

PRELIMINARY OFFICIAL STATEMENT

Dated June 23, 2005

Ratings:
Moody's: "Applied for"
S&P: "Applied for"
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.

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT BONDS"
FOR FINANCIAL INSTITUTIONS

\$14,145,000*

CITY OF COLLEGE STATION, TEXAS

(a Home-Rule City located in Brazos County, Texas)

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2005A

Dated Date: August 1, 2005

Due: February 15, as shown below

The \$14,145,000* City of College Station, Texas, General Obligation Refunding Bonds, Series 2005A (the "Bonds") are being issued by the City of College Station, Texas (the "City") pursuant to the terms of the ordinance adopted by the governing body of the City.

The Bonds 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 Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry-form only. So long as Cede & Co is the registered owner of the Bonds, as nominee for DTC, the Paying Agent/Registrar, initially JPMorgan Chase Bank, National Association, Dallas, Texas, (the "Paying Agent/Registrar") will pay the principal of and interest on the Bonds to Cede & Co., which will, in turn, remit such amounts to DTC participants for subsequent disbursement to the beneficial owners of the Bonds.

Interest on the Bonds will accrue from the dated date as shown above and will be payable on February 15, 2006 and on each August 15 and February 15 thereafter until maturity or early redemption. Interest on the Bonds will be calculated on the basis of a 360 day year consisting of twelve 30-day months.

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2015, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2014, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION").

SEE MATURITY SCHEDULE, INTEREST RATES, AND YIELDS ON INSIDE COVER

The Bonds are payable from ad valorem taxes levied against all taxable property in the City, within the legal limits prescribed by law (see "THE BONDS – SECURITY AND SOURCE OF PAYMENT," and "TAX RATE LIMITATIONS").

The Bonds are offered for delivery, when issued, and received by 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 – FORM OF OPINION OF BOND COUNSEL"). Certain legal matters will be passed upon for the Underwriters by _____, _____, Texas, counsel for the Underwriters. It is expected that the Bonds will be available for delivery through the services of DTC on or about August __, 2005.

UNDERWRITERS TO BE DETERMINED

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE, INTEREST RATES AND YIELDS*

Due Feb 15	Principal	Interest Rate	Yield	CUSIP ⁽¹⁾	Due Feb 15	Principal	Interest Rate	Yield	CUSIP ⁽¹⁾
2007	20,000				2014	1,875,000			
2008	20,000				2015 ⁽²⁾	1,980,000			
2009	20,000				2016 ⁽²⁾	1,705,000			
2010	290,000				2017 ⁽²⁾	1,800,000			
2011	675,000				2018 ⁽²⁾	1,360,000			
2012	1,685,000				2019 ⁽²⁾	460,000			
2013	1,775,000				2020 ⁽²⁾	480,000			

(Accrued Interest from August 1, 2005 to be added)

- (1) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. 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 Bonds having stated maturities on and after February 15, 2015, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2014, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes a Preliminary Official Statement of the City with respect to the Bonds that has been deemed “final” by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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 the CUSIP Service Bureau, and are included solely for the convenience of the owners of the Bonds. 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.

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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 Bonds 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 47 square miles (see “INTRODUCTION - DESCRIPTION OF CITY”).
- THE BONDS**..... The Bonds are issued as \$14,145,000* City of College Station, Texas General Obligation Refunding Bonds, Series 2005A. The Bonds are issued as serial bonds maturing February 15, 2007 through February 15, 2020*. (see “THE BONDS - GENERAL DESCRIPTION”).
- PAYMENT OF INTEREST** Interest on the Bonds accrues from August 1, 2005, and is payable February 15, 2006, and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE BONDS - GENERAL DESCRIPTION”).
- AUTHORITY FOR ISSUANCE.** The Bonds are issued pursuant to the general laws of the State, particularly Chapter 1331, Texas Government Code, and an ordinance passed by the City Council of the City. (see “THE BONDS - AUTHORITY FOR ISSUANCE”).
- SECURITY FOR THE BONDS**..... The Bonds constitute direct obligations of the City, 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 BONDS - SECURITY AND SOURCE OF PAYMENT”).
- OPTIONAL REDEMPTION** The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2015, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2014, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – OPTIONAL REDEMPTION”).
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See “TAX MATTERS” for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.
- USE OF BOND PROCEEDS** Proceeds from the sale of the Bonds will be used to (i) refund certain obligations of the City described in Schedule I to this Official Statement (the “Refunded Bonds”), and (ii) to pay the costs incurred in connection with the issuance of the Bonds (see “PLAN OF FINANCING - USE OF PROCEEDS”).
- RATINGS**..... The presently outstanding tax supported debt of the City is rated “Aa3” by Moody's Investors Service, Inc. (“Moody's”) and “AA-” by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. (“S&P”). The City also has other issues outstanding which are rated “Aaa” by Moody's and “AAA” by S&P through insurance by various commercial insurance companies. Applications for ratings on the Bonds have been made to Moody's and S&P (see “OTHER INFORMATION – RATINGS”).
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds 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 Bonds (see “THE BONDS - BOOK-ENTRY-ONLY SYSTEM”).
- PAYMENT RECORD**..... The City has never defaulted in payment of its general obligation tax debt.

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Ad Valorem Tax Debt ⁽³⁾	Per Capita Ad Valorem Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Percent Total Collection ⁽³⁾
2000	68,038	\$ 2,194,620,399	\$ 32,256	\$ 56,655,000	\$ 833	2.58%	98.31%
2001	70,075	2,315,362,362	33,041	59,970,000	856	2.59%	100.10%
2002	70,308	2,489,560,083	35,409	74,945,000	1,066	3.01%	100.03%
2003	72,500	2,723,565,453	37,566	75,695,000	1,044	2.78%	98.63%
2004	75,763	3,028,907,414	39,979	81,790,000	1,080	2.70%	99.45%
2005	80,124	3,291,131,442	41,075	88,760,000 ⁽⁴⁾	1,108 ⁽⁴⁾	2.70% ⁽⁴⁾	⁽⁵⁾

(1) Source: The City.

(2) As reported by the Brazos County Appraisal District; subject to change during the ensuing year.

(3) Payable from ad valorem taxes.

(4) Projected, includes the Bonds and excludes the Refunded Bonds; preliminary subject to change.

(5) In process of collection.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30 ⁽¹⁾				
	2004	2003	2002	2001	2000
Beginning Balance	\$11,250,335	\$10,111,225	\$ 9,432,700	\$ 8,428,183	\$ 7,809,532
Total Revenue	30,504,823	28,157,582	26,269,679	24,355,204	22,732,090
Total Expenditures	37,500,080	33,676,271	31,675,353	28,806,157	26,977,251
Other Financing Sources (Uses)	6,447,873	6,657,799	6,084,199	5,455,470	4,863,812
Ending Balance	<u>\$10,702,951</u>	<u>\$11,250,335</u>	<u>\$10,111,225</u>	<u>\$ 9,432,700</u>	<u>\$ 8,428,183</u>

(1) 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 may be expended in future years for one time expenditures such as capital items and short term projects.

