2,599,940	5,601,607	768,583
Claims	-	-	-	-	-	6,427,666
Administration fee	-	-	-	-	-	516,742
Contributions	-	-	-	-	-	539,530
Premiums	-	-	-	-	-	1,362,570
Depreciation	5,127,808	4,247,778	4,232,206	753,975	14,361,767	1,710,288
Other	796,828	229,636	68,472	29,866	1,124,802	55,877
Total operating expenses	85,263,231	8,997,123	9,867,309	7,809,049	111,936,712	15,049,762
Operating income	10,293,678	6,615,302	4,544,716	826,716	22,280,412	2,604,645
Nonoperating revenues (expenses)						
Investment income	90,415	36,111	43,536	4,108	174,170	79,813
Gain (loss) on disposal of assets	(10,342)	(1)	(12,282)	(219,565)	(242,190)	242,954
Earnings in joint venture	-	-	-	404,724	404,724	-
Intergovernmental	-	-	-	982	982	-
Principal retirement	-	-	-	-	-	-
Interest expense	(2,293,664)	(2,076,900)	(1,516,610)	(85,562)	(5,972,736)	-
Debt issuance costs	(2,973)	(2,317)	(2,175)	(235)	(7,700)	-
Other, net	(922,778)	(538,018)	(3,280)	(179,665)	(1,643,741)	(44,852)
Total nonoperating revenues (expenses)	(3,139,342)	(2,581,125)	(1,490,811)	(75,213)	(7,286,491)	277,915
Income before capital contributions and transfers	7,154,336	4,034,177	3,053,905	751,503	14,993,921	2,882,560
Capital contributions and transfers						
Capital contributions	546,231	3,392,208	1,379,638	27,099	5,345,176	151,348
Transfers in	721,980	19,185	30,815	227,252	999,232	288,570
Transfers out	(6,982,794)	(2,517,294)	(2,255,782)	(1,283,160)	(13,039,030)	(337,945)
Total capital contributions and transfers	(5,714,583)	894,099	(845,329)	(1,028,809)	(6,694,622)	101,973
Change in net position	1,439,753	4,928,276	2,208,576	(277,306)	8,299,299	2,984,533
Beginning net position	55,928,896	81,787,976	60,162,889	18,347,956		23,726,916
Prior period adjustment	(301,740)	(289,208)	(197,540)	56,891	(731,597)	
Ending net position	$ 57,066,909	$ 86,427,044	$ 62,173,925	$ 18,127,541		$ 26,711,449
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:					873,588	
Change in net position of business-type activities:					$ 8,441,290	

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, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Wastewater	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	$ 95,858,049	$ 15,108,054	$ 14,558,767	$ 8,753,922	$ 134,278,792	$ 17,666,879
Cash payments to suppliers for goods and services	(69,915,940)	(2,538,664)	(1,554,612)	(4,494,871)	(78,504,087)	(10,922,041)
Cash payments to employees for services	(5,372,675)	(1,843,315)	(2,954,166)	(2,381,684)	(12,551,840)	(2,367,337)
Customer deposits received	534,562	(3,546)	4,377	-	535,393	-
Cash paid for miscellaneous services	(781,415)	(405,350)	-	(181,987)	(1,368,752)	(6,347)
Cash received for miscellaneous revenues	-	-	163,412	982	164,394	(38,505)
Net cash provided (used) by operating activities	20,322,581	10,317,179	10,217,778	1,696,362	42,553,900	4,332,649
Cash flows from noncapital financing activities:						
Transfers in from other funds	721,980	19,185	30,815	227,252	999,232	-
Transfers out to other funds	(6,982,794)	(2,517,294)	(2,255,782)	(1,283,160)	(13,039,030)	(49,375)
Net cash provided (used) by noncapital financing activities	(6,260,814)	(2,498,109)	(2,224,967)	(1,055,908)	(12,039,798)	(49,375)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(10,645,094)	(9,010,123)	(9,767,537)	(47,169)	(29,469,923)	(1,730,651)
Capital grants and contributions	546,231	3,392,208	1,379,638	27,099	5,345,176	151,348
Proceeds from sale of assets	-	-	-	500	500	242,954
Proceeds from certificates of obligation and general obligation bonds	8,907,206	6,610	2,025,568	-	10,939,384	-
Principal paid on certificates of obligation and general obligation bonds	(3,153,297)	(3,063,464)	(2,923,241)	(414,528)	(9,554,530)	-
Interest paid on certificates of obligation and general obligation bonds	(2,218,518)	(2,025,228)	(1,450,045)	(79,740)	(5,773,531)	-
Net cash provided (used) by capital and related financing activities	(6,563,472)	(10,699,997)	(10,735,617)	(513,838)	(28,512,924)	(1,336,349)
Cash flows from investing activities:						
Purchase of investments	(7,336,459)	(1,626,136)	(2,251,886)	(261,140)	(11,475,620)	(5,335,037)
Proceeds from sale and maturities of investment securities	6,671,895	2,051,144	2,683,640	255,108	11,661,786	5,166,785
Investment income	90,415	36,111	43,536	4,108	174,170	79,813
Net cash provided (used) by investing activities	(574,149)	461,119	475,290	(1,924)	360,336	(88,439)
Net increase (decrease) in cash and cash equivalents	6,924,146	(2,419,808)	(2,267,516)	124,692	2,361,514	2,858,486
Cash and cash equivalents, Oct. 1	19,109,971	8,041,853	10,093,634	797,418	38,042,876	15,991,682
Cash and cash equivalents, Sept. 30	$ 26,034,117	$ 5,622,045	$ 7,826,118	$ 922,110	$ 40,404,390	$ 18,850,168
Reconciliation of operating income to net cash						
Provided by operating activities:						
Operating income	$ 10,293,678	$ 6,615,302	$ 4,544,716	$ 826,716	$ 22,280,412	$ 2,604,645
Adjustment to reconcile operating income to net						
Cash provided (used) by operating activities:						
Depreciation, bad debt expense, inventory loss	5,127,808	4,247,778	4,232,206	753,975	14,361,767	1,710,289
Miscellaneous nonoperating revenues	-	-	163,412	982	164,394	(38,505)
Miscellaneous nonoperating expenses	(781,415)	(405,350)	-	(181,987)	(1,368,752)	(6,347)
Changes in assets and liabilities:						
Change in accounts receivable	301,140	(504,371)	146,742	123,783	67,294	12,472
Change in inventory	55,800	33,468	697	2,269	92,234	(12,313)
Change in accounts payable	4,484,939	231,063	983,184	61,666	5,760,852	(184,209)
Change in refundable deposits	534,562	(3,546)	4,377	-	535,393	-
Change in claims payable	-	-	-	-	-	125,637
Change in accrued liabilities	(11,228)	(1,260)	(6,595)	4,685	(14,398)	4,785
Change in deferred revenue	-	-	-	(5,626)	(5,626)	-
Change in accrued vacation	55,815	18,672	12,173	6,523	93,183	8,292
Change in OPEB	128,296	41,912	67,153	50,721	288,082	52,943
Change in net pension obligation	133,186	43,511	69,713	52,655	299,065	54,960
Total adjustments	10,028,903	3,701,877	5,673,062	869,646	20,273,488	1,728,004
Net cash provided (used) by operating activities	$ 20,322,581	$ 10,317,179	$ 10,217,778	$ 1,696,362	$ 42,553,900	$ 4,332,649
Noncash investing, capital, and financing activities						
Impact of debt refunding (see note: IV.H)						
Change in certificates of obligation	600,000	-	-	-	600,000	-
Change in utility revenue bonds	(2,630,000)	(3,610,000)	(500,000)	-	(6,740,000)	-

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

CITY OF COLLEGE STATION

Home of Texas A&M University®

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 as 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 accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled State and Local Governments-Audit and Accounting Guide and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. 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. The more significant accounting policies of the City are described below.

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is a fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the 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 is 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 programs 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

Measurement focus refers to the type of information a given fund presents; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focuses applied.

The government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the *accrual basis of accounting*. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position.

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. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used 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 measureable 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 that are restricted, committed, or assigned to expenditure for the payment of principal and interest on long-term debt paid primarily from taxes levied by the City. Financial resources that are being accumulated from principal and interest in future years are also reported in the Debt Service Fund.

The *Streets Projects Fund* accounts for the costs of new street construction, street improvements, and traffic signalization made with funds provided primarily 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 services. 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 operation and maintenance, new construction, and financing and related debt services. Billing and collection services are accounted for as an internal service fund.

The *Wastewater Fund* accounts for the activities necessary to provide wastewater services to the residents of the City. These activities include administrative services, wastewater system operation and maintenance, new construction, and financing and related debt services. 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 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 wastewater utilities and residential and commercial garbage collections; activities related to the management of the City's vehicles and heavy equipment, including preventative maintenance and vehicle repair; 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.

In general, the effect of internal fund 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 Wastewater 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 operation 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 operation revenues of the City's enterprise funds are charges for customer services including electric, water, wastewater, and sanitation fees; while internal service funds revenues are for equipment purchase amounts and risk management charges. Operating expenses for enterprise fund and internal services 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 restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Position 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, investments pools, money market mutual funds, certificates of deposit and agency securities notes with original maturities of three months or less when purchased.

All cash, except for petty cash accounts, is deposited with the City's depository bank 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 pooled cash are 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 October 2012 for the fiscal year ending September 30, 2013. This policy is applicable to all city funds and permits investment in obligations of U.S. Government or its agencies, repurchase agreements, commercial paper, certificates of deposit, public funds investment pools, and money market mutual funds. This policy states that the City's Executive Director of Business Services shall designate the City's Investment Officer with whom responsibility and authority for investment transactions reside.

The investments purchased under the provisions of the Investment Policy are managed to maintain liquidity for meeting the City's needs for cash and to limit potential market risks in periods of rising interest rates which depress the market value of securities. As a guideline, maturity of securities should not exceed five years for cash management purposes, with an optimum weighted average maturity of less than two years. Investments in securities with a maturity of more 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 of investment in construction funds should at least 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 differences in relative yield between different types of securities and varying maturities. "Swaps" analysis is the responsibility of the City's Investment Officer and the decision to execute the "swap" rests with this designated Officer. To protect the portfolio from imprudent trading, no security may be sold until such time as the current market value of the security plus interest earned from date of purchase is at least equal to the purchase price of that security.

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

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

Investments of all funds may consist of Agency securities, money market mutual funds, certificates of deposit and investments in public funds investment pool. 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. In 2011, the City adopted GASB No.59, Financial Instruments Omnibus. See Note IV-A regarding 2a7-like 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.

Inventories, Assets Held for Resale and Prepaid Costs
Inventories are accounted for using the consumption method and are valued at year-end based on cost, with costs determined using an average cost method.

Assets held for resale include redevelopment properties, properties purchased and constructed with the express intent of resale. These assets are reported at cost in the governmental funds. Cemetery plots are another example of assets held for resale in the governmental funds. City ordinance stipulates the percentage of cemetery plot sales to be allocated to the operational fund. These assets held for resale in the non-major governmental Community Development and Cemetery funds are reported as inventory in the financial statements and accounted for using the purchases method.

Payments made to vendors for services that will benefit periods beyond September 30, 2013, are recorded as prepaid costs with a reserve for prepaid items recognized in the governmental funds in the fund level financial statements to indicate that a portion of fund balance is not available for other subsequent expenditures.

Interfund Transaction 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 governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Transactions between Funds

The City allocates an indirect cost percentage of administrative services paid through the General Fund along with other indirect costs deemed necessary for the operation of the proprietary funds, internal service funds and the other governmental funds.

Restricted Assets

In the Enterprise Funds, proceeds of utility revenue bonds and certificates of obligations, 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.

Investment in Joint Venture

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

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and 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 Wastewater 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 assets 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 ASC 980 Regulated Operations, interest is not capitalized during construction of capital assets of business-type activities because interest is recovered currently in the City’s established rate structure.

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
Wastewater 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

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.
Changes in compensated absences for the year ending September 30, 2013 were as follows:

	Beginning Balance	Earned	Paid	Total Ending Balance	Amount Due Within One Year	Amount Due Greater than One Year
Governmental Activities	$ 2,458,456	$ 374,015	$ (185,343)	$ 2,647,128	$ 199,556	$ 2,447,572
Business-type Activities	509,194	131,571	(38,388)	602,377	45,411	556,966
Total Comp. Absences	$ 2,967,650	$ 505,586	$ (223,731)	$ 3,249,505	$ 244,967	$ 3,004,538

Internal service funds predominantly serve the governmental funds. All internal service funds are included as part of the above totals for governmental activities. All of the Utility Customer Service Fund and a portion of the remaining internal service funds are included in the Business-type Activities on the Statement of Net Position. For the governmental activities, accrued vacation is generally liquidated by the general fund.

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 position. Bond premiums and discounts 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 refunding. Bond issuance costs, with the exception of bond insurance are expensed in the period incurred.

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 fund balance classifications that comprise a hierarchy based primarily on the specific purposes for which amounts in those funds can be spent. In the fiscal year ended September 30, 2009, the City adopted the Governmental Accounting Standards Board Statement (GASBS) number 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASBS 54 provides for and the City uses the following classifications:

Nonspendable Fund Balance includes amounts that cannot be spent because they are not in spendable form. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans receivable as well as property acquired for resale.

Restricted Fund Balance is reported when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance includes amounts that can only be used for specific purposes pursuant to limitations imposed by the government's highest level of decision-making authority. The City Council is the highest level of decision making-authority for the government that can, by approval of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the approval of another resolution) to remove or revise the limitation.

Assigned Fund Balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The governing body, the City Council, has authorized the Assistant City Manager to assign fund balance. Assignments, unlike commitments are not permanent and a formal action is not required for the removal of an assignment. Finally, assignments may not result in a deficit in Unassigned Fund Balance.

Unassigned Fund Balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds nor been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When fund balances are available for use and the usage requirements met, the City reduces the committed amounts first, followed by the assigned amounts and then the unassigned amount lastly. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

E. Budgetary Control

The City follows these procedures in establishing budgetary data:

1. Prior to September 1, City Manager submits to City Council a proposed operating budget for the upcoming fiscal year beginning 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 & Financial Reporting 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. Departments 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 without Council approval. Budgeted amounts as originally adopted were not significantly changed by such transfers during the year.

6. In accordance with the City Charter, the budget may be amended after the following conditions are met: (a) The City Manager certifies that there are available revenues in excess of those estimated in the budget. (b) The City Council holds a public hearing on the supplemental appropriation. (c) The City Council approves the supplemental appropriation. Management may not amend the budget without seeking the approval of the City Council.

F. Budget Basis of Accounting

The City prepares its annual budget on a basis (budget basis) which differs from a GAAP basis. The budget and all transactions are presented in accordance with the City's method (budget basis) in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund to provide a meaningful comparison of actual results with the budget. The differences between budget and GAAP basis in the General Fund are that reimbursements and transfers of indirect costs are shown as Reimbursed Administration and interfund loan transactions are treated as transfers for budget basis. Consistent with the purchases method, assets held for resale are treated as expenditures for budget purposes.

II. Minimum Fund Balance/Operating Reserve Policies

The unobligated (unassigned) fund balance in the General Fund should be at least 15% of the annual budgeted General Fund expenditures. This percentage is the equivalent of 55 days expenditure. An additional amount of 3.0% should be maintained for extraordinary items or contingencies. Cash and investments alone should be equivalent to 30 days operating expenditures.

The working capital (current assets less current liabilities) in the enterprise funds should be maintained at 15% of total operating expenses or the equivalent of 55 days. Cash and Investments alone should be equivalent to 30 days of operations.

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Council approved three budget amendments during fiscal year 2013. These three budget amendments included the following appropriations:

Brazos Valley Bowl	25,000	Sanitation Vehicle Replacement	610,000
Encumbrance Roll	1,311,270	Veterans Park Synthetic Fields	617,400
Economic Development Funding	105,000	Hotel Tax Auditing Services	15,000
Replacement of Police Department (PD) Vehicle	44,000	Sponsorship of COCS 75th Anniversary	28,900
One-time Budgetary Savings Distribution	577,516	Grants	
PD Personnel & Equipment Needs	451,781	Fire Prevention & Safety Grant	7,816
Workers' Compensation Claims	325,000	Bullet Proof Vest Program	15,615
Public Works Security Upgrade	66,959		
Council Chamber Upgrade	18,094		
Royder Road Repair	100,000		
Enterprise Resource Planning Consulting	151,419		
Game Day Traffic Study	50,000		
PD Overage	93,000		
Fire Dept. Overage	270,000		
Fleet Maintenance Overage	110,000		$4,993,770

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 lapse at the end of the budget year if they have not been expended or lawfully encumbered.