UTILITY SYSTEM CONDENSED STATEMENT OF OPERATIONS

	For Fiscal Year Ended September 30				
	2004	2003	2002	2001	2000
Revenues:					
Electric	\$ 46,389,147	\$ 45,480,173	\$ 44,238,340	\$ 42,290,635	\$ 35,295,718
Water and Wastewater	16,536,666	16,552,584	16,024,595	15,118,463	15,696,095
Interest	627,060	1,076,079	1,858,545	2,787,779	2,467,905
Other	1,859,309	2,013,489	1,974,507	1,734,798	1,940,771
Total Revenues	<u>\$ 65,412,182</u>	<u>\$ 65,122,325</u>	<u>\$ 64,095,987</u>	<u>\$ 61,931,675</u>	<u>\$ 55,400,489</u>
Expenses:					
Total Expenses	<u>\$ 44,719,241</u>	<u>\$ 47,785,550</u>	<u>\$ 46,274,555</u>	<u>\$ 45,465,778</u>	<u>\$ 37,149,229</u>
Net Available for Debt Service	<u>\$ 20,692,941</u>	<u>\$ 17,336,775</u>	<u>\$ 17,821,432</u>	<u>\$ 16,465,897</u>	<u>\$ 18,251,260</u>

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Ron Silvia	Mayor	7 Years ⁽¹⁾	5/06	Retired
Dennis Maloney	Mayor Pro-Tem	6 Years	5/05	Painting Contractor
John Happ	Councilmember	3 Year	5/06	Airport Director
James Massey	Councilmember	6 Years	5/05	Director of Facility Coordination
Robert Wareing	Councilmember	2 Years	5/05	Vice President, Investments
Susan Lancaster	Councilmember	1 Year	5/06	Creative Director
Nancy Berry	Councilmember	1 Year	5/06	Community Volunteer

(1) Elected Mayor in May 2002.

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service To City</u>
Thomas E. Brymer	City Manager	17 Years ⁽¹⁾
Glenn Brown	Assistant City Manager	5 Years
Harvey Cargill, Jr.	City Attorney	8 Years
John C. Woody	Director of Public Utilities	18 Years
Jeff Kersten	Finance and Strategic Planning Director	13 Years ⁽²⁾
Connie L. Hooks	City Secretary	19 Years
Mark Smith	Director of Public Works	25 Years

(1) City Manager since September 1999.

(2) Finance and Strategic Planning Director since August 2004.

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

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$14,145,000*

CITY OF COLLEGE STATION, TEXAS

(a Home-Rule City located in Brazos County, Texas)

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2005A

INTRODUCTION

This Official Statement, which includes the cover pages and Appendices hereto, provides certain information regarding the issuance of the \$14,145,000* City of College Station, Texas, General Obligation Refunding Bonds, Series 2005A (the "Bonds"). Capitalized terms used in this Official Statement, except as otherwise indicated herein, have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds (the "Ordinance") to be adopted on the date of sale of the Bonds.

There follows in this Official Statement descriptions of the Bonds 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, 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 2003. The City operates under a Council/City Manager form of government with a City Council comprised of the Mayor and six Councilmembers. 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 1990 Census population for the City was 52,456 and the 2000 Census population was 67,890. The City covers approximately 47 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the outstanding ad valorem tax supported obligations of the City (the "Refunded Bonds"), and (ii) to pay the costs incurred in connection with the issuance of the Bonds (see "Sources and Uses of Proceeds"). See Schedule I for a detailed listing of the Refunded Bonds and their respective call dates and redemption prices.

REFUNDED BONDS . . . The principal of and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates, maturity dates and the respective redemption dates of such Refunded Bonds, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and JPMorgan Chase Bank, National Association, Dallas, Texas (the "Escrow Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, the City will deposit with the Escrow Agent, the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their respective maturity dates and redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (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 Bonds.

Grant Thornton LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to 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 Bonds. Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds. See "OTHER INFORMATION - VERIFICATION OF MATHEMATICAL COMPUTATIONS".

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Bonds in accordance with the law. As a result of such defeasance, the Refunded Bonds 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 Bonds will not be deemed as being outstanding obligations of the City.

* Preliminary, subject to change.

SOURCES AND USES OF PROCEEDS

The sources and uses of the Bonds will be applied approximately as follows:

Sources of Funds	
Par Amount of Bonds	\$
Net Premium on the Bonds	
Debt Service Fund Transfer by the City	
Total Sources of Funds	<u>\$</u>
Uses of Funds	
Deposit to Escrow Fund	\$
Issuance Expenses and Underwriters Discount ⁽¹⁾	
Total Uses of Funds	<u>\$</u>

(1) Includes municipal bond insurance premium.

THE BONDS

GENERAL DESCRIPTION. . . The Bonds are dated August 1, 2005, and mature on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15, 2006 and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Bonds 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 Bonds will be made to the owners thereof. Principal of and interest on the Bonds 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 Bonds (see “Book-Entry-Only System”).

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, as amended; elections held November 3, 1998 and November 4, 2003, and passed by a majority of the participating voters; with respect to the refunding of the Refunded Bonds, Chapter 1207, Texas Government Code; and the Bond Ordinance.

SECURITY AND SOURCE OF PAYMENT. . . All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City sufficient to provide for the payment of principal of and interest on all obligations (such as the Bonds) payable in whole or in part from ad valorem taxes, which tax must be levied within limits prescribed by law.

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 ad valorem taxes, as calculated at the time of issuance.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Bonds of either series having stated maturities on and after February 15, 2015, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2014, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City shall determine the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (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 Bonds, 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 Bonds 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 BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

BOOK ENTRY ONLY SYSTEM. . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by the Depository Trust Company (“DTC”) while the Bonds 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 Bonds), 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 Bonds. The Bonds 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 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest 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 2 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments 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 Bonds. 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, all of which are also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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”). DTC has Standard & Poor’s highest rating: AAA. 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 Bonds 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 Direct and Indirect 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 Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the bonds, except in the event that use of the book-entry system described herein is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds 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, distributions, and dividend 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 Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds 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, Bonds 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, Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds 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 Bonds, 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 Underwriter.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar is JPMorgan Chase Bank, National Association, Dallas, Texas. In the 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 Bonds 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 Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City will promptly cause a written notice thereof to be sent to each registered owner of the Bonds 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 Bonds 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds issued in an exchange or transfer of Bonds 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 Bonds 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 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 Bonds 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 Bonds. Neither the City nor the Paying Agent/Registrar will be required to transfer or exchange any Bond called for redemption, in whole or in part, within 30 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 a Bond.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for determining the person to whom the interest is payable on the Bonds 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 Bond 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 Ordinance provide for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, 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 Bonds. The Ordinance provides 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, and (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. 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 BONDS. . . The Ordinance does not establish specific events of default with respect to the Bonds, and there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinance. Although a registered owner of the Bonds could presumably obtain a judgment against the City if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is a mandamus proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, 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 special revenues, the pledge of taxes and other general revenue 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 bondholders 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 Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Brazos County 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. 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 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.