2. Formal budgetary integration is legally enacted and employed as a management control device during the year for all funds.

3. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities.

B. Excess of Expenditures over Appropriations

The amounts of any excesses of expenditures over appropriations during fiscal year 2013 and the funds in which they occurred are as follows:

Fund	Amount
Debt Service Fund	$ 111,125
Court Security Fee Fund	2,149

IV. Detailed Notes on All Funds

A. Cash and Investments

Cash and investments are accounted for within the pooled cash fund of the City. The City records investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Cash and cash equivalents, investment balances and interest income are allocated to the City's participating funds on a monthly basis. The amount of the allocation is based on each fund's proportional equity to total pooled equity.

	Fair Value	Weighted Average Maturity(days)
Bank Demand Accounts	$ 58,093,887	1
Money Market Accounts	20,440,462	1
Certificates of Deposits	15,044,256	311
Texas Local Government Investment Pool	35,250,443	1
	$ 128,829,048	
Portfolio Weighted Average Maturity		37

Interest rate risk: In accordance with the City's Investment Policy, interest rate risk is managed by limiting the weighted average maturity of the investment portfolio to two years (approximately 720 days) or less and by limiting the maximum maturity of any security purchased to five years or less.

Credit risk: Investments authorized by the City's policy are those approved by the revised State of Texas Public Funds Investment Act of 1997 and 2011 and the Texas Public Collateral Act of 1989. These investments include the following:

1. Direct obligations of the United States government: U.S. Treasury Bills, U.S. Treasury Notes, and U.S. Treasury Bonds as well as Bonds or other interest bearing obligations for which the principal and interest are guaranteed by the full faith and credit of the United States government and rated not less than A or its equivalent by at least one nationally recognized investment rating firm.

2. Federal Agencies and Instrumentalities including but not limited to, discount notes, callables and debentures of the Federal National Mortgage Association (FNMA), the Federal Home Loan Bank (FHLB), the Federal Farm Credit Bank (FFCB), and the Federal Home Loan Mortgage Corporation (FHLMC).

3. Time Certificates of Deposit, insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, or the National Credit Union Share Insurance Fund or its successor, in state or national banks. Any deposits exceeding FDIC insurance limits shall be collateralized at 102% of the face amount of the Certificate of Deposit by securities listed in 1 - 2 above and held by the City's custodial bank or the custodial bank of the institution the CD's are held. Bids for Certificates of Deposit may be solicited orally, in writing, electronically or using any combination of these methods.

4. Repurchase Agreements with a defined termination date of 90 days or less collateralized by a combination of cash and securities listed in 1 - 2 above. Collateral must have a minimum market value of 102% of the repurchase agreement, and must be held by the custodian bank or other independent third-party custodian contracted by the City. Bond proceeds may be invested in flexible repurchase agreements with maturity dates not exceeding the expected final project expenditure if a formal bidding process is followed and properly documented for IRS purposes.

5. Commercial Paper maturing within 180 days carrying a minimum rating not less than A-1 or P-1 or equivalent by two nationally recognized rating agencies, or; rated not less than A-1 or P-1 equivalent by one nationally recognized rating agency plus secured by an irrevocable letter of credit issued by a domestic bank.

6. AAA rated Money Market Mutual Funds registered with the Securities and Exchange Commission that invest exclusively in investments described in this section.

7. AAA-rated Investment Pools organized under the Texas Interlocal Cooperation Act that follow the requirements in the Public Funds Investment Act and which have been specifically approved by the City.

   The City is a voluntary participant in two external investment pools, Texpool and TexSTAR. The pools are 2a7-like pools, which are not registered with the Securities and Exchange Commission (SEC) as an investment company, but have a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of pool uses amortized investment costs rather than market values to compute participant share values. Furthermore, the pools in which the City participates seek to maintain a stable $1 net asset value per share of unit. Accordingly, the fair value of the City's position in these pools is substantially the same as the market value of the shares in each of the pools. As of September 30, 2013, the City's investments in Texpool and TexSTAR were rated by Standard & Poor's as AAAm.

   Credit concentration: With the exception of U.S. Treasury securities and authorized pools, the City's Investment Policy limits the investment in a single security type or with a single financial institution to 30%. It also limits the overall investment in Federal Agency securities to 70% and Certificates of Deposit to 30%. As of September 30, 2013, the issuers whose securities represented more than 5% of the City's investment portfolio were as follows: American Momentum Bank (12%) and Citibank (16%).

   Custodian credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City of College Station's City Council has approved a depository services contract which governs its depository relationship. This contract requires that deposits not covered by depository insurance be collateralized at 105%. The City's depository bank collateralizes the city's funds at 110%.

   Custodian credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment portfolio requires that all security transactions be conducted on a Delivery-vs.-Payment basis and that all securities be held by a third party custodian and evidenced by safekeeping receipts.

B. **Receivables**

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

Governmental activities:	General	Debt Service	Street Projects	Nonmajor	Internal Service Fund	Total
Taxes:						
Property	$ 444,985	$ 464,268	$ -	$ -	$ -	$ 909,253
Beverage	121,152	-	-	-	-	121,152
Sales	2,055,812	-	-	-	-	2,055,812
Subtotal taxes	2,621,949	464,268	-	-	-	3,086,217
Grants	-	-	-	438,380	-	438,380
Charges for services	1,416,781	-	373,512	366,020	52,284	2,208,597
Loans	-	-	-	1,172,248	-	1,172,248
Miscellaneous	23	-	-	-	-	23
Total gross governmental	4,038,753	464,268	373,512	1,976,648	52,284	6,905,465
Less allowance for uncollectible accounts	(28,943)	-	-	(176,278)	(23,420)	(228,641)
Net total receivables	$ 4,009,810	$ 464,268	$ 373,512	$ 1,800,370	$ 28,864	$ 6,676,824

Business-type activities:	Electric	Water	Wastewater	Nonmajor	Internal Service Fund	Total
Charges for services	$ 15,373,510	$ 3,348,367	$ 1,890,126	$ 927,026	$ -	$ 21,539,029
Less allowance for uncollectible accounts	(1,761,836)	(110,569)	(214,409)	(117,878)	-	(2,204,692)
Net total receivables	$ 13,611,674	$ 3,237,798	$ 1,675,717	$ 809,148	$ -	$ 19,334,337

Loans Receivable in the non-major governmental funds are made up of the following: a $500,000, 40-year loan of HOME Investment Partnership (HOME) funds for Santour Court, an affordable, single-family residential development; $445,250 in HOME down-payment assistance loans for eligible HOME participants whose loans are made with Federal funds from the Department of Housing and Urban Development (HUD); two Community Development Housing Reconstruction Program Lien Notes held by the City which total to $226,998. Loans Receivable in the non-major business-type funds represent BVSWMA, Inc.'s obligation to reimburse 2009 College Station Certificate of Obligation debt issued and used to construct the Twin Oaks Landfill. The annual principal and interest receivable amounts are as follows:

Year Ended September 30	Due from Related Party: Principal	Interest
2014	230,000	170,960
2015	240,000	163,910
2016-2020	1,150,000	705,089
2021-2025	1,365,000	462,767
2026-2030	1,345,000	125,573
	$ 4,330,000	$ 1,628,299

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of fiscal year end, the unearned revenue reported in the governmental funds related to emergency services was $844,595.

C. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Capital Assets, not being depreciated					
Land	$ 43,050,894	$ -	$ -	$ -	$ 43,050,894
Construction in progress	17,076,500	24,611	(6,949,295)	-	10,151,816
Total capital assets not being depreciated	60,127,394	24,611	(6,949,295)	-	53,202,710
Capital assets, being depreciated					
Buildings and building improvements	36,356,612	6,858,106	(41,275)	-	43,173,443
Improvements other than buildings	36,699,242	1,076,308	-	-	37,775,550
Machinery and equipment	36,615,395	2,338,225	(1,574,486)	-	37,379,134
Infrastructure	240,379,096	14,325,416	-	-	254,704,512
Total capital assets, being depreciated	350,050,345	24,598,055	(1,615,761)	-	373,032,639
Less accumulated depreciation for:					
Buildings and building improvements	11,152,062	1,196,820	-	-	12,348,882
Improvements other than buildings	15,645,646	1,779,248	-	-	17,424,894
Machinery and equipment	24,066,717	3,014,034	(1,578,843)	-	25,501,908
Infrastructure	120,941,876	7,971,594	-	-	128,913,470
Total accumulated depreciation	171,806,301	13,961,696	(1,578,843)	-	184,189,154
Total capital assets being depreciated, net	178,244,044	10,636,359	(36,918)	-	188,843,485
Governmental type activities capital assets, net	$ 238,371,438	$ 10,660,970	$ (6,986,213)	$ -	$ 242,046,195

Business-Type Activities	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Capital assets, not being depreciated					
Land	$ 690,750	$ -	$ -	$ -	$ 690,750
Construction in progress	20,430,326	24,176,251	(7,614,822)		36,991,755
Total capital assets, not being depreciated	21,121,076	24,176,251	(7,614,822)	-	37,682,505
Capital assets, being depreciated					
Electric system	157,449,053	5,289,915	(203,473)	-	162,535,495
Water system	156,083,898	4,091,119	(68,356)	-	160,106,661
Wastewater system	121,531,887	3,002,628	(658,353)	-	123,876,162
Buildings and building improvements	5,743,755	-	-	-	5,743,755
Machinery and equipment	6,385,530	61,215	(649,950)	(206,000)	5,590,795
Total capital assets, being depreciated	447,194,123	12,444,877	(1,580,132)	(206,000)	457,852,868
Less accumulated depreciation for:					
Electric system	72,983,313	5,127,808	(737,322)	425,199	77,798,998
Water system	43,332,703	4,247,778	(369,933)	349,575	47,560,123
Wastewater system	42,112,390	4,232,206	(996,567)	362,725	45,710,754
Buildings and building improvements	1,570,074	147,097	(23,442)	-	1,693,729
Machinery and equipment	3,253,496	606,877	(612,441)	-	3,247,932
Total accumulated depreciation	163,251,976	14,361,767	(2,739,706)	1,137,499	176,011,536
Total capital assets,being depreciated, net	283,942,147	(1,916,890)	1,159,574	(1,343,499)	281,841,332
Business type activities capital assets, net	$ 305,063,223	$ 22,259,361	$ (6,455,248)	$ (1,343,499)	$ 319,523,837

Depreciation expense for fiscal year 2013 was charged as follows:

General Government	$ 805,497
Fiscal Services	602,568
Police	3,274,259
Fire	2,612,928
Planning and Development Services	720,058
Public Works	1,317,170
Parks and Recreation	1,406,133
Library	200,977
Non-departmental	1,311,818
Capital Assets held by Internal Service Fund	1,710,288
Governmental Activities Depreciation Expense	13,961,696
Electric	5,127,808
Water	4,247,778
Wastewater	4,232,206
Sanitation	483,126
Northgate Parking	270,849
Business-Type Depreciation Expense	$ 14,361,767

D. Interfund Transactions

Transfers between funds during the year were as follows:

	Transfers In	Transfers Out	Governmental Activities, net	Business-type Activities, net
Governmental Activities:				
General Fund	$ 14,664,450	$ (3,977,149)	$ 10,687,301	-
Debt Service Fund	-	-	-	-
Streets Projects	930,262	(687,712)	242,550	-
Other Nonmajor Governmental Funds	3,034,759	(1,875,437)	1,159,322	-
Internal Service Funds	288,570	(337,945)	(49,375)	-
Business-type Activities:				
Enterprise Funds:				
Electric	721,980	(6,982,794)	-	(6,260,814)
Water	19,185	(2,517,294)	-	(2,498,109)
Wastewater	30,815	(2,255,782)	-	(2,224,967)
Other Nonmajor Enterprise Funds	227,252	(1,283,160)	-	(1,055,908)
	$ 19,917,273	$ (19,917,273)	$ 12,039,798	$ (12,039,798)

Transfers are used to (1) move revenues from the funds with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move revenues from enterprise funds to the general fund to record the utility transfer in lieu of franchise fees, (3) move revenues from enterprise funds to the general fund for economic development activity, (4) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

The composition of due to/due from balances as of September 30, 2013 is as follows:

Business-type Activities: Due To	Governmental Activities: Due From	Amount
Water Fund	Economic Development	$ 40,000
Wastewater	Economic Development	40,000
Electric Fund	Economic Development	40,000

Advance From	Advance To	Amount
Water Fund	Economic Development	$ 40,000
Wastewater	Economic Development	40,000
Electric Fund	Economic Development	40,000

Internal loans (inter-fund advances) of $200,000 each from the Water, Wastewater and Electric Funds to the Economic Development Fund were recorded during the fiscal year ended September 30, 2008. The loans partially funded the purchase of real property related to an economic development project and are repayable in even installments over five years, however, with the pending sale of the property, the repayments were deferred to FY14.

E. **Operating Leases**

The city acquired property on University Drive known as the Chimney Hill Property in fiscal year 2009 with the intention to build a convention center on the property. Hotel tax funds were used to finance $7,000,000 of the purchase, with the remainder of the purchase price coming from Certificate of Obligation, Series 2009. The purchase price was allocated between the land, $6,555,190, and an existing building on the property, $3,084,795. As of September 30, 2013, the building carried a net value of $2,776,315 and $308,480 in accumulated depreciation.

The building at Chimney Hill was partially leased to private businesses when the City acquired the property. At September 30, 2013, one space is being rented on a month-to-month basis to Western Beverage. Two other spaces have leases as follows:

Year Ended September 30,	Operating Leases: Republic	Operating Leases: DaVita	Total
2013	103,731	256,791	360,522
2014	108,375	226,212	334,587
2015	111,624	94,255	205,879
2016	114,976	-	114,976
2017	68,229	-	68,229
	$ 506,935	$ 577,258	$ 1,084,193

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the period ended September 30, 2013, the City reported $3,163,052 in charges on debt refunding as deferred outflow of resources. These charges are reported on the government wide Statement of Net Position and will be amortized over the life of the refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources:

	Unavailable	Unearned	Total
Property tax	$ 909,254	$ -	$ 909,254
Loans Receivable	223,962	-	223,962
Other-Cemetary Plot Loans Receivable	43,625	-	43,625
	$ 1,176,841	$ -	$ 1,176,841

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

G. Prior Period Adjustment

For the period ending September 30, 2013 the City has chosen early implementation of Statement No. 65 of the Governmental Accounting Standards Board (GASB). Statement No. 65 establishes new treatment for debt issuance costs and charges related to debt refunding. Prior to GASB No. 65 implementation the City would capitalize/defer and subsequently amortize all debt issuance costs over the life of the related bond(s). GASB No. 65 requires that all debt issuance costs, with the sole exception of any prepaid insurance costs, be recognized in the period incurred, and the removal of all existing capitalized/deferred charges (net of accumulated amortization) from the City's government wide Statement of Net Position. These amounts, net of accumulated amortization expense, have been recognized in FY2013 and are included in the City's government wide Statement of Activities as a prior period adjustment to beginning fund balance. The adjustment is an expense in the amount of $1,367,007. Of this amount, $(557,167) is related to Governmental Activities, and $(809,840) to Business-type Activities.

Also, prior to implementing GASB No. 65, the City would defer the interest charges associated with debt refunding and would net this with the debt liability on the Statement of Net Position. GASB No. 65 requires that the difference between the reacquisition price and the net carrying amount of the old debt be deferred and amortized as a component of interest expense over the remaining life of the old debt or new debt whichever is shorter. The Statement of Net Position contains a prior period adjustment to beginning fund balance. The adjustment to the Governmental Activities is $1,607,028 and the adjustment to the Business-type Activities is $78,243.