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.

RECENT 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 would authorize 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. The City is now authorized to freeze ad valorem taxes on residence homesteads of persons who are disabled or sixty-five years of age or older. If the City Council does not take action to establish the tax limitation, voters within the City may 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.

If the tax limitation is established, 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.

The City Council has not determined at this time what action, if any, it will take regarding this constitutional amendment. The City can make no representations or predictions concerning the impact such a tax limitation would have on the taxing rates of the City or its ability to make debt service payments.

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". The City Council may not adopt a tax rate that provides more revenue than the previous year's tax rate until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. 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.

"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. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. 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 not permit split payments, and 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"). Brazos County collects the taxes for the City.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The value of property subject to abatement is shown in Table 1 on the next page.

All applications must meet the following general criteria before being considered for tax abatement.

1. The project expands the local tax base.
2. The project creates permanent full time employment.
3. The project would not otherwise be developed.
4. The project makes a contribution to enhancing further economic development.
5. The project must remain in good standing to all aesthetic and environmental concerns.
6. The project has not been started and no construction has commenced at the time the application is approved.
7. The project must not have any of the following objections:
 - I. there would be substantial adverse affect on the provision of government service or tax base,
 - II. the applicant has insufficient financial capacity,
 - III. planned or potential use of the property would constitute a hazard to public safety,
 - IV. planned or potential use of the property would give adverse impacts to adjacent properties, or
 - V. any violation of laws of the United States or State of Texas or ordinances of the City of College Station would result.

If the project in the application meets the general criteria, is a facility of a targeted enterprise, and has a capital cost that exceeds \$250,000, then abatement of any or all of the increased value will be considered. In no case would tax abatement exceed the maximum allowed by State law, presently 100% for ten years. Factors to consider in determining the portion of the increased value to be abated and the duration of the abatement agreement include, but are not limited to:

- Total amount of the increased value;
- Total number of jobs created;
- Type of jobs created;
- Dollar value of payroll created; and
- Other municipal costs and revenues associated with the application.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

Less Exemptions/Reductions at 100% Market Value:		
Over 65 Homestead and Veterans Exemptions	\$ 46,464,210	
Disabled Veteran	2,001,500	
Homestead Cap Adjustment	10,536,406	
House Bill 366 ⁽¹⁾	89,729	
Productivity Loss	47,112,430	
Abatements	39,687,979	
Proration	301,173	
Freeport	<u>11,132,211</u>	<u>157,325,638</u>
2004/05 Taxable Assessed Valuation		\$ 3,291,131,442
Debt Payable from Ad Valorem Taxes (as of 4-01-05) ⁽²⁾		
General Obligation and Refunding Bonds, Series 1996	1,795,000	
General Obligation Improvement Bonds, Series 1998	1,630,000	
General Obligation Improvement Bonds, Series 1999	4,770,000	
Combination Tax and Revenue Certificates of Obligation, Series 2000	905,000	
General Obligation Improvement Bonds, Series 2000	2,345,000	
Combination Tax and Revenue Certificates of Obligation, Series 2000A	1,720,000	
Certificates of Obligation, Series 2001	1,790,000	
General Obligation Improvement Bonds, Series 2001	2,405,000	
Certificates of Obligation, Series 2002	11,410,000	
General Obligation Improvement Bonds, Series 2002	5,345,000	
Certificates of Obligation, Series 2003	615,000	
Certificates of Obligation, Series 2003A	750,000	
General Obligation Bonds, Series 2003	4,610,000	
Certificates of Obligation, Series 2004	8,910,000	
General Obligation Improvement and Refunding Bonds, Series 2004	12,310,000	
General Obligation Bonds, Series 2005	5,710,000	
Certificates of Obligation, Series 2005	7,595,000	
The Bonds*	<u>14,145,000</u>	<u>88,760,000</u>
Less: Interest and Sinking Fund as of 4-1-05		2,913,199
Net Debt Payable from Ad Valorem Taxes		<u>\$ 85,846,801</u>
Ratio of Ad Valorem Tax Debt to Taxable Assessed Valuation		2.61%

2005 Estimated Population - 80,124
Per Capita Taxable Assessed Valuation - \$41,075
Per Capita Funded Debt - \$1,071

(1) HB 366 was passed by the 74th Legislature and exempts personal property and minerals that have an aggregate value of less than \$500.

(2) Excludes the Refunded Bonds.

* Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value, Fiscal Year Ending September 30					
	2005		2004		2003	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,693,764,730	49.12%	\$ 1,497,903,267	47.17%	\$ 1,305,123,758	46.03%
Real, Residential, Multi-Family	579,313,589	16.80%	582,197,865	18.33%	543,671,950	19.18%
Real, Vacant Lots/Tracts	66,205,810	1.92%	64,305,345	2.02%	61,488,980	2.17%
Real, Acreage (Land Only)	77,366,480	2.24%	73,572,440	2.32%	58,043,010	2.05%
Real, Farm and Ranch Improvements	10,491,800	0.30%	9,957,510	0.31%	5,627,110	0.20%
Real, Commercial/Industrial	678,592,264	19.68%	636,939,757	20.06%	567,471,371	20.02%
Real, Oil, Gas & Other Mineral Reserves	3,743,710	0.11%	3,417,620	0.11%	2,889,430	0.10%
Real and Tangible Personal, Utilities	47,068,170	1.36%	44,083,230	1.39%	44,621,630	1.57%
Tangible Personal, Business	264,132,482	7.66%	239,851,270	7.55%	229,678,206	8.10%
Tangible Personal, Other	3,024,720	0.09%	3,328,650	0.10%	3,589,940	0.13%
Real Property Inventory	18,496,425	0.54%	14,117,150	0.44%	7,051,743	0.25%
Special Inventory	6,256,900	0.18%	5,999,900	0.19%	5,906,780	0.21%
Total Appraised Value Before Exemptions	\$ 3,448,457,080	100.00%	\$ 3,175,674,004	100.00%	\$ 2,835,163,908	100.00%
Less: Total Exemptions/Reductions	157,325,638		146,766,590		111,598,455	
Taxable Assessed Value	<u>\$ 3,291,131,442</u>		<u>\$ 3,028,907,414</u>		<u>\$ 2,723,565,453</u>	

Category	Taxable Appraised Value, Fiscal Year Ending September 30			
	2002		2001	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,165,793,808	44.85%	\$ 1,054,789,945	43.52%
Real, Residential, Multi-Family	498,169,190	19.16%	456,684,815	18.84%
Real, Vacant Lots/Tracts	57,943,080	2.23%	62,976,900	2.60%
Real, Acreage (Land Only)	54,600,810	2.10%	50,447,630	2.08%
Real, Farm and Ranch Improvements	5,276,590	0.20%	4,980,990	0.21%
Real, Commercial/Industrial	532,716,948	20.49%	507,145,636	20.92%
Real, Oil, Gas & Other Mineral Reserves	3,973,620	0.15%	2,793,790	0.12%
Real and Tangible Personal, Utilities	52,024,755	2.00%	53,962,443	2.23%
Tangible Personal, Business	218,475,628	8.40%	220,180,971	9.08%
Tangible Personal, Mobile Home	3,637,130	0.14%	3,378,370	0.14%
Tangible Personal, Other	1,627,310	0.06%	1,149,470	0.05%
Real Property Inventory	5,349,810	0.21%	5,328,370	0.22%
Total Appraised Value Before Exemptions	\$ 2,599,588,679	100.00%	\$ 2,423,819,330	100.00%
Less: Total Exemptions/Reductions	110,028,596		108,456,968	
Taxable Assessed Value	<u>\$ 2,489,560,083</u>		<u>\$ 2,315,362,362</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Brazos County 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	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2000	68,038	\$ 2,194,620,399	32,256	\$ 56,655,000	2.58%	833
2001	70,075	2,315,362,362	33,041	59,970,000	2.59%	856
2002	70,308	2,489,560,083	35,409	74,945,000	3.01%	1,066
2003	72,500	2,723,565,453	37,566	75,695,000	2.78%	1,044
2004	75,763	3,028,907,414	39,979	81,790,000	2.70%	1,080
2005	80,124	3,291,131,442	41,075	88,760,000 ⁽³⁾	2.70% ⁽³⁾	1,108 ⁽³⁾

(1) Source: The City.

(2) As reported by the Brazos County Appraisal District; subject to change during the ensuing year.

(3) Projected, includes the Bonds and excludes the Refunded Bonds; preliminary subject to change.

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
2000	\$ 0.4293	\$ 0.1631	\$ 0.2662	\$ 9,068,352	97.78%	98.31%
2001	0.4293	0.1662	0.2631	9,939,951	99.00%	100.10%
2002	0.4777	0.1846	0.2931	11,892,629	99.36%	100.03%
2003	0.4777	0.1946	0.2831	13,010,472	96.18%	98.63%
2004	0.4653	0.1921	0.2732	14,093,506	97.90%	99.45%
2005	0.4640	0.1942	0.2698	15,270,850	⁽¹⁾	⁽¹⁾

(1) In process of collection.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2004/05 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
CBL & Associates	Retail Mall	\$ 49,331,205	1.50%
Verizon Communications, Inc.	Telephone Utility	34,528,500	1.05%
College Station Hospital L.P.	Medical	31,254,230	0.95%
Alkossler, David	Housing	31,168,425	0.95%
Wal-Mart Stores East Inc.	Retail	24,916,345	0.76%
HEB Pantry Foods	Grocery Store	18,912,125	0.57%
301 Church Avenue L.P.	Housing	17,936,445	0.54%
Melrose Apartments	Housing	17,735,830	0.54%
Fairfield College Station L.P.	Housing	17,514,700	0.53%
University Commons	Housing	17,279,200	0.53%
		<u>\$ 260,577,005</u>	<u>7.92%</u>

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 BONDS - TAX RATE LIMITATION").

TABLE 6 - TAX ADEQUACY

Maximum Principal and Interest Requirements (2006)	11,339,571
\$0.35521 Tax Rate at 97% Collection Produces	11,339,603
Average Principal and Interest Requirements (2005-2025).....	6,237,707
\$0.19539 Tax Rate at 97% Collection Produces	6,237,739

(1) Includes the Bonds, and excludes the Refunded Bonds; preliminary subject to change.

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 County 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.

	2004/05 Taxable Assessed Value ⁽¹⁾	2004/05 Tax Rate	Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt as of 4-01-05	Authorized But Unissued Tax Debt as of 4-01-05
City of College Station	\$ 3,291,131,442	\$ 0.4640	\$ 88,760,000 ⁽²⁾	100.00%	\$ 88,760,000	\$ 27,790,000
Brazos County	6,749,237,638	0.4725	40,650,000	48.92%	19,885,980	10,510,000
Bryan ISD	3,135,891,914	1.6700	57,940,000	5.17%	2,995,498	104,500,000
College Station ISD	3,621,201,162	1.7700	63,775,000	83.48%	53,239,370	0
Total Direct and Overlapping Funded Tax Debt					\$ 164,880,848	
Ratio of Direct and Overlapping Funded Tax Debt to Taxable Assessed Valuation					5.01%	
Per Capita Overlapping Funded Tax Debt					2,176	

Source: Municipal Advisory Council of Texas.

(1) Taxable Assessed Valuation for Fiscal Year 2005.

(2) Includes the Bonds and excludes the Refunded Bonds; preliminary subject to change.

DEBT INFORMATION

TABLE 8 - AD VALOREM TAX DEBT SERVICE REQUIREMENTS

Year End 9/30	Total Outstanding Debt	Less: Refunded Bonds*	The Bonds*			Total Debt Service Requirements
			Principal	Interest ⁽¹⁾	Total	
2005	\$ 10,075,075	\$ 380,461				\$ 9,694,614
2006	11,363,635	760,921		\$ 736,857	\$ 736,857	11,339,571
2007	9,699,991	760,921	\$ 20,000	679,893	699,893	9,638,962
2008	9,407,869	760,921	20,000	679,315	699,315	9,346,263
2009	8,278,274	760,921	20,000	678,719	698,719	8,216,071
2010	8,301,818	1,023,834	290,000	673,923	963,923	8,241,907
2011	7,904,661	1,394,908	675,000	658,628	1,333,628	7,843,382
2012	7,865,834	2,354,294	1,685,000	605,703	2,290,703	7,802,243
2013	7,605,608	2,358,844	1,775,000	519,203	2,294,203	7,540,967
2014	7,247,893	2,367,366	1,875,000	427,953	2,302,953	7,183,480
2015	7,044,113	2,374,039	1,980,000	331,578	2,311,578	6,981,652
2016	6,604,979	2,009,273	1,705,000	239,453	1,944,453	6,540,159
2017	6,637,334	2,013,891	1,800,000	151,828	1,951,828	6,575,271
2018	5,331,906	1,496,250	1,360,000	72,828	1,432,828	5,268,484
2019	4,421,328	553,725	460,000	29,398	489,398	4,357,001
2020	4,424,600	554,850	480,000	9,984	489,984	4,359,734
2021	2,805,409					2,805,409
2022	2,323,388					2,323,388
2023	2,327,932					2,327,932
2024	1,904,950					1,904,950
2025	700,413					700,413
	<u>\$ 132,277,009</u>	<u>\$ 21,925,419</u>	<u>\$14,145,000</u>	<u>\$ 6,495,263</u>	<u>\$ 20,640,263</u>	<u>\$ 130,991,853</u>