H. Long-Term Debt

The City elected to implement GASB Statement 65 for fiscal year 2013. A summary of long-term debt transactions, including current portion, for the year ended September 30, 2013 follows:

	Beginning Balance	Incurred/ Issued	Matured/ Retired	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 75,695,000	$ 14,505,000	$ 10,490,000	$ 79,710,000	$ 7,290,000
Certificates of obligation	20,815,000	-	3,655,000	17,160,000	1,360,000
Premium/discount	2,328,886	951,174	236,939	3,043,121	305,366
Governmental activity Long term debt	$ 98,838,886	$ 15,456,174	$ 14,381,939	$ 99,913,121	$ 8,955,366
Business type activities:					
General obligation bonds	$ 36,280,000	$ 6,255,000	3,305,000	$ 39,230,000	$ 3,965,000
Certificates of obligation	63,685,000	10,230,000	2,890,000	71,025,000	3,055,000
Utility revenue bonds	45,060,000	-	10,295,000	34,765,000	3,480,000
Premium/discount	2,788,486	632,326	242,527	3,178,285	297,344
Business type activity Long term debt	$ 147,813,486	$ 17,117,326	$ 16,732,527	$ 148,198,285	$ 10,797,344

Due to the implementation of GASB No. 63 and 65, deferred loss from refunding transactions of $1,665,943 has been reclassified from a liability to a deferred outflow of resources and is no longer presented in the long-term debt table presented above.

Internal service funds predominantly serve the governmental funds. All internal service funds, except for the utility customer service fund, are included as part of the above totals for governmental activities.

Long-term debt at September 30, 2013 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:						
2003 Issue	3.00-4.50	7/1/03	2/15/23	$ 4,790,000	$ 4,790,000	$ -
2004 Issue	2.875-5.00	5/1/04	2/15/24	12,940,000	12,940,000	-
2005 Issue	4.00-6.00	5/1/05	2/15/25	5,710,000	5,480,000	230,000
2006 Issue	4.375-6.375	7/1/06	2/15/26	7,375,000	2,200,000	5,175,000
2006 Issue - Refunding	4.00-5.00	12/1/06	2/15/18	10,255,000	3,680,000	6,575,000
2007 Issue	4.25-6.25	9/1/07	2/15/27	3,930,000	1,635,000	2,295,000
2008 Issue	4.0 - 5.0	9/1/08	2/15/28	9,455,000	2,455,000	7,000,000
2009 Issue	3.5 - 4.0	7/15/09	2/15/21	3,335,000	430,000	2,905,000
2009 Issue - Refunding	2.00-4.00	11/15/09	2/15/20	4,265,000	1,695,000	2,570,000
2010 Issue	2.00-3.50	8/15/10	2/15/30	19,635,000	2,320,000	17,315,000
2010 Issue - Refunding	.30-5.0%	11/15/10	2/15/22	11,245,000	1,740,000	9,505,000
2011 Issue	.25-1.6%	9/15/11	2/15/18	1,960,000	930,000	1,030,000
2012 Issue & Refunding	2.0-5.0%	6/1/12	2/15/32	11,515,000	910,000	10,605,000
2013 Issue & Refunding	2.0-5.0%	8/15/13	2/15/33	14,505,000	-	14,505,000
				$ 120,915,000	$ 41,205,000	$ 79,710,000
General Obligation Bonds - Business-type Activities:						
2009 Issue - Refunding	2.00-4.00	11/15/09	2/15/20	$ 3,830,000	$ 1,530,000	$ 2,300,000
2010 Issue - Refunding	.30-5.0%	11/15/10	2/15/22	25,905,000	3,990,000	21,915,000
2012 Issue & Refunding	2.0-5.0%	6/1/12	2/15/32	9,570,000	810,000	8,760,000
2013 Issue & Refunding	2.0-5.0%	8/15/13	2/15/33	6,255,000	-	6,255,000
				$ 45,560,000	$ 6,330,000	$ 39,230,000
Total General Obligation Bonds				$ 166,475,000	$ 47,535,000	$ 118,940,000
Certificates of Obligation - Governmental Activities:						
2003A Issue	2.90-4.20	7/1/03	2/15/23	$ 780,000	$ 780,000	$ -
2005 Issue	3.00-4.50	5/1/05	2/15/25	7,595,000	7,380,000	215,000
2006 Issue	4.375-6.375	7/1/06	2/15/26	8,325,000	2,865,000	5,460,000
2007 Issue	4.25-6.25	9/1/07	2/15/27	3,960,000	1,650,000	2,310,000
2008 Issue	3.25 - 5.0	9/1/08	2/15/28	22,855,000	15,080,000	7,775,000
2009 Issue	3.00-5.00	7/15/09	2/15/29	5,880,000	4,795,000	1,085,000
2010 Issue	2.00-3.50	8/15/10	2/15/30	1,050,000	735,000	315,000
				$ 50,445,000	$ 33,285,000	$ 17,160,000
Certificates of Obligation - Business-type Activities:						
2004 Issue	2.875-5.00	5/1/04	2/15/24	$ 8,915,000	$ 8,915,000	$ -
2008 Issue	3.25 - 5.0	9/1/08	2/15/28	15,925,000	2,690,000	13,235,000
2009 Issue	3.00-5.00	7/15/09	2/15/29	30,580,000	8,875,000	21,705,000
2010 Issue	2.00-3.50	8/15/10	2/15/30	2,850,000	295,000	2,555,000
2011 Issue	2.00-3.60	9/15/11	2/15/31	7,920,000	545,000	7,375,000
2012 Issue	2.0-5.0%	6/1/12	2/15/32	16,415,000	490,000	15,925,000
2013 Issue	2.0-5.0%	8/15/13	2/15/33	10,230,000	-	10,230,000
				$ 92,835,000	$ 21,810,000	$ 71,025,000
Total Certificates of Obligation				$ 143,280,000	$ 55,095,000	$ 88,185,000
Utility Revenue Bonds:						
2003A Issue	2.50-4.25	7/1/03	2/1/23	$ 4,850,000	$ 4,850,000	$ -
2005 Issue	4.00-5.50	5/1/05	2/1/25	8,035,000	7,680,000	355,000
2005A Issue - Refunding	3.00-5.25	8/1/05	2/1/18	12,995,000	6,485,000	6,510,000
2006 Issue	4.375-6.375	7/1/06	2/1/26	16,950,000	3,965,000	12,985,000
2007 Issue	4.00-5.75	9/1/07	2/1/27	18,665,000	3,750,000	14,915,000
				$ 61,495,000	$ 26,730,000	$ 34,765,000
Total Outstanding Bonds						$ 241,890,000

The annual requirements to amortize debt outstanding as of September 30, 2013 are as follows:

	Governmental Activities			
	General Obligation		Certificates of Obligation	
Year Ended September 30,	Principal	Interest	Principal	Interest
2014	$ 7,290,000	$ 2,991,110	$ 1,360,000	$ 716,688
2015	6,505,000	2,760,441	1,195,000	666,547
2016	6,345,000	2,526,335	1,235,000	616,932
2017	6,655,000	2,277,596	1,020,000	569,091
2018	5,915,000	2,031,856	950,000	527,441
2019-2023	23,155,000	7,059,921	5,555,000	1,967,769
2024-2028	17,205,000	2,831,491	5,800,000	608,364
2029-2033	6,640,000	465,511	45,000	1,035
	$ 79,710,000	$ 22,944,261	$ 17,160,000	$ 5,673,867

	Business-Type Activities					
	General Obligation		Certificates of Obligation		Utility Revenue	
Year Ended September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 3,965,000	$ 1,587,861	$ 3,055,000	$ 2,631,766	$ 3,480,000	$ 1,516,255
2015	4,040,000	1,449,900	3,180,000	2,542,993	2,930,000	1,353,080
2016	4,205,000	1,290,350	3,335,000	2,436,549	3,075,000	1,207,182
2017	4,370,000	1,104,399	3,190,000	2,329,030	2,985,000	1,068,745
2018	4,150,000	909,988	3,360,000	2,217,586	2,460,000	948,304
2019-2023	16,730,000	1,964,575	19,265,000	9,098,334	10,545,000	3,364,199
2024-2028	1,770,000	75,000	24,095,000	4,907,270	9,290,000	785,606
2029-2033	-	-	11,545,000	922,720	-	-
	$ 39,230,000	$ 8,382,073	$ 71,025,000	$ 27,086,248	$ 34,765,000	$ 10,243,371

The City intends to retire all of its general long-term liabilities, plus interest, from ad valorem taxes. Proprietary fund type long-term debt issued for Northgate Parking Garage, Electric, Water and Wastewater projects will be repaid, plus interest, from the operating revenues their respective funds.