(1) The interest on the Bonds has been estimated for the purpose of illustration.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Ad Valorem Tax Debt Service Requirements, Fiscal Year Ending September 30, 2005		\$ 9,694,614
Interest and Sinking Fund, September 30, 2004	\$ 2,538,713	
Interest and Sinking Fund Tax Levy @ 97% Collection	8,317,592	
Budged Investment Earnings	50,000	
Budgeted Transfers	<u>1,523,571</u>	<u>12,429,876</u>
Estimated Balance, September 30, 2005		\$ 2,735,262

* Preliminary, subject to change.

TABLE 10 - AUTHORIZED BUT UNISSUED TAX BONDS

Date of Authorization	Purpose	Amount Authorized	Issued To Date	The Bonds	Unissued
1/24/1984	Fire Substation Building ⁽¹⁾	\$ 700,000	\$ 0	\$ 0	\$ 700,000
1/24/1984	Street Improvements ⁽¹⁾	6,325,000	5,825,000	0	500,000
11/4/2003	Street Improvements	17,980,000	4,047,000	0	13,933,000
11/4/2003	Traffic Management	3,000,000	1,103,000	0	1,897,000
11/4/2003	Park Improvements	8,105,000	1,000,000	0	7,105,000
11/4/2003	Municipal Complex Improvements	7,610,000	3,955,000	0	3,655,000
11/4/2003	Fire Station Improvements	1,710,000	1,710,000	0	0
		<u>\$ 45,430,000</u>	<u>\$ 17,640,000</u>	<u>\$ 0</u>	<u>\$ 27,790,000</u>

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

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does anticipate the issuance of additional obligations payable from ad valorem taxes within the next 12 months.

OTHER OBLIGATIONS . . . As of September 30, 2004, 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 CITY OF COLLEGE STATION, TEXAS ANNUAL FINANCIAL REPORT" - Note V).

FINANCIAL INFORMATION

TABLE 11 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	For Fiscal Year Ended September 30				
	2004	2003	2002	2001	2000
Revenues:					
Ad Valorem Taxes	\$ 5,779,178	\$ 5,277,643	\$ 4,555,346	\$ 3,813,167	\$ 3,420,720
City Sales Tax	15,238,995	14,027,488	13,648,835	13,031,079	12,759,591
Franchise Fees	1,974,587	1,688,947	1,714,241	1,644,625	1,577,815
Court Fines	2,956,836	2,654,154	2,225,354	1,796,203	1,393,505
Licenses, Permits, Certificates & Grants	1,464,090	1,500,894	870,636	779,159	680,776
Charges for Services	2,398,165	2,403,316	2,067,813	1,892,964	1,681,877
Other	692,973	605,140	1,187,454	1,398,007	1,217,806
Total Revenues	<u>\$ 30,504,824</u>	<u>\$ 28,157,582</u>	<u>\$ 26,269,679</u>	<u>\$ 24,355,204</u>	<u>\$ 22,732,090</u>
Expenditures:					
General Government	\$ 3,886,845	\$ 3,471,279	\$ 3,279,715	\$ 2,909,436	\$ 1,775,494
Fiscal Services	2,479,082	2,319,008	2,153,217	1,889,611	1,967,135
Police Department	9,803,577	9,143,331	8,914,893	8,273,632	7,567,620
Fire Department	7,275,289	6,989,125	6,405,874	5,702,804	5,179,104
Economic and Community Development	16,886	6,369	122,074	41,623	773,703
Development Services	1,964,001	1,935,277	1,883,224	1,712,993	1,536,141
Parks and Recreation	6,387,846	6,279,342	6,045,622	5,185,737	5,168,231
Office of Technology & Information	2,346,534	2,320,950	2,293,734	2,229,600	1,760,191
Public Works	5,534,404	5,292,243	5,211,720	4,583,796	4,353,073
Library Services	665,291	681,350	734,083	581,768	600,776
Reimbursed Administrative	(5,486,919)	(6,013,085)	(5,823,852)	(5,287,928)	(4,645,701)
Public Agency Funding	1,289,389	445,251	208,485	290,644	519,712
Other	359,287	132,526	96,564	316,113	24,458
Capital Outlay	978,568	673,305	150,000	376,328	397,312
Total Expenditures	<u>\$ 37,500,080</u>	<u>\$ 33,676,271</u>	<u>\$ 31,675,353</u>	<u>\$ 28,806,157</u>	<u>\$ 26,977,251</u>
Other Financing Sources (Uses):					
Proceeds from Long-term Debt	\$ 8,915,000	\$ 1,000,000	\$ 0	\$ 0	\$ 0
Sale of General Fixed Assets	4,386	19,563	30,106	24,329	55,403
Operating Transfers In	7,028,260	6,741,826	6,534,900	6,198,141	5,923,785
Operating Transfers Out	(9,499,773)	(1,103,590)	(480,807)	(767,000)	(1,115,376)
Total Other Financing Sources (Uses)	<u>\$ 6,447,873</u>	<u>\$ 6,657,799</u>	<u>\$ 6,084,199</u>	<u>\$ 5,455,470</u>	<u>\$ 4,863,812</u>
Excess (Deficiency of Revenues and Other Financing sources Over (Under) Expenditures and Other Financing Uses					
	\$ (547,383)	\$ 1,139,110	\$ 678,525	\$ 1,004,517	\$ 618,651
Fund Balance, Beginning of Year	<u>11,250,335</u>	<u>10,111,225</u>	<u>9,432,700</u>	<u>8,428,183</u>	<u>7,809,532</u>
Fund Balance, End of Year ⁽¹⁾	<u>\$ 10,702,952</u>	<u>\$ 11,250,335</u>	<u>\$ 10,111,225</u>	<u>\$ 9,432,700</u>	<u>\$ 8,428,183</u>

(1) 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 may be expended in future years for one time expenditures such as capital items and short term projects.

Source: City's audited financial statements for fiscal years 2000 through 2004.

TABLE 12 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, VATCS, 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 Bonds. 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%).

Fiscal Year Ended 9-30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽¹⁾
2000	\$12,759,591	140.70%	0.60	188
2001	13,031,079	131.10%	0.56	186
2002	13,648,835	114.77%	0.55	194
2003	14,027,488	107.82%	0.52	193
2004	15,238,944	108.13%	0.50	201

(1) Based on population estimates provided by the City.

FINANCIAL POLICIES

GASB 34 . . .The City is a Phase II City which required GASB 34 implementation for the fiscal year ended September 30, 2003.

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 are 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. Governmental 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 2004-05 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 fund 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.

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 Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas 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 of Texas or the United States or their respective agencies and instrumentalities, (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) certificates of deposit or share certificates issued by a state or national bank, a savings bank or a state or federal credit union domiciled in the State of Texas that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or (b) are secured as to principal by obligations described in the clauses (1) through (5) and clause (12), which are intended to include all direct federal agency or instrumentality issues that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for City deposits, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (8) 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, (9) 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 U.S. or state bank, (10) no-load money market mutual funds registered with and 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, (11) 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, (12) bonds, notes or other obligations, issued by the State of Israel, and (13) public funds investment pools that have an advisory board which includes participants in the pool 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 or no lower than investment grade with a weighted average maturity of no greater than 90 days. In addition, the City may invest bond proceeds in accordance with the terms of a guaranteed investment contract, consistent with the provisions of Chapter 2256, Texas Government Code (the "PFIA").

Effective September 1, 2003, a political subdivision such as the City may enter into 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 (5) and clause (12) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (5) above, clauses (9) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name 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 of Texas; 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. 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, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and 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, Chief Financial Officer 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; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

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 Finance and Strategic Planning Director will promptly invest all City funds with the Bank Depository 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 Finance and Strategic Planning Director 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.

TABLE 13 - CURRENT INVESTMENTS

As of December 31, 2004, the City’s investable funds were invested in the following categories:

Investment Type	Book Value	Market Value
Demand Bank Accounts	\$ 1,724,959	\$ 1,724,959
Pooled Cash (Texpool)	29,657,927	29,657,927
Money Market Mutual Fund (Fidelity)	1,733,944	1,733,944
Subtotal	\$ 33,116,830	\$ 33,116,830
Agencies:		
Federal National Mortgage Association (FNMA)	\$ 37,017,154	\$ 36,778,125
Federal Farm Credit Bank (FFCB)	17,997,280	17,874,688
Federal Home Loan Bank (FHLB)	45,055,400	44,631,563
Subtotal	\$ 100,069,834	\$ 99,284,376
Total	\$ 133,186,664	\$ 132,401,206

TAX MATTERS

OPINION

On the date of initial delivery of the Bonds, 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 Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) 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, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C - FORM OF BOND COUNSEL'S OPINION.

In rendering its opinion, 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 L.L.P., Certified Public Accountant, regarding the mathematical accuracy of certain computations and (c) covenants of the City contained in the documents authorizing the Bonds relating to certain matters, including arbitrage and the use of the proceeds of the Bonds 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 to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds 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 Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is 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 Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of Existing Law and the representations and covenants of the City described above. 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 Bonds.

No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given that the Service would agree with the opinion of Bond Counsel, if the tax-exempt status of the interest on either series of the Bonds were the subject of an audit. If an audit is commenced, under current procedures the Service is likely to treat the City as the "taxpayer", and the owners of the Bonds may have no right to participate in the audit process. 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 Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds 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 Bond 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 Bond 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 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond 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 Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond 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 Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds 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 Bonds 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 Bonds 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 Bonds.

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 Bonds. 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 interest income, foreign corporations subject to the branch profits tax 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 BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds 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. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable income exceeding \$175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, 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 Bonds, 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 Bonds 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.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to certain information vendors 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 and 8 through 13 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year. The City will provide the updated information to each nationally recognized municipal securities information repository (“NRMSIR”) and to any state information depository (“SID”) that is designated by the State of Texas and approved by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the “SEC”).

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (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 audited financial statements when and if the audit report becomes available. Any such 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 each NRMSIR and the SID of the change.

The Municipal Advisory Council of Texas (the “MAC”) has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the MAC is 600 West 8th Street, P. O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

MATERIAL EVENT NOTICES . . . The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of either series of the Bonds; (8) Obligation calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Ordinances make any provision for redemption, debt service reserves or liquidity enhancement.) In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under “ANNUAL REPORTS.” The City will provide each notice described in this paragraph to the SID and to either each NRMSIR or the Municipal Securities Rulemaking Board (“MSRB”). The foregoing notwithstanding, notices may be made solely by transmitting such filing to the MAC as provided at <http://www.disclosureusa.org>, unless the SEC has withdrawn the interpretive advice stated in its letter to the MAC dated September 7, 2004.

AVAILABILITY OF INFORMATION FROM NRMSIRS AND SID . . . The City has agreed to provide the foregoing information only to NRMSIRS and the SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds. 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 . . . During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

The City did not receive an invoice for debt service requirements due to the bondholders on August 15, 2003 for the Certificates of Obligation, Series 2002, and thus did not make its payment timely. Upon notification of the error, the City wired the required funds to the paying agent on August 22, 2003. A notice of material event was filed. The City has taken remedial steps to ensure that the reasons for the delay would not occur in the future.

OTHER INFORMATION

RATINGS

The presently outstanding tax supported debt of the City is rated "Aa3" by Moody's and "AA-" by S&P. The City also has several issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies. Applications for ratings on the Bonds have been made to Moody's and S&P. 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 Bonds.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds 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 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds 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 Bonds are negotiable instruments 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 Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "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 Bonds 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 Bonds 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. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds 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 Bonds 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. Bond Counsel has reviewed the information relating to the Bonds and the Ordinance to determine that such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds 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.

The various legal opinions to be delivered concurrently with the delivery of the Bonds 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.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The accuracy of the mathematical computations of (i) the adequacy of the maturing principal of and interest earned on the Escrow Securities together with other available funds held in the Escrow Fund, to provide for the payment of the Refunded Bonds; and (ii) the "yield" on the Escrow Securities and on the Refunding Bonds, prepared by the Financial Advisor will be verified by Grant Thornton LLP, a firm of independent certified public accountants.

These computations will be based upon information and assumptions supplied by the Financial Advisor on behalf of the District. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the Financial Advisor and has not evaluated or examined the assumptions or information used in the computations.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion 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 Bonds, 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.