General Obligation Bonds and Certificates of Obligation

The City issues General Obligation Bonds and Certificates of Obligation to provide funds for the acquisition and construction of major capital facilities. These types of bonds have been issued by the City for both governmental activities as well as business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue.

General Obligation Bonds are direct obligations, for which the City has pledged the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year.

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 bonds and certificate indentures. The City is in compliance with the significant limitations and restrictions at September 30, 2013.

On July 23, 2013 the City issued $20,760,000 General Obligation Improvement and Refunding Bonds, Series 2013. The refunded bonds were an advanced refunding of General Obligation Improvement

Bonds, Series 2005; Certificates of Obligation, Series 2005; and a portion of Utility Revenue Refunding Bonds, Series 2005A and Utility Revenue Bonds, Series 2005 and was undertaken to reduce total general obligation and utility revenue debt service payments over the next 12 years by $888,025 resulting in net present value savings of $730,017. The true interest cost of the General Obligation and Refunding Bonds is 2.867177%. The refunding of the bonds resulted in a $271,050 difference between the reacquisition price and the net carrying amount of the old debt, which is shown as a deferred outflow on the Statement of Net Position.

Proceeds of $9,020,000 from the sale of the bonds will be used to pay for (1) costs of construction, acquisition of and improvements to City streets; (2) parks and parks facilities improvements, and (3) pay the costs incurred in connection with the issuance of the bonds. The City issued $10,230,000 in Certificates of Obligation, dated July 23, 2013, with a true interest cost of 3.899803%. The proceeds from the sale of the Certificates will be used to pay for (1) construction of improvements to the City's combined electric, waterworks and wastewater systems and (2) to pay costs incurred in connection with the issuance of the Certificates.

In 2009, the City issued $31,315,000 in Certificates of Obligation. $2,600,000 of the proceeds was used to purchase land for a convention center site. Council no longer intends to build a convention center, therefore, causing a change in use to the property. In order to maintain the tax exempt status of the 2009 Certificates of Obligation, Council approved to defease the convention center bonds on November 21, 2011. On December 1, 2011 the bonds were defeased. $2,728,149 was placed in an escrow account with Bank of New York to cover the principal and interest amount of the bonds until their call date of February 15, 2019. Also, in 2009, the City issued $5,145,000 in Certificates of Obligation to pay for a portion of the construction of a new municipal landfill. The City of College Station jointly owns Brazos Valley Solid Waste Management Agency Inc. (BVSWMA, Inc.) with the City of Bryan. BVSWMA Inc. has pledged to repay the $5,145,000 plus interest to the City of College Station. As of September 30, 2013 BVSWMA Inc. owed the City $4,330,000.

Revenue Bonds

Utility system revenue bonds are secured by the net revenues of the Electric, Water, and Wastewater 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 of 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, 2013, the City did not have an arbitrage rebate liability.

Defeasance

In prior years, the City issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not be retired until the call dates have come due or until maturity if they are not callable issues. On September 30, 2013, the City's escrow balance for bonds defeased on December 1, 2011 was $2,361,288. The defeased bonds are not callable until February 15, 2018. The escrow balance for bonds defeased on July 23, 2013 was $12,880,654. The defeased bonds are not callable until February 1, 2014 and February 15, 2014.

I. Components of Fund Balance

Fund balances for governmental funds at September 30, 2013 are as follows:

	General	Debt Service	Streets Projects	Other	Total
Fund balances:					
Nonspendable:					
Inventories	$ 59,426	$ -	$ -	$ 6,667,812	$ 6,727,238
Restricted for:					
Community and Neighborhood Parks	-	-	-	3,757,561	3,757,561
Community Development	-	-	-	1,617,691	1,617,691
Court Security Fee	-	-	-	71,142	71,142
Court Technology Fee	-	-	-	432,530	432,530
Debt Service	-	3,433,255	-	-	3,433,255
Drainage	-	-	-	2,954,750	2,954,750
Educational and Governmental Access fee	266,573	-	-	-	266,573
General Government Capital Projects		-	13,537,316	1,984,192	15,521,508
Hotel Occupancy Tax	-	-	-	6,479,599	6,479,599
Juvenile Case Manager	-	-	-	311,991	311,991
Parks and Recreation Capital Projects	-	-	-	3,414,144	3,414,144
Police Seizure	-	-	-	81,703	81,703
Wolf Pen Creek TIF	-	-	-	1,251,779	1,251,779
Committed to:					
College Station Cemetery Perpetual Care	-	-	-	1,779,694	1,779,694
Memorial Cemetery	-	-	-	1,565,221	1,565,221
Memorial Cemetery Perpetual Care	-	-	-	663,524	663,524
Assigned:					
Encumbrances	972,632	-	-	-	972,632
Unassigned	14,626,901	-	-	-	14,626,901
	$ 15,925,532	$ 3,433,255	$ 13,537,316	$ 33,033,333	$ 65,929,436

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 43.0687 cents per $100 of assessed valuation for the year ended September 30, 2013. 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 faces many risks. These risks generally can be divided into four loss categories: 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 from these exposures.

The City is self-insured for health benefits, and the plan is administered by Blue Cross Blue Shield of Texas. This activity is accounted for in the Employee Benefits Fund, which is funded monthly from employee contributions and City operating funds. 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's stop loss insurance policy limits the City's liability to $150,000 per individual per year, with an aggregate attachment point for the last 12 months of $7,464,041. The liability for outstanding losses includes $959,723 for claims incurred but not reported as of September 30, 2013.

In fiscal year 2013, City real and personal property and mobile equipment was insured by Affiliated FM, A.M. Best rated A+, financial category XV. Affiliated FM premiums were funded by calculated contributions from the City's operating funds. Affiliated FM provided claims handling for these coverage lines. The City carried a property insurance policy deductible between $100,000 and $250,000 per occurrence, depending on type of loss. Property insurance covered all direct losses and some indirect losses.

The City self-insures all liability coverage lines. Licensed adjusters in the City's Risk Management office process liability claims with assistance from Abercrombie, Simmons & Gillette (AS&G), a Third Party Administrator, which also handles the City's Workers' Compensation claims. In the event of a simultaneous liability and Workers' Compensation claim, only one SIR (self-insured retention) applies.

To further protect the City from catastrophic loss, the City carries excess liability and Workers' Compensation coverage through Star Insurance Company; A.M. Best rated B++, financial category X. The self-insured retention ("SIR") for 2013 was $250,000 per claim.

Liabilities in the property and casualty fund and the Workers' Compensation fund are reported to the carrier when it is probable a covered loss has occurred and the loss amount can be reasonably estimated. Liabilities include an amount for claims incurred but not reported. Based on the most recent actuarial study, the City has recorded a potential liability of $425,458 in the property and casualty fund and a potential liability of $256,366 in the Workers' Compensation fund. The results of the process to estimate the claims liability is not exact, as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to accommodate the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Settlements have not exceeded self-insured retention in each of the past three fiscal years.

As a reimbursing employer, the City uses the Unemployment Fund to pay qualified claims filed under the Texas Unemployment Compensation Act. Monthly contributions to fund this activity are based on a percentage of payroll determined annually during the budget process.

The liabilities for insurance claims reported in each of the funds are based on Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims to be reported if information prior to the issuance of the financial statements indicates it is probable 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 accounted for as Internal Service Funds for fiscal years 2013 and 2012 are as follows:

	2013	2012
Unpaid Claims, October 1	$ 1,515,910	$ 1,744,456
Incurred Claims (including IBNR's)	6,553,303	3,908,222
Claims Paid	(6,427,666)	(4,136,768)
Unpaid Claims, September 30	$ 1,641,547	$ 1,515,910

C. Joint Venture

In 1990 the Brazos Valley Solid Waste Management Agency (“BVSWMA”) was formed under a joint solid waste management agreement between the Cities of College Station and Bryan. College Station and Bryan agreed to cooperatively operate a joint facility for the proper disposal of solid waste for the two cities and outside customers. Each City reported 50% ownership in BVSWMA. The City of College Station served as landfill operator. This basic structure is how BVSWMA operated until 2010.

In February 2010 the City Councils for the City of Bryan and the City of College Station approved Articles of Incorporation for BVSWMA, Inc. a Local Government Corporation under the provisions of Subchapter D of Chapter 431, Texas Transportation Code; and Chapter 394, Texas Local Government Code. In March 2010, the City Councils of Bryan and College Station approved by-laws for BVSWMA, Inc., which establishes the power to issue debt and to acquire land.

The powers of BVSWMA, Inc. are vested in a 7 member Board of Directors, with each City Council appointing 3 members and the 7th member to be selected by an approval process set forth in the Articles of Incorporation and deemed to have been appointed by the Cities.

On September 13, 2010, Bryan City Council, College Station City Council and the BVSWMA, Inc. Board of Directors formalized the creation of BVSWMA, Inc. and the dissolution of BVSWMA, effective October 1, 2010, with the approval and execution of a (n):

- Borrowed Employee Agreement between the City of College Station and BVSWMA, Inc.;
- Asset Transfer and Debt Reimbursement Agreement between BVSWMA, Inc., the City of College Station and the City of Bryan;
- Agreement between the City of College Station, the City of Bryan and BVSWMA, Inc. regarding the Assignment and Assumption of Contracts and Payables;
- Final Settlement Agreement and Release related to the final settlement and dismissal of the certain lawsuit referred to as City of Bryan, Texas v. City of College Station, Texas, Cause No. 08-001626-CV-272 in the 272nd District Court of Brazos County, Texas, ("the Lawsuit"); consider the Agreed Motion to Dismiss; and, consider the Agreed Order of Dismissal.

Subsequent to the end of the fiscal year ended September 30, 2010, BVSWMA transferred all of its assets to BVSWMA, Inc. College Station reports BVSWMA, Inc. as a joint venture with the City of Bryan and recognizes 50% ownership in BVSWMA, Inc. in the City’s financial statements.

Per GASB 14, a Joint Venture (JV) is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or

(b) an ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the Joint Venture.

An *ongoing financial interest* includes an equity interest, as defined in paragraph 72, and any other arrangement that causes a participating government to have access to the Joint Venture's resources. An equity interest in a Joint Venture is manifest in the ownership of shares of Joint Venture stock or by otherwise having an explicit, measurable right to the net resources of a Joint Venture that is usually based on an investment of financial or capital resources by a participating government. An equity interest is explicit and measurable if the Joint Venture agreement stipulates that the participants have a present or future claim to the net resources of the Joint Venture and sets forth the method to determine the participants' shares of the Joint Venture's net resources. Per the BVSWMA, Inc. by-laws, paragraph 8.05, Section 431.107 of the Texas Transportation Corporation Act entitles the Cities, at all times, to have the right to equally receive the income earned by the corporation. Also, per BVSWMA, Inc.'s by-laws, paragraph 4.03a, the corporation, with the approval of the Cities, is authorized to issue short-term debt; however, the Cities shall be given the first opportunity to provide these funds before the Board incurs debt. This would result in the City of College Station providing an investment of financial resources to BVSWMA, Inc.

An ongoing financial responsibility for a Joint Venture occurs if a participating government is obligated in some manner for the debts (see paragraph 33 of GASB 14) of the Joint Venture, or if the Joint Venture's continued existence depends on the continued funding by the government. Per paragraph 33 of GASB 14 – A primary government is obligated in some manner for the debt of an organization if it is legally obligated to assume all or part of the debt in the event of default.

Per Article XIV, paragraph 14.03, of the Articles of Incorporation of BVSWMA, Inc., upon dissolution of the corporation:

A. the assets of the Corporation shall be distributed equally between the Cities; and
B. any remaining liabilities of the corporation shall be shared equally between the Cities.

State and federal laws and regulations required BVSWMA, Inc. to place a final cover on its Rock Prairie landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Rock Prairie Road landfill stopped accepting waste in July 2011, and the Twin Oaks Landfill in Grimes County began accepting waste. During the fiscal year ending September 30, 2013, the installation of the remaining final cover at the Rock Prairie Road Landfill (+/- 40 acres) was completed. Although closure and post closure care costs will be paid only near or after the date that the landfill stopped accepting waste, BVSWMA, Inc. reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. 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, Inc. as of September 30, 2013:

	2013	2012
Assets:		
Current assets	$ 10,067,993	$ 10,851,854
Capital assets	33,003,796	31,445,445
Accumulated depreciation	(7,140,312)	(5,320,416)
Deferred landfill permits	3,113,380	3,113,379
Less: accumulated amortization	(81,982)	(49,422)
Total assets	38,962,875	40,040,840
Liabilities:		
Current liabilities	882,990	812,962
Noncurrent liabilities:		
Accrued post closure maintenance costs	4,373,644	5,886,085
Other noncurrent liabilities	8,470,000	8,915,000
Total liabilities	13,726,634	15,614,047
Net position		
Net investment in capital assets	16,948,483	16,780,028
Unrestricted	8,287,758	7,646,765
Total net position	$ 25,236,241	$ 24,426,793
Program revenues	$ 7,266,856	$ 6,998,799
Expenses	6,509,915	7,246,820
Operating income	756,941	(248,021)
General revenues	52,508	50,367
Change in net position	$ 809,449	$ (197,654)

The City's share of BVSWMA, Inc.'s net assets for fiscal year 2013 was $12,618,120. A copy of BVSWMA, Inc.'s financial statements may be obtained from the City's Fiscal Services Department.

D. Pension Plan

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"), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. The report may be obtained by writing to TMRS, Post Office Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at http://www.tmrs.com/

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

	Plan Year 2011	Plan Year 2012	Plan Year 2013
Employee deposit rate	7.00%	7.00%	7.00%
Matching ratio (City to Employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above	20 years at any age, 5 years at age 60 and above	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers	75% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating	50% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded actuarial liability over the applicable period for that City. Both the normal cost and the prior service contribution rates include recognition of the projected impact of annually repeated benefits, such as Updated Service Credits and Annuity Increases.

The City contributed to the TMRS Plan at an actuarially determined rate. Both the employees and the City made contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation are as follows:

	2011	2012	2013
Annual Required Contribution (ARC)	7,998,505	7,323,878	7,441,907
Interest on Net Pension Obligation	234,216	356,127	388,924
Adjustment to the ARC	(193,787)	(285,719)	(341,701)
Annual Pension Cost	8,038,934	7,394,287	7,489,130
Contributions Made	(6,413,446)	(6,586,598)	(6,062,866)
Increase (Decrease) in net pension obligation	1,625,488	807,689	1,426,264
Net Pension Obligation/(Asset), beginning of year	3,122,878	4,748,366	5,556,055
Net Pension Obligation/(Asset), end of year	4,748,366	5,556,055	6,982,319

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
9/30/2011	$ 8,038,934	$ 6,413,446	79.78%	$ 4,748,366
9/30/2012	7,394,287	6,586,598	89.08%	5,556,055
9/30/2013	7,489,130	6,062,866	80.96%	6,982,319

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.1 years; closed period	26.2 years; closed period	25.3 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	1.5%	1.5%

Funded Status and Funding Progress – In June 2011, SB 350 was enacted by the Texas Legislature resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll (Calendar Year)	UAAL as a Percentage of Covered Payroll
12/31/2010	145,688,745	190,548,951	44,860,206	76.5%	40,662,340	110.3%
12/31/2011	159,366,251	203,122,476	43,756,225	78.5%	41,553,358	105.3%
12/31/2012	174,277,295	198,075,559	23,798,264	88.0%	41,386,265	57.5%

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

E. Other Post Employment Benefits

In addition to the pension benefits described in Note V.D., as required by state laws and defined by City policy, the City makes available postretirement medical, dental, vision, drug and life insurance benefits to all employees who meet TMRS retirement qualifications, retire from the City and who enroll themselves and their eligible dependent(s) on or before the effective date of their retirement through the City's single-employer defined benefit other post-employment benefit (OPEB) plan. The life insurance plan provides a $10,000 fully insured death benefit coverage upon retirement which ceases upon attainment of age 65 for retirees. So long as monthly premium payments are made, the healthcare plan provides lifetime insurance to eligible retirees, their spouses and dependents through the City's group health insurance plan, which covers both active and retired members. Benefit provisions as well as retiree premium contributions are established by management.

The City determines the employer and participant contribution rates annually based on recommendations of City staff and the City's consultant. All medical, dental, vision and drug care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees. Life insurance for eligible retirees is paid entirely by the City.

During fiscal year 2013, forty-three former employees were covered under this arrangement, with claims less retiree contributions totaling ($3,833).

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. Despite the apparent implications of the term ARC, the City is not required to contribute the ARC to the plan each year, Instead, the ARC provides a basis for evaluating whether the City's contributions for OPEB are adequate to fund the benefits during the working lifetime of current employees (i.e., the normal cost) and to amortize existing unfunded obligations (i.e., the obligations for current retirees plus that portion of the current employees' obligations that are attributed to past service) in a systematic manner over the amortization period prescribed by GASB.

The annual OPEB cost is the annual accounting expense recorded on the City's Statement of Revenues, Expenses and Changes in Net Position and on the City's Statement of Activities. The annual OPEB cost is equal to (1) the ARC for the current fiscal year, plus (2) interest on the Net OPEB Obligation at the beginning of the year, reduced by (3) an adjustment to the ARC which is equal to an amortization of the beginning of the year Net OPEB Obligation. As described in Note V.C, the City terminated its Borrowed Employee Agreement with BVSWMA, Inc. Therefore, the related OPEB obligation of $134,385 was removed.

	2011	2012	2013
Annual Required Contribution (ARC)	$ 1,850,510	$ 1,360,907	$ 1,449,844
Interest on Net Pension Obligation	211,750	276,044	333,710
Adjustment to the ARC	(262,374)	(342,039)	(413,492)
Annual OPEB Cost	1,799,886	1,294,912	1,370,062
Contributions Made	(513,998)	(141,585)	3,833
Increase (Decrease) in net pension obligation	1,285,888	1,153,327	1,373,895
Net OPEB Obligation/(Asset), beginning of year	4,234,990	5,520,878	6,674,205
Net OPEB Obligation/(Asset), end of year	$ 5,520,878	$ 6,674,205	$ 8,048,100

Three-Year Trend Information

Accounting Year Ending	Annual OPEB Cost	Actual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2011	1,799,886	513,998	28.56%	5,520,878
9/30/2012	1,294,912	141,585	10.93%	6,674,205
9/30/2013	1,370,062	(3,833)	-0.28%	8,048,100

Generally, the Net OPEB Obligation is the cumulative difference since the effective date of GASB 45 between the annual OPEB cost and the employer's contributions to the plan including the OPEB liability (asset) at transition, if any. Because the City did not have an OPEB liability/(asset) at transition, the Net OPEB Obligation as of October 1, 2008 is zero. Whenever the City contributes an amount less than the annual OPEB cost, this shortfall will increase the City's Net OPEB Obligation.

Actuarial Methods and Assumptions
Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The required Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. GASB No. 45 calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan participants to that point. In addition, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan participants in the future.

Actuarial calculations reflect a long-term perspective. In addition, consistent with that perspective, actuarial methods and assumptions used in developing the amounts in this report include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

The required contribution rates were determined as part of the October 1, 2012 actuarial valuation. Significant methods and assumptions follow:

Actuarial valuation date:	10/1/2012
Asset Valuation Method:	Market
Actuarial Cost Method:	Projected Unit Credit
Actuarial Assumptions:	
Annual Investment Return Assumption*	5.0%
*Includes Inflation at:	4.00%
Projected Salary Increases:	N/A
Annual Healthcare Trend Rates:	8.50% in FYE 2013 declining to 5.00% in FYE 2020
Amortization Method:	Level dollar
Amortization Period:	30 year open period

Funding Status and Funding Progress
The Schedule of Funding Progress presents information as of the current valuation date and the two preceding valuation dates. As of the date of this financial statement, the City has had two valuations, that for the fiscal year beginning October 1, 2010, and one for the fiscal year beginning October 1, 2012.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll (Fiscal Year)	UAAL as a Percentage of Covered Payroll
10/1/2010	-	13,868,768	13,868,768	0.0%	42,298,776	32.79%
10/1/2010	-	9,356,116	9,356,116	0.0%	42,298,776	22.12%
10/1/2012	-	10,897,037	10,897,037	0.0%	44,000,000	24.77%

There are factors that affect the ability to compare amounts reported from one actuarial valuation date to the next. The assumptions that have been changed since the previous valuation are:

- the Discount Rate has been updated to reflect changes in the allocation of assets of the employer and the expected return on such assets;
- the Assumed Per Capita Health Benefit Costs and Assumed Expenses for retirees and dependents have been updated to reflect changes in claims and expense expectations; and
- the Health Benefit Cost Trend and Expense Trend have been updated to reflect changes in short-term expectations of the annual rate of increase of the Assumed Per Capita Health Benefit Costs.

Two separate valuations, one of which used the October 1, 2010 valuation date and one the October 1, 2012 valuation date, were used to develop results for the fiscal years ending September 30, 2012 and September 30, 2013. The plan was changed effective January 1, 2012 to eliminate post-65 medical coverage and was changed effective January 1, 2013 to eliminate one of the PPO benefit options. While the plan typically undergoes a biennial valuation, pursuant to paragraph 12 of GASB 45, a new valuation must be performed if there are significant changes to the plan since the previous valuation.

As previously stated, for the fiscal year ending September 30, 2013, a new actuarial valuation incorporating these changes to the plan provisions was performed using October 1, 2012 valuation date.

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

All amounts of compensation deferred under the plan (until paid or made available to the employee or other beneficiary) were placed in trust for the exclusive benefit of the participants and the beneficiaries. This action is in accordance with changes made to IRC Section 457. The City is not the 457 Plan Administrator or trustee and the assets of the plan are not reportable in the City's basic financial statements.

G. Commitments and Contingencies

Construction Commitments
The City has contractual commitments of $8,325,496 in the Capital Projects Funds, $772,917 in the Water Fund, $2,761,839 in the Wastewater Fund and $4,462,056 in the Electric Fund. These commitments are for construction of various projects and will be funded primarily from long-term debt.

Contingencies

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Litigation

The City is a party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the city with respect to the various proceedings. Management believes any unfavorable outcomes would not be material.

H. Bonds Available for Sale

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

	Year Authorized	Unissued Amount	
Public Buildings	1984	$ 700,000	(1)
Street Improvements	1984	500,000	(1)
Municipal Complex Improvements	2003	3,655,000	
Library Expansion	2008	8,385,000	
Parks and Recreation	2008	8,950,000	
Street Improvements	2008	29,425,000	
Traffic Signals	2008	3,000,000	
Total		$ 54,615,000	

(1) Contains projects which may have been completed or abandoned; therefore, these Bonds are not likely to ever be issued.

I. Revenue Bond Coverage

All the net revenues of the Electric, Water, and Wastewater 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.

J. Subsequent Events

In January 2014, the City Council adopted Ordinance 2014-3545 which amends Chapter 11 of City's Code of Ordinances by adopting section 12, related to the creation of Municipal Utility Districts (MUDs). Also adopted was Resolution 01-09-14-01 which establishes the policies for the application process and costs for such requests, the standards that development and infrastructure shall meet if consent is granted, the issues related to annexation of property within a MUD, issuance of debt, and the dissolution of a MUD. These policies apply to any future MUDs either within the City limits, or within the City's Extraterritorial Jurisdictions.

APPENDIX C

FORMS OF OPINIONS OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

CITY OF COLLEGE STATION, TEXAS
GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS, SERIES 2014

DATED SEPTEMBER 1, 2014
IN THE AGGREGATE PRINCIPAL AMOUNT OF $35,865,000

AS BOND COUNSEL FOR THE CITY OF COLLEGE STATION, TEXAS, (the "Issuer") in connection with the issuance of the General Obligation Improvement and Refunding Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds and in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Bonds, including executed Bond Number R-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, including the report of Grant Thornton LLP certifying as to the sufficiency of the amounts deposited to the escrow fund to pay, when due, the principal of and interest on the refunded obligations, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

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FACSIMILE: 210 225-2984

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates, assuming no material changes in facts or law.

CITY OF COLLEGE STATION, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2014

DATED SEPTEMBER 1, 2014
IN THE AGGREGATE PRINCIPAL AMOUNT OF $34,005,000

AS BOND COUNSEL FOR THE CITY OF COLLEGE STATION, TEXAS, (the "Issuer") in connection with the issuance of the Certificates of Obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number R-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a limited pledge (not to exceed $1,000) of the surplus revenues from the operation of the Issuer's combined municipal electric light and power, waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's combined municipal electric light and power, waterworks and sewer system, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,