UNDERWRITERS

, acting as the representative of the underwriters (the "Underwriters") set forth on the cover page of this Official Statement, has agreed, subject to certain terms and conditions, to purchase the Bonds from the City. The purchase price for the Bonds is \$_____ (representing the par amount of the Bonds, plus a net premium of \$_____ and less an underwriters' discount of \$_____). 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 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.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinance authorizing the issuance of the Bonds 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 Bonds by the Underwriters.

Mayor
City of College Station, Texas

ATTEST:

City Secretary

Schedule I*
SCHEDULE OF REFUNDED BONDS

General Obligation & Refunding Bonds, Series 1996

<u>Original Dated Date</u>	<u>Original Issue Amount</u>	<u>Original Maturity (2/15)</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Redemption Date and Price of Call</u>
12/1/1996	\$ 11,845,000	2010	5.25%	270,000	2/15/2007 @ 100%
		2011	5.35%	285,000	2/15/2007 @ 100%
		2012	5.45%	300,000	2/15/2007 @ 100%
		2013	5.50%	315,000	2/15/2007 @ 100%
		2014	5.50%	335,000	2/15/2007 @ 100%
		2015	5.55%	355,000	2/15/2007 @ 100%
				<u>\$ 1,860,000</u>	

General Obligation Improvement Bonds, Series 1998

<u>Original Dated Date</u>	<u>Original Issue Amount</u>	<u>Original Maturity (2/15)</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Redemption Date and Price of Call</u>
4/1/1998	\$ 6,200,000	2011	4.85%	380,000	2/15/2008 @ 100%
		2012	5.00%	395,000	2/15/2008 @ 100%
		2013	5.00%	415,000	2/15/2008 @ 100%
		2014	5.00%	440,000	2/15/2008 @ 100%
		2015	5.10%	460,000	2/15/2008 @ 100%
		2017	5.13%	995,000	2/15/2008 @ 100%
				<u>\$ 3,085,000</u>	

* Preliminary, subject to change.

Combination Tax Revenue Certificates of Obligation, Series 2000A

<u>Original Dated Date</u>	<u>Original Issue Amount</u>	<u>Original Maturity (2/15)</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Redemption Date and Price of Call</u>
8/1/2000	\$ 8,100,000	2012	5.00%	340,000	2/15/2010 @ 100%
		2013	5.10%	360,000	2/15/2010 @ 100%
		2014	5.20%	380,000	2/15/2010 @ 100%
		2015	5.25%	405,000	2/15/2010 @ 100%
		2016	5.30%	425,000	2/15/2010 @ 100%
		2017	5.40%	455,000	2/15/2010 @ 100%
		2018	5.50%	480,000	2/15/2010 @ 100%
		2019	5.50%	510,000	2/15/2010 @ 100%
		2020	5.50%	540,000	2/15/2010 @ 100%

Combination Tax Revenue Certificates of Obligation, Series 2000

<u>Original Dated Date</u>	<u>Original Issue Amount</u>	<u>Original Maturity (2/15)</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Redemption Date and Price of Call</u>
4/1/2000	\$ 4,050,000	2012	5.30%	180,000	2/15/2010 @ 100%
		2013	5.35%	190,000	2/15/2010 @ 100%
		2014	5.40%	205,000	2/15/2010 @ 100%
		2015	5.50%	215,000	2/15/2010 @ 100%
		2016	5.50%	230,000	2/15/2010 @ 100%
		2017	5.50%	240,000	2/15/2010 @ 100%
		2018	5.50%	255,000	2/15/2010 @ 100%

General Obligation Improvement Bonds, Series 2000

<u>Original Dated Date</u>	<u>Original Issue Amount</u>	<u>Original Maturity (2/15)</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Redemption Date and Price of Call</u>
4/1/2000	\$ 8,460,000	2012	5.30%	470,000	2/15/2010 @ 100%
		2013	5.35%	500,000	2/15/2010 @ 100%
		2014	5.40%	525,000	2/15/2010 @ 100%
		2015	5.50%	560,000	2/15/2010 @ 100%
		2016	5.50%	590,000	2/15/2010 @ 100%
		2017	5.50%	625,000	2/15/2010 @ 100%
		2018	5.50%	665,000	2/15/2010 @ 100%

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/Ft. Worth, Houston, and San Antonio and Austin. Approximately 80% of the Texas population is located within a 200 mile radius of the City. The City is principally a residential community for faculty, students and other personnel of Texas A&M University. The City periodically accesses technical information and assistance made available by Texas A&M University.

The City was incorporated in 1938 and has a Council-City Manager form of government with City employees totaling 843 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.

CITY OWNED FACILITIES

The City has constructed a major part of its present facilities out of current revenues. Approximately 733 lane miles of streets (99.4%) within the City are hard surface. The City has a complete water distribution, wastewater collection and treatment system with 573 miles of wastewater and water lines. The City owns the electrical distribution system with 414 miles of distribution lines, and purchases its electricity from American Electric Power.

The City has a fully equipped police department with 102 full time police officers and 47 support personnel. The department has 24 police patrol cars and one holding facility with a capacity of 20. The fire department consists of 111 full time units and 4 part time units. There are five stations and a total of 6 engines, 1 quint, 5 ambulances, 1 command vehicle, and 1 rescue truck.

EDUCATIONAL FACILITIES

The College Station Independent School District is a fully accredited system offering 11 educational campuses for pre-kindergarten through high school. The School District has a student enrollment in excess of 8,240 and employs over 1,000 people. The School District's facilities are also used by Blinn 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 is located on 25 acres within the City. The 187,000 square foot facility is a full care hospital containing 140 beds and employing 425 people. Other area health care providers include: St. Joseph Regional Health Care Center, Scott & 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. Continental Express provides daily flights to and from Houston Bush Intercontinental Airport out of Esterwood.

Coulter Field is located north of the City of Bryan and provides a recently completed 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 42 parks encompassing 1,185 acres, including a 515 acre wilderness park. Collectively, these parks contain 38 playgrounds, 28 soccer fields, 23 basketball courts, 26 softball/baseball diamonds, 3 swimming pools, a gymnasium, and a number of picnic shelters. The Parks Department sponsors a variety of organized athletic and aquatic programs as well as many special events throughout the year.

POPULATION

	Official U.S. Census						
	1940	1950	1960	1970	1980	1990	2000
City of College Station	2,184	7,925	11,396	17,676	37,272	52,456	67,890
Brazos County	26,977	38,390	44,895	57,978	93,588	121,862	152,415

ECONOMIC BACKGROUND

Texas A&M University and System

Of major importance to the City is Texas A&M University which has a 5,200 acre campus located within the City. The City is principally a residential community for faculty, students and other personnel of the University. Texas A&M University and its System are the largest employer in Brazos County and a major contributor to the local economy. Texas A&M has a significant economic impact on the City, contributing an estimated \$784 million annually to the local economy. Texas A&M has consistently ranked in the top ten nationally among public institutions of higher education in both enrollment and research grants. Research dollars totaled approximately \$402 million for 2001. The University has approximately 25,700 permanent and part-time employees with a payroll of approximately \$679 million and has a physical plant valued in excess of \$1.5 billion.

Texas A&M had an enrollment of 44,571 students, the 3rd largest in the nation, during the fall semester of 2004. There are currently over 700 National Merit Scholars enrolled at Texas A&M University, ranking in the nation's top 10 universities for National Merit Scholar enrollment.

Student Rec Center

The Student Rec Center is a 286,000 square foot building located on the Texas A&M University campus. The Center includes multi-purpose gyms with badminton, basketball and volleyball courts, indoor soccer courts with dasher boards, 14 racquetball/handball courts, and two squash courts with glass backwalls. The Center is home to a 14,000-square foot area with machine weights, free weights, cardio-vascular equipment, and a cardio-theater; five activity rooms for aerobics, dance and martial arts; and a quarter-mile four-lane walking/jogging track. It features a 42-foot indoor rock climbing facility with interchangeable hand and footholds, an outdoor activity area with a six-lane lap, and a free-form pool with a cool water spa. The building also houses a natatorium that seats 2,500 with a 50-meter, eight-lane Olympic-size pool, a five-lane instructional pool, a diving well with one and three meter springboards and competitive platforms, and hot tubs.

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.

Reed Arena

Reed Arena is a special events center located on the Texas A&M University campus. The Arena seats up to 12,500 people and is the largest such facility in the Brazos Valley area. The center attracts athletic events, concerts and exhibits.

MAJOR AREA EMPLOYERS

<u>Firm Name</u>	<u>Product</u>	<u>Number of Employees</u>
Texas A&M University and System	Education/Research	20,904
Bryan ISD	Education	2,061
St. Joseph's Regional Hospital	Hospital	1,560
Sanderson Farms, Inc.	Poultry Processing	1,500
College Station ISD	Education	1,046
City of College Station	Municipal	840
City of Bryan	Municipal	771
Universal Computer Systems	Computer Hardware and Software	740
Brazos County	Government	700
Blinn College	College	609
Alenco	Windows	600
Scott & White Clinic	Clinic	513
First American Bank SSB	Bank	500
College Station Medical Center	Medical	425
Kent Moore Cabinets	Cabinet Manufacturer	400
Texcon	Construction	325
Young Contractors, Inc.	Construction	300
Britt Rice Electric	Electrical Contractor	270
SourceNet Solutions	Accounting Services	225

Source: Bryan-College Station Economic Development Corporation.

In addition to the University, employment is provided by more than 85 manufacturing industries located in, or adjacent to, the City which produce such products as aluminum windows, furniture, chemicals, dairy products, feeds and fertilizers, modular homes, bronze castings, and geophysical survey sensors. A growing research park is located within the Texas A&M campus. Major tenants include the Offshore Technology Research Center and the Food Safety Inspection School National Training Center. Automated Management systems provides a major automated accounting service for independent property and casualty insurance agents. The City has also developed the College Station Business Center, a 200-acre business park. Tenants within the park include Universal Computer Systems ("UCS"), which employs approximately 740 people; Cabletime, a graphics advertising business; Prodigene, a biotechnology research business; and Stata Corporation, a software research business. Businesses either under construction or in place account for approximately 300,000 square feet of buildings and employ approximately 1,000 people.

LABOR STATISTICS

College Station

<u>Year ⁽¹⁾</u>	<u>Labor Force</u>	<u>Total Employment</u>	<u>Unemployment</u>	<u>Rate</u>
2000	30,538	30,051	487	1.6%
2001	30,881	30,349	532	1.7%
2002	31,667	31,088	579	1.8%
2003	33,005	32,210	795	2.4%
2004 ⁽²⁾	33,372	32,669	703	2.1%
2005 ⁽³⁾	38,379	36,771	1,608	4.2%

Brazos County

<u>Year ⁽¹⁾</u>	<u>Labor Force</u>	<u>Total Employment</u>	<u>Unemployment</u>	<u>Rate</u>
2000	76,699	75,537	1,162	1.5%
2001	77,554	76,285	1,269	1.6%
2002	79,524	78,143	1,381	1.7%
2003	82,861	80,965	1,896	2.3%
2004	86,095	82,433	3,662	4.3%
2005 ⁽³⁾	84,472	80,635	3,837	4.5%

Source: Texas Workforce Commission.

- (1) Because of methodology changes in geographical areas below the state level, data from 2005 and 2004 or earlier is not considered comparable.
 (2) Average through August. Because of substantial methodology changes between 2004 and 2005, Texas city data is no longer available prior to 2005.
 (3) Average through January.

SALES AND EFFECTIVE BUYING INCOME

College Station

Calendar Year	Estimated Population	Total Retail Sales	Median Household Effective Buying Income	Total Household Effective Buying Income
1999	65,400	\$ 626,034,000	\$ 21,456	\$ 873,068,000
2000	67,200	987,041,000	23,260	976,163,000
2001	70,400	974,869,000	25,661	1,007,953,000
2002	72,700	1,016,089,000	21,918	1,010,820,000
2003	74,300	1,078,046,000	21,238	1,016,503,000

Brazos County

Calendar Year	Estimated Population	Total Retail Sales	Median Household Effective Buying Income	Total Household Effective Buying Income
1999	145,000	\$ 2,066,179,000	\$ 27,925	\$ 2,230,843,000
2000	154,700	2,307,670,000	29,418	2,441,456,000
2001	158,600	2,225,738,000	30,992	2,534,254,000
2002	161,900	2,327,506,000	28,472	2,377,460,000
2003	160,900	2,454,692,000	27,970	2,354,875,000

Source: Sales & Marketing Management.

BUILDING PERMITS

College Station has grown rapidly over the past 30 years as evidenced by an increase in population from 17,676 in 1970 to 67,890 in 2000. The following table sets forth the number and value of construction permits issued by the City over the past several years.

Year	Residential Construction		Commercial Construction		Total	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
2000	759	\$ 86,902,569	362	\$ 52,811,249	1,121	\$ 139,713,818
2001	998	101,814,774	291	44,482,367	1,289	146,297,141
2002	1,207	107,907,265	307	38,926,808	1,514	146,834,073
2003	1,127	138,484,780	315	49,408,634	1,442	187,893,414
2004	985	100,504,006	366	114,543,138	1,351	215,047,144

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 2000 population of 152,415, an increase of 25.07% since 1990. Minerals produced in the County include sand and gravel, lignite, gas and oil.

APPENDIX B

EXCERPTS FROM THE
CITY OF COLLEGE STATION, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2004

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, 2004, 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.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY