

City of Garland, Texas

Comprehensive Annual Financial Report

Prepared by
Department of Finance
and the Accounting Office

For the Fiscal Year Ended September 30, 2003



On the Cover

Located in the heart of historic downtown, Garland's Performing Arts Center unveiled a new facility and a new name when City officials cut the ribbon for the newly-expanded Patty Granville Arts Center on Tuesday, March 4, 2003.

The \$6.2 million Capital Improvement expansion included building The Atrium, a 6,500 square-foot ballroom, which can accommodate as many as 500 people seated for a dinner. The ballroom is encased in glass on two sides and opens onto a beautiful outdoor courtyard. The luxurious glass-lined lobby covers more than 3,200 square feet. Garland's business community and residents can reserve this facility for banquets, trade shows, receptions, and conventions.

This Capital Improvement project also added more than 8,000 square feet of additional space to The Granville Arts Center. The spacious new lobby covers more than 4,000 square feet and features a new concession area, box office, and additional women's restrooms. New backstage areas include dressing rooms and a scene shop adjacent to the small theatre.

A porte-cochere covered drive area joins the two facilities and creates a grand entrance for The Granville Arts Center, which now includes The Atrium and The Theatres. Canopies lining the front are equipped with fiber optic light streams, giving a dramatic glow.

Each year, more than 100,000 people visit the Arts Center to attend hundreds of plays, recitals, concerts, meetings, seminars, and receptions sponsored by non-profit groups, individuals, and commercial entities throughout the Metroplex.

CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2003

CITY COUNCIL

Bob Day, Mayor
Michael Holden, District 1
Jim Dunn, District 2
Harry J. Hickey, District 3
Weldon Bradley, District 4
Jackie Feagin, District 5
Sharon Stotts, District 6
Mark Monroe, District 7
Randall Dunning, District 8

CITY MANAGER

William E. Dollar

MANAGING DIRECTOR OF FINANCIAL SERVICES

George Kauffman

Prepared by

Department of Finance
Accounting Office

**CITY OF GARLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

Table of Contents

I. Introductory Section	
Letter of Transmittal	v
Certificate of Achievement	xii
Organizational Chart	xiii
II. Financial Section	
Independent Auditors' Report	1
A. Management Discussion and Analysis	3
B. Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	20
Statement of Activities	23
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balances	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	29
Proprietary Fund Financial Statements	
Statement of Net Assets	30
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	32
Statement of Cash Flows	34
Notes to the Financial Statements	37

C. Combining Financial Statements

Nonmajor Governmental Funds

Balance Sheet	68
Statement of Revenues, Expenditures, and Changes in Fund Balances	69
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	70
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Hotel/Motel and Infrastructure Repair Funds	71

Nonmajor Enterprise Funds

Statement of Net Assets	72
Statement of Revenues, Expenses, and Changes in Fund Net Assets	74
Statement of Cash Flows	75

Internal Service Funds

Statement of Net Assets	76
Statement of Revenues, Expenses, and Changes in Fund Net Assets	77
Statement of Cash Flows	78

III. Statistical Section

General Governmental Expenditures by Function	79
General Revenues by Source	80
Property Tax Levies and Collections	81
Assessed and Estimated Actual Value of Taxable Property	82
Assessed Values, Levies and Tax Distribution	83
Property Tax Rates and Percent of Assessed Valuations of Direct and Overlapping Debt	84
Ratio of Net General Obligation Debt to Assessed Valuation and Net General Obligation Debt per Capita	85
Principal Taxpayers	86
Delinquent Taxes Receivable – by Fund	87
Computation of Legal Debt Margin	88
Computation of Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes	89
Ratio of General Obligation Debt Service to Total General Governmental Expenditures	90
Schedule of Revenue Bond Coverage	91
Construction and Bank Deposits	92
Demographic Statistics	93
Miscellaneous Statistical Data	94
Schedule of Insurance in Force	95

GARLAND



March 3, 2004

Citizens of the City of Garland
Garland, Texas

Dear Citizens:

The Comprehensive Annual Financial Report (CAFR) of the City of Garland, Texas, for the year ended September 30, 2003, is hereby submitted. The report is published to provide detailed information concerning the financial condition of the City to our citizens and the financial community, as well as other interested parties. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Governmental Accounting Standards Board requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately after the independent auditors' report.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter and the City's organizational chart. The financial section includes the MD&A, government-wide and major fund presentations, combining individual fund statements, notes, as well as the independent auditors' report on the financial statement and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the schedules of federal and state financial awards, finding, and recommendations, and independent auditors' reports on the internal controls and compliance with applicable laws and regulations, will be issued in a separate report.

GENERAL INFORMATION – CITY OF GARLAND

The City of Garland is located in Dallas County, approximately 15 miles northeast of downtown Dallas. The City's population of 222,651 (as estimated by the City's Planning Department as of January 1, 2003) makes it the tenth largest city in the state of Texas, and places it among the top 100 largest municipalities in the United States.

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 1891, and first adopted its Home Rule Charter in 1951. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and eight Council members. The City Manager is the chief administrative officer for the City.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Garland as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police and fire protection; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events; electric, water and wastewater utility services; golf course facilities; storm water facilities and sanitation collection services.

Discretely presented component units are legally separate entities and not part of the primary government's operations. Accordingly, the Garland Housing Finance Corporation, the Garland Economic Development Authority, and the Garland Health Facilities Development Corporation are not included in the governmental business type activities. The Garland Independent School District is excluded from this report because it is a separate governmental entity with a separately elected board of trustees.

ECONOMIC CONDITIONS AND OUTLOOK

As a result of the economic slowdown, revenue growth for the City's property taxes and sales tax have leveled off. However, the City of Garland remains financially strong and stable through cost cutting efforts and increasing service fees to cover the cost associated with the services that the City delivers.

The economic forecast for 2004 and beyond continues to be optimistic despite the current economic slowdown. Currently, there are several projects that are being discussed for the south area of Garland, including the Glacier Ice facility and a variety of restaurants. The Garland Economic Development Partnership continues to diligently work on a full-scale entertainment project for the Point area at Lake Ray Hubbard. In the north part of Garland two new restaurants, a fitness facility, a Best Buy and an Office Depot are scheduled to open during 2004. In addition, construction has started for a new mall that is scheduled to open in the fall of 2005.

FINANCIAL INFORMATION

Accounting and Budgetary Controls

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

Budgetary control is maintained at the fund level, and encumbrances are entered at the time a purchase order is issued. Outstanding encumbrances lapse at fiscal year end, and the subsequent year's budget is amended to reflect these outstanding encumbrances. Unspent and unencumbered appropriations lapse at the end of the fiscal year.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's revenue managers and the Director of Budget & Research. Expenditure budgets are then developed using a *target budgeting* approach. Departments base their initial budget submission on their allocated share of the projected resources, but can make requests for additional items which the City Manager or City Council may choose to fund. This target budget methodology results in a balanced budget presented to Council. The proposed budget is reviewed extensively by the City Council and the process includes a Charter-mandated public hearing and work sessions that are open to the public. The City Charter requires adoption of the City budget by no later than September 20th.

While the budget is developed and controlled at the departmental level, appropriations are set at the fund level. An ordinance establishes the budget for operating expenses, debt services payments, and interfund transfers, while a separate ordinance establishes the property tax rate.

Changes to approved expenditures are incorporated into the current year budget throughout the year in the form of budget amendments approved by Council. These amendments, as well as updated revenues and other re-estimated expenses become part of the Revised Budget that is presented to Council concurrent with the Proposed Budget.

During the course of the fiscal year, each department head monitors expenditure controls with overall review exercised by the Director of Budget & Research and the City Manager. Monthly expenditure reports are distributed based on the automated accounting system that provides year-to-date expenditure totals for each line item compared to the amount expended at that point in time in the prior year. Capital purchase requests are reviewed and approved on an individual basis by the City Manager prior to encumbrance of the funds.

Constant review of revenue and expenditure trends is maintained with specific responsibility assigned to department heads, revenue managers, and the Director of Budget & Research. Recommendations for corrective action are made to the City Manager (and to the City Council, if appropriate) as needed to ensure the integrity of the adopted budget.

Management of the City is responsible for establishing and maintaining an internal control system designed to ensure that the City's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and State financial awards, the City is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these programs. Internal controls are subject to periodic evaluation by management, the City's Internal Audit Department, and independent auditors.

As part of the City's single audit, tests are made to determine the adequacy of the internal controls, including that portion related to Federal financial awards programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the Single Audit are published in a separate report.

General Fund Balance

For the fiscal year, revenues and transfers in of \$102,756,772 exceeded expenditures and transfers out of \$102,099,454, resulting in an excess of revenues over expenditures of \$657,318. It is the City's declared policy to maintain a minimum unreserved fund balance of 30 days of expenditures, and the General Fund unreserved fund balance at September 30, 2003, is equivalent to 52 days of expenditures.

Enterprise Operations

The City's enterprise operations are composed of eight separate and distinct activities: electric, water, sewer, golf course, heliport, storm water management, parks performance, and sanitation. Each of these eight activities is accounted for in separate funds. For the Electric, Water, and Sewer Funds, it is the City's policy to maintain a working capital balance at September 30, equivalent to 45 days of expenditures on a cash basis. The days of working capital for the Electric, Water and Sewer Funds at September 30, 2003, is equivalent to 82, 64 and 109 days respectively.

Debt Administration

At September 30, 2003, the City had numerous debt issues outstanding. These issues include \$120,909,998 in general obligation bonds, \$199,365,000 in certificates of obligation, \$13,810,000 in electric utility system revenue bonds, \$13,680,000 in water and sewer system revenue bonds, \$5,490,000 in tax anticipation notes, and \$5,000,000 in commercial paper.

On April 15, 2003, the City issued \$18,685,000 in certificates of obligation. These bonds received a AA rating from Standard & Poor's Corporation and a AA+ from Fitch Ratings. On August 1, 2003 the city issued \$13,810,000 in electric utility system revenue bonds and \$13,680,000 in water and sewer system revenue bonds. The payment of principal and interest on these bonds were insured by a municipal bond guaranty insurance policy. As

a result of this insurance policy the general obligation refunding bonds and the certificates of obligation received AAA ratings from Standard & Poor's Corporation and Fitch Ratings. On September 23, 2003, the City issued a \$5,490,000 tax anticipation note. Tax notes are not rated due to the short-term maturities. At various times during the current fiscal year the City issued \$5,000,000 in commercial paper.

Cash Management

Cash temporarily idle during the year was invested in short-term money market instruments including demand deposits, certificates of deposit, U.S. Treasury obligations, U.S. Government agency obligations, reverse repurchase agreements, government investment pools, and money market funds. In order to facilitate cash management, the operating cash of certain funds is pooled into a common account. The average yield for investments was 3.02%, and the earned investment income reported in the financial statements total \$5,912,011 for the year ended September 30, 2003.

The objectives of the City's investment policy are to minimize credit and market risks while maintaining liquidity and a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized with U.S. Treasury obligations. All collateral on deposits was held either by the City's agent or by a financial institution's trust department in the City's name. Investments in U.S. Government securities held by the City at September 30, 2003, are classified in the category of lowest risk, and amounts invested in governmental investment pools and money market funds are not categorized as specified by the Governmental Accounting Standards Board.

Risk Management

The City is self-insured with respect to general liability, auto liability, workers' compensation, and long-term disability. Separate funds are maintained to account for proceeds from other funds for the payments of claims and to provide a loss reserve for potential future claims. On a biennial basis, the City commissions an actuarial study to determine adequate levels of funding to provide reserve for future claims. The actuarial study is conducted in even number years, and the liability is changed accordingly. Actuarially determined reserves, listed by coverage, at September 30, 2003, are:

<u>Description</u>	<u>2003</u>
Self Insurance Fund:	
Auto Liability	\$ 316,570
General Liability	666,754
Workers Comp	<u>3,761,111</u>
Total Self Insurance Fund	<u>4,744,435</u>
Long Term Disability Fund:	
LTD Incurred But Not Reported	460,000
LTD Liability	<u>2,507,763</u>
Total Long Term Disability Fund	<u>2,967,763</u>
Total Actuarially Determined Reserves	<u>\$ 7,712,198</u>

Group Health

In order to provide an employee health plan that is both financially sound and competitive in the job market, the City has implemented following: (1) a new funding philosophy based on the City contributing a fixed percentage, rather than a fixed dollar amount towards employee and dependant coverage, (2) the elimination of no-cost coverage for employees, (3) a 3.6% reduction in benefits, and (4) other cost-saving measures including the establishment of a clinic for employees, dependents and retirees.

OTHER INFORMATION

Independent Audit

According to Article IV, Section 7 of the City Charter, an annual audit to be performed by independent, certified public accountants, is required to be made of the financial records of the City. The accounting firm of Deloitte & Touche LLP was selected in April 1999, by the City Council to perform the annual audits. In addition to meeting the requirements set forth in the Charter, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditors' report on the government-wide and combining and individual fund statements is included in the financial section of this report. The independent auditors' reports related specifically to the single audit will be issued in a separate document.

Certificate of Achievement

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

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

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

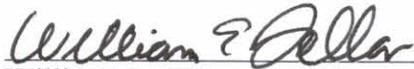
A Certificate of Achievement is valid for a period of one year only. The City of Garland has received a Certificate of Achievement for the last twenty-three consecutive years. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report was accomplished with the professional and dedicated efforts of the staff of the Accounting Office. Appreciation is also extended to those individuals in other departments who contributed, directly or indirectly, to the development of this report.

In closing, we also want to thank the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Sincerely,



William E. Dollar
City Manager



Marsha L. Meeks
Assistant City Manager



George Kauffman
Managing Director of Financial Services



Steve Anderson
Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Garland,
Texas

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

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

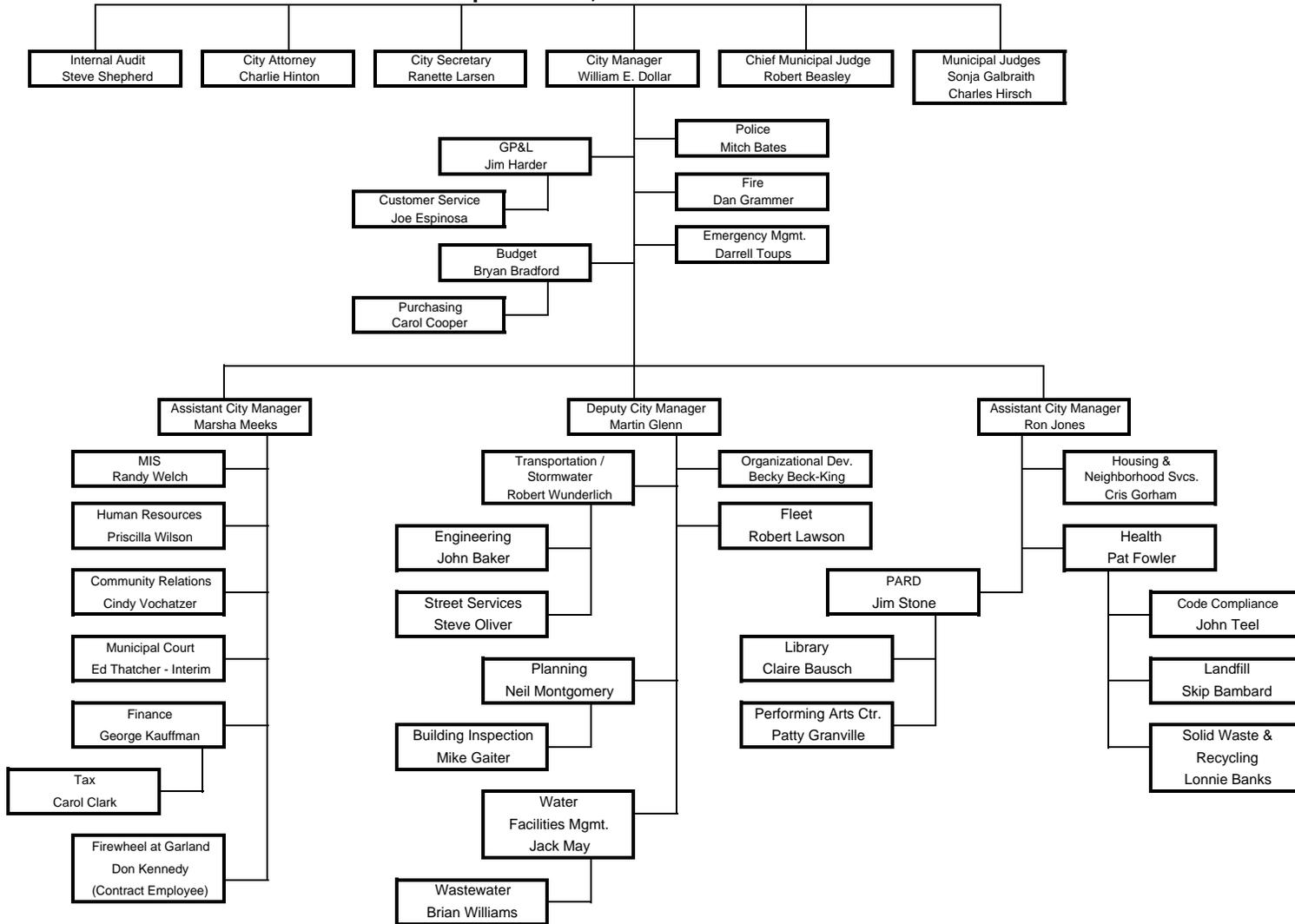


President

Executive Director

CITIZENS OF GARLAND CITY COUNCIL

September 30, 2003



GARLAND

INDEPENDENT AUDITORS' REPORT

City Council Members
City of Garland, Texas

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Garland Housing Finance Corporation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As discussed in Note 1 to the financial statements, in 2003, the City changed its method of recognizing revenue for impact fees.

Management's Discussion and Analysis (on pages 3 through 15) is not a required part of the basic financial statements but is supplementary information required by the GASB. This supplementary information is the responsibility of the City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. These financial statements and schedules are the responsibility of management of the City. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The introductory section and the statistical data listed in the table of contents, which are also the responsibility of the District's management, are presented for the purpose of additional analysis and are not a required part of the basic financial statements for the City. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

March 3, 2004

City of Garland, Texas
Management's Discussion and Analysis
(Unaudited)

As management of the City of Garland, we offer readers of the City of Garland's financial statements this narrative overview and analysis of the financial activities of the City of Garland for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-xi of this report. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the City of Garland (City) exceeded its liabilities at the close of the fiscal year by \$611,097,780.
- The City's net assets decreased \$68,996 for the year ended September 30, 2003, as a result of a decrease in net assets from operations of \$5,567,063 and a increase from the cumulative effect of change in accounting principle of \$5,498,067. The cumulative effect of change in accounting principle was reported to recognize revenue for impact fees and substandard perimeter road fees that were collected and reported in prior years as deferred revenue.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$51,370,921. Of the combined ending fund balances, \$712,233 is reserved for debt service, \$13,779,636 is unreserved in the General Fund, \$4,968,076 is unreserved and \$9,203,420 is reserved in special revenue funds, and \$22,707,556 is reserved in capital projects funds.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$13,779,636, which is equivalent to 52 days of expenditures on a cash basis.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all of a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include electric, water, sewer, golf, heliport, storm water, parks performance and sanitation operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate non-profit corporations for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 20-23 of this report.

Fund financial statement

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term in flows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund, the debt service fund and the capital project fund, are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24-29 of this report.

Proprietary funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, golf, heliport, storm water management, parks performance and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for group health, self insurance, long-term disability insurance, print shop, fleet, vehicle replacement, information technology, facilities management, warehouse and customer service operations. The internal service funds are allocated between the governmental and business-type activities based on the level of support each internal service provides to a governmental and business-type activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The electric, water and sewer operations are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 30-35 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-66 of this report.

Other information

The combining statements referred to earlier in connection with non-major governmental funds, enterprise, and internal service funds are presented on pages 68-78 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by \$611,097,780 for the year ended September 30, 2003.

The largest portion of the City's net assets (65 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and systems), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (11 percent), represent resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants and in the City of Garland Charter. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Table 1
 Net Assets**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 106,816,209	\$ 205,580,676	\$ 312,396,885
Capital assets	302,004,947	441,732,916	743,737,863
Total assets	<u>408,821,156</u>	<u>647,313,592</u>	<u>1,056,134,748</u>
Long-term liabilities outstanding	185,041,164	175,055,434	360,096,598
Other liabilities	50,528,221	34,412,149	84,940,370
Total liabilities	<u>235,569,385</u>	<u>209,467,583</u>	<u>445,036,968</u>
Net assets:			
Invested in capital assets, net of related debt	159,562,356	319,873,430	479,435,786
Restricted for:			
Debt Service	712,233	130,237	842,470
Construction	9,203,420	-	9,203,420
Rate Mitigation	-	69,545,563	69,545,563
Unrestricted	3,773,762	48,296,779	52,070,541
Total net assets	<u>\$ 173,251,771</u>	<u>\$ 437,846,009</u>	<u>\$ 611,097,780</u>

Governmental activities

Governmental activities increased the City's net assets by \$14,177,369. The key elements of this increase are as follows:

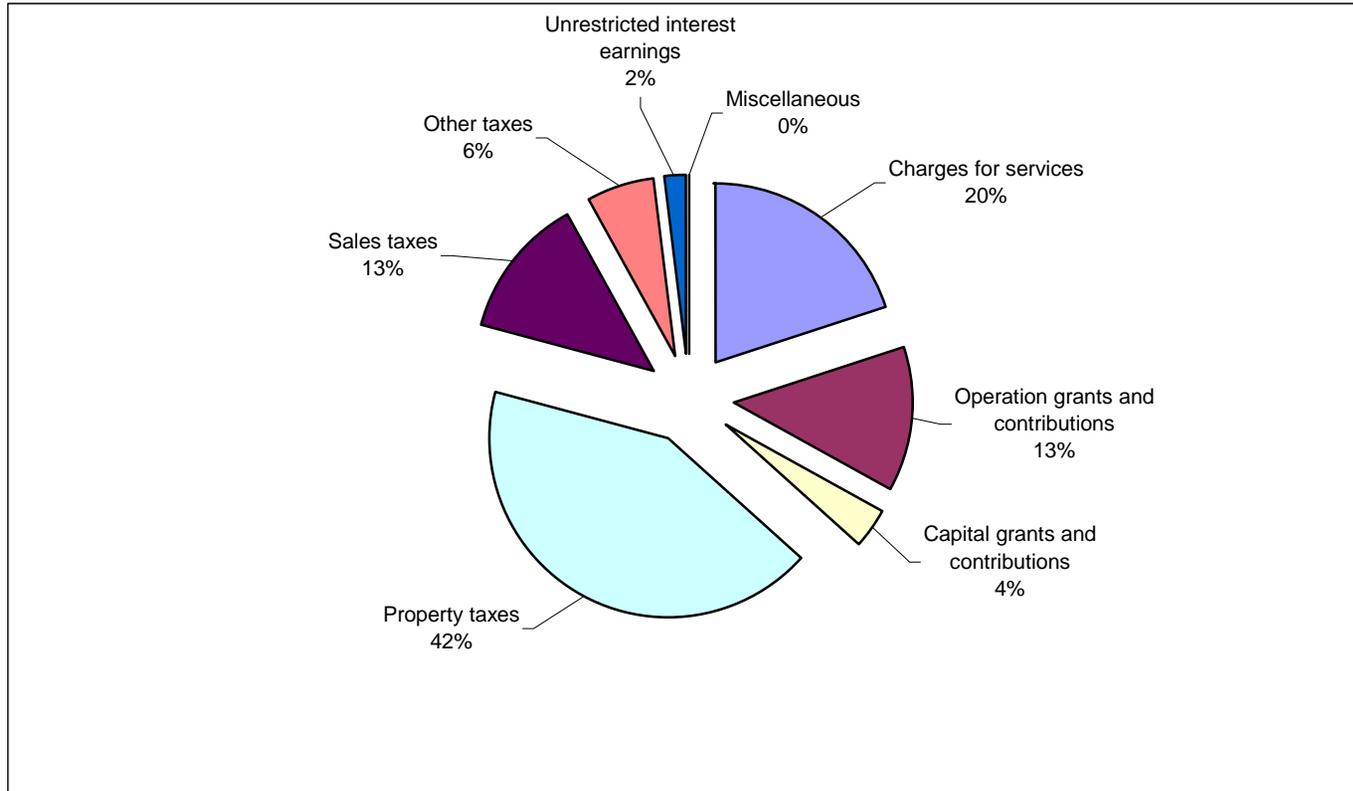
- Revenue from capital grants and contributions increased due to contributions from developers for streets, alleys and drainage improvements in new developments.
- Property tax revenues increased due to the increased property valuations and new construction.
- Transfers for property taxes and franchise fees from electric, water and sewer enterprise business activities.
- As noted earlier, a cumulative effect of change in accounting principle was reported to recognize revenue for impact fees and substandard perimeter road fees that were collected and reported in prior years as deferred revenue.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2003

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 26,713,432	\$ 30,303,555	\$ 246,349,884	\$ 229,129,044	\$ 273,063,316	\$ 259,432,599
Operation grants and contributions	18,385,284	16,191,085	-	-	18,385,284	16,191,085
Capital grants and contributions	5,236,706	7,153,603	2,780,713	3,055,431	8,017,419	10,209,034
General Revenues:						
Property taxes	59,697,133	56,369,413	-	-	59,697,133	56,369,413
Sales taxes	18,181,431	18,248,669	-	-	18,181,431	18,248,669
Other taxes	8,381,297	8,518,409	-	-	8,381,297	8,518,409
Unrestricted interest earnings	2,676,584	5,742,752	3,876,683	8,382,853	6,553,267	14,125,605
Miscellaneous	114,718	96,678	3,933,341	1,060,891	4,048,059	1,157,569
Total Revenues	<u>139,386,585</u>	<u>142,624,164</u>	<u>256,940,621</u>	<u>241,628,219</u>	<u>396,327,206</u>	<u>384,252,383</u>
Expenses:						
General government	25,448,260	24,202,192	-	-	25,448,260	24,202,192
Public safety	62,999,309	60,351,565	-	-	62,999,309	60,351,565
Public works	30,529,070	32,738,057	-	-	30,529,070	32,738,057
Culture and recreation	17,091,792	18,079,673	-	-	17,091,792	18,079,673
Public health	2,525,006	2,463,345	-	-	2,525,006	2,463,345
Interest and fiscal charges	8,117,822	8,571,287	-	-	8,117,822	8,571,287
Tri city accademy	73,957	74,061	-	-	73,957	74,061
Electric	-	-	190,479,543	163,654,263	190,479,543	163,654,263
Water	-	-	23,212,750	21,687,201	23,212,750	21,687,201
Sewer	-	-	21,483,043	20,249,731	21,483,043	20,249,731
Golf	-	-	3,548,906	3,102,011	3,548,906	3,102,011
Heliport	-	-	30,524	40,068	30,524	40,068
Storm Water Management	-	-	3,022,324	2,872,805	3,022,324	2,872,805
Parks Performance	-	-	614,297	584,615	614,297	584,615
Sanitation	-	-	12,717,666	12,607,400	12,717,666	12,607,400
Total expenses	<u>146,785,216</u>	<u>146,480,180</u>	<u>255,109,053</u>	<u>224,798,094</u>	<u>401,894,269</u>	<u>371,278,274</u>
Increase in net assets before transfers	(7,398,631)	(3,856,016)	1,831,568	16,830,125	(5,567,063)	12,974,109
Transfers	16,077,933	16,191,522	(16,077,933)	(16,191,522)	-	-
Increase (decrease) in net assets	8,679,302	12,335,506	(14,246,365)	638,603	(5,567,063)	12,974,109
Cummulative effect of change in accounting principle	5,498,067	-	-	-	5,498,067	-
Net assets - beginning	159,074,402	146,738,896	452,092,374	451,453,771	611,166,776	598,192,667
Net assets - ending	<u>\$ 173,251,771</u>	<u>\$ 159,074,402</u>	<u>\$ 437,846,009</u>	<u>\$ 452,092,374</u>	<u>\$ 611,097,780</u>	<u>\$ 611,166,776</u>

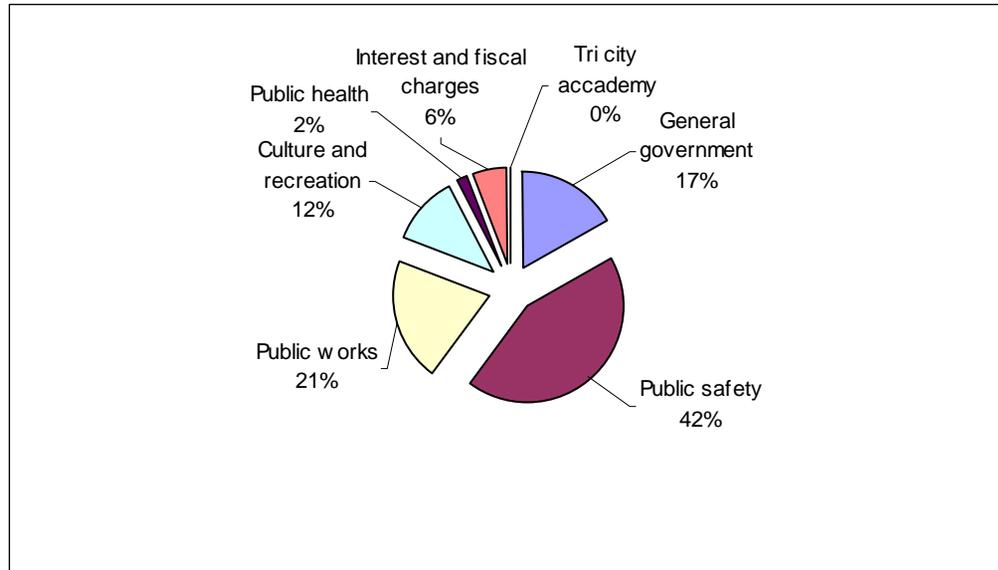
Revenues by Source – Governmental Activities



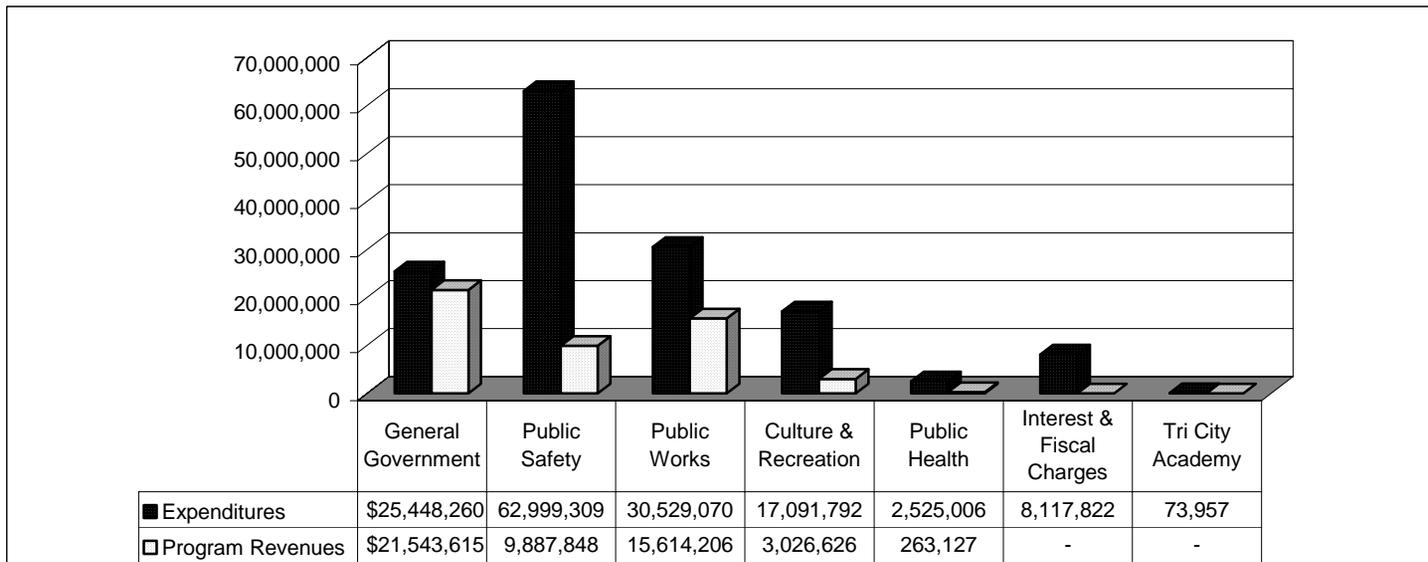
Property taxes, charges for services, sales taxes and operating grants and contributions provide 88 percent of the revenues for the governmental activities. The chart above provides a graphic representation of the City's revenues by source.

Expenses by Source – Governmental Activities

Public safety, public works, general government and, culture and recreation provide 92 percent of the expenses for the governmental activities. The following chart provides a percentage breakdown of the expenses for governmental activities.



Expenses and Program Revenues – Governmental Activities

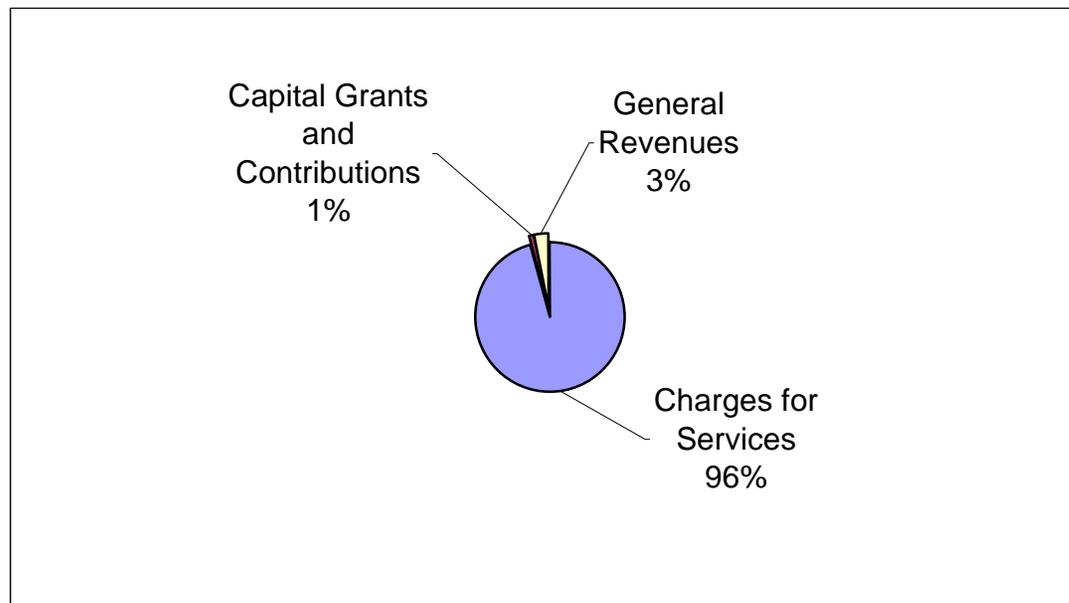


Business-type Activities

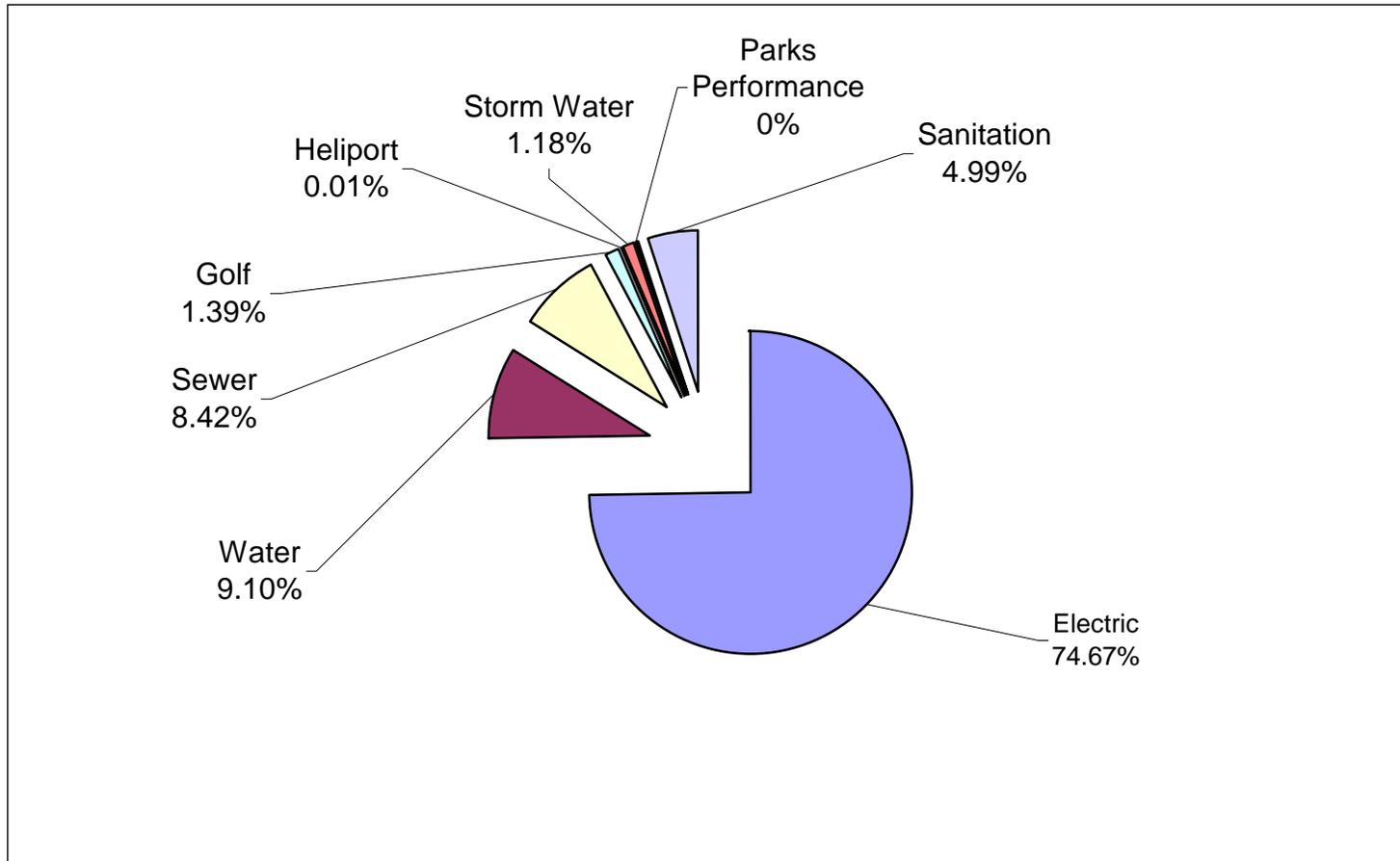
Business-type activities decreased the City's net assets by \$14,246,365. Key elements of this change are as follows:

- A net loss for the electric utility of \$12,100,545 was a result of higher fuel cost, increased TPA demand cost, increased operating cost and decreased interest income. During the prior fiscal year, the City established market-based electric rates that are less than or equal to the total price to beat approved by the Public Utility Commission for TXU customers. The decision to establish market-based rates has limited the ability to quickly react to changes in fuel cost and adjust base rates to support increases in operating cost.
- A net loss for the golf fund of \$1,300,764 was incurred due to increased expenses related to the addition of twenty-seven holes and increased competition from new golf courses in the area.
- A water rate increase of \$2.68 per month for the average customer resulted in a net income of \$264,663 for the water fund. This is the first rate increase since 1991 and was necessary due to the increase cost of wholesale water and the depletion of the water funds retained earnings.
- A sanitation rate increase of \$1.00 per month for residential customers resulted in a net income of \$307,049. The rate increase was needed to cover increased disposal cost associated with an increase in trash tonnage that is being collected.

Revenues by Source – Business-type Activities



Expenses by Source – Business-type Activities



Capital Asset and Debt Administration

Capital Assets

At the end of the fiscal year 2003, the City had \$743,737,863 invested in a broad range of capital assets including police and fire equipment, buildings, park facilities, roads, bridges, an electric system, a water system and a sewer system. (See Table 3 below.) This amount represents a net increase of \$46,728,983 or 6.7 percent over the prior fiscal year.

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 52,159,221	\$ 49,818,065	\$ 11,889,992	\$ 8,215,437	\$ 64,049,213	\$ 58,033,502
Construction in Progress	74,474,174	56,749,715	35,574,043	81,359,266	110,048,217	138,108,981
Building, Improvements, equipment and systems	175,371,552	164,922,597	394,268,881	335,943,800	569,640,433	500,866,397
Total capital assets	\$ 302,004,947	\$ 271,490,377	\$ 441,732,916	\$ 425,518,503	\$ 743,737,863	\$ 697,008,880

Major capital asset additions for the current fiscal year include (amounts in thousands):

<u>Description</u>	<u>Amount</u>
Electric Combustion Turbine	\$ 30,971
New Golf Course	12,758
Performing Arts Center Renovation	6,294
Electric Power Plant Boiler Equipment	5,644
Various Street Improvements	4,060
Building Improvements	3,564
Various Storm Water Drainage Projects	3,195
Landfill Equipment	2,256
Fire Station #4	1,415
Hinton Landfill Construction	795
Gale Fields Recreation Center	579

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2003

Major Capital Improvement Program projects under construction as of the end of the current fiscal year include (amounts in thousands):

<u>Description</u>	<u>Amount</u>
New Police and Courts Buildings	\$ 23,419
Brand Road Bridge	6,007
Street Improvement, Lawler - Plano Rd to Jupiter	3,422
Street Improvement, Miller - First Street to Country Club	3,281
Street Improvement, Apollo - Jupiter to N. Garland	2,516
Street Upgrades - Various	2,244
Street Improvement, Blackburn - Telecom to Waterlooak	1,946

Additional information on the City's capital assets can be found in note IV.C of this report.

Debt

At the end of the current fiscal year, the City had numerous debt issues outstanding. These issues include:

Table 4
Outstanding Debt, at Year-end

	Governmental		Business-type		Total	
	Activities		Activites			
	2003	2002	2003	2002	2002	2002
General obligation bonds	\$ 102,993,844	\$ 113,338,192	\$ 17,916,154	\$ 19,651,808	\$ 120,909,998	\$ 132,990,000
Certificates of obligation	62,156,303	47,111,953	137,208,697	143,083,047	199,365,000	190,195,000
Utility system revenue bonds	-	-	27,490,000	7,890,000	27,490,000	7,890,000
Commercial Paper	5,000,000	-	-	-	5,000,000	-
Tax Notes	5,490,000	2,800,000	-	-	5,490,000	2,800,000
Total outstanding debt	<u>\$ 175,640,147</u>	<u>\$ 163,250,145</u>	<u>\$ 182,614,851</u>	<u>\$ 170,624,855</u>	<u>\$ 358,254,998</u>	<u>\$ 333,875,000</u>

During the fiscal year, the City issued the following debt.

Table 5
Current fiscal year debt issues

Issue	Principal	Net Interest Cost	Bond Ratings	
			Standard & Poor's	Fitch IBCA
Certificates of obligation, Series 2003	\$ 18,685,000	4.218%	AA	AA+
Electric Utility System Revenue Bonds, Series 2003	13,810,000	4.738%	AAA	AAA
Water & Sewer System Revenue Bonds, Series 2003	13,680,000	4.749%	AAA	AAA
Tax Notes, Series 2003	5,490,000	1.797%	--	--
Total debt issues	<u>\$ 51,665,000</u>			

The proceeds of the certificates of obligation will be used for constructing street improvements within the City, including associated drainage improvements; expanding, improving, and equipping the City's waste disposal system; improving and equipping the City's library facilities; acquiring, renovating, improving and equipping municipal facilities; constructing, improving and equipping the City's park and recreation facilities; acquiring, constructing, improving and equipping the City's public safety facilities; improving and equipping the City's transportation system; improving and equipping the City's communications system, including the acquisition of computer software therefore; and paying costs associated with the issuance of the Certificates. These bonds received a AA rating from Standard & Poor's and a AA+ from Fitch Rating.

The proceeds for the Electric Utility System Revenue Bonds and the Water & Sewer System Revenue Bonds will be used to pay for the construction of improvements to the electric, water and sewer systems. These bonds received a AAA rating since the payment of principal and interest on the bonds are insured.

The proceeds of the tax notes will be used for constructing street improvements. Tax notes are not rated due to the short maturity date.

On April 15, 2003 the City cash defeased outstanding Utility System Revenue Bonds that were issued in 1992, 1993 and 1994. This action saved the City approximately \$170,000 in interest payments for the electric, water and sewer systems.

Additional information on the City's long-term debt can be found in note IV.E of this report.

The City's Funds

At the close of the City's fiscal year, the governmental funds of the City reported a combined fund balance of \$51,370,921, a decrease of \$10,954,881 from the prior year. The majority of this decrease was a result of drawing down the available cash balance in the City's Capital Projects Fund. The City issues commercial paper as needed based on cash flow requirements without issuing additional general obligation bonds. Commercial paper provides interest expense savings as a result of postponing the issuance of general obligation bonds.

The net change in fund balance for the General Fund was an increase of \$657,318 for the current fiscal year. The fund balance increase for the General Fund to several factors including increased property tax revenues based on increased property values, increased revenues from landfill disposal fees, increased revenues for Ambulance service and increased revenues for 911 services. Additional factors contributing to the increase in fund balance were salary savings from vacant positions and other operational expenditure savings across General Fund departments.

It is the City's declared policy to maintain a minimum unreserved general fund balance equivalent to 30 days of expenditures on a budget basis. At the end of the current fiscal year the unreserved fund balance for the general fund is equivalent to 52 days of expenditures.

In addition, these other changes in fund balances or net assets should be noted:

- The City's Debt Service Fund balance of 712,233 decreased from the prior year by \$3.8 million due to a transfer out of \$4 million to the Capital Projects Fund. The \$4 million that was transferred out was transferred into the Debt Service Fund from the Impact Fees Fund and Substandard Perimeter Road Funds during the prior fiscal year. Originally the City intended to fund debt service payments with impact fees and substandard perimeter road fees. However, the City changed its debt service funding strategy and elected to transfer the impact fees and substandard perimeter road fees to the Capital Projects Fund to provide a funding source for additional capital projects.
- The net change in fund balance for the Infrastructure Repair Fund was an increase of \$646,182 over the prior year. This increase is the result of expenditures being less than was budgeted.
- The Landfill Closure Fund net assets of \$1.4 million increased from the prior year by \$1.2 million as a result proceeds from the sale of certificates of obligation to fund the closing cost for the City's Castle Drive Landfill.
- The City's Sewer Fund net assets of \$119.3 million increased from the prior year by \$78,239. A rate increase was implemented to cover continued annual expenses and increased debt service costs related to ongoing capital construction projects. The total average bill for a residential customer is expected to increase \$0.07 per month.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2003, the City Council amended the budget for the General Fund on several occasions. The amendments were made up of supplemental appropriations and re-estimated allocations. These supplemental appropriations and re-estimated allocations amounted to decreasing appropriations by \$1.4 million. The re-estimate adjustments were used to reallocate funds appropriated to more accurately account for estimated revenues and payments to internal service funds.

With the adjustments made during the fiscal year ended September 30, 2003, the actual budget based expenditures were \$96.5 million compared to the final budget of \$97.5 million. The \$0.9 million favorable variance was due to salary savings and holding the line on operational expenditures.

For the Fiscal year ended September 30, 2003, the actual budget-based revenues were \$102.8 million compared to the final budget of \$102.3 million. The \$0.5 million favorable variance was due to higher sales tax and municipal court revenues.

Economic Factors and Next Year's Budgets and Rates

The City's estimated population at January 1, 2003, grew by 0.77% to 222,651 from the prior year estimated population of 220,946. In addition, the City's unemployment rate of 6.0% at September 30, 2003, was lower than the unemployment rate for the state and the Dallas metroplex area.

The operating budget for the 2004 fiscal year that was developed by City management and approved by the City's elected officials focused on using the City's available financial resources to address the following priority areas:

- Budget within the current ad valorem tax rate
- Strengthen Public Safety
- Maintain the current level of investment in Infrastructure repair and replacement
- Preserve the freeport reserve to help address General Fund shortfalls for future years

Highlights of the 2004 fiscal year budget are outlined below:

- The total ad valorem tax rate of 64.11 cents per \$100 of property valuation, was unchanged from the 2003 fiscal year.
- The City added 40 full time positions and 4 part time positions. These additional positions are closely tied to strengthening public safety and improving reliability, revenue collection, and customer service in the City's utility operations.
- Fees for building permits, electric permits, sign permits and various licenses were increased to offset the cost associated with providing building inspection services. The rate and fee adjustments are projected to result in \$164,000 in additional revenue for the General Fund.
- A Capital Improvement Program funding strategy that utilizes commercial paper and short-term tax notes to fund street improvements. The commercial paper provides interest savings as a result of lower interest rates for commercial paper compared to general obligation bonds. Short-term tax notes will be issued to fund street improvement projects that will be repaid utilizing debt service funds made available by the commercial paper program. When combined with transfers from the General Fund and Water Fund, this strategy will provide \$8.1 million in funding for street improvements in the 2004 fiscal year budget.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Department, at the City of Garland, 200 North Fifth, Garland, TX 75040.

GARLAND

City of Garland, Texas
Statement of Net Assets
September 30, 2003

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and cash equivalents	\$ 48,743,240	\$ 12,822,790	\$ 61,566,030	\$ 1,182,089
Investments	50,575,520	13,790,542	64,366,062	-
Receivables				
Taxes, net	1,202,184	-	1,202,184	-
Accounts, net of allowance for uncollectibles	8,610,588	34,325,467	42,936,055	38,466
Assessments	326,900	-	326,900	-
Interest	491,759	89,895	581,654	169
Other receivables	481,189	-	481,189	-
Due from other governments	1,616,145	28,750	1,644,895	-
Due from component unit	15,456	-	15,456	-
Inventories	3,288,495	2,346,770	5,635,265	-
Internal Balances	(10,933,494)	10,933,494	-	-
Prepaid and other items	-	811,803	811,803	295,656
Restricted Assets:				
Cash and cash equivalents	1,101,397	44,015,653	45,117,050	6,548,769
Investments	1,285,789	85,590,863	86,876,652	-
Accrued interest	11,041	824,649	835,690	-
Other Assets	-	-	-	462,708
Capital Assets (net of accumulated depreciation)				
Land	52,159,221	11,889,992	64,049,213	1,441,100
Construction in Progress	74,474,174	35,574,043	110,048,217	-
Buildings, Improvements, Equipment and System	175,371,552	394,268,881	569,640,433	6,999,009
Total assets	\$ 408,821,156	\$ 647,313,592	\$ 1,056,134,748	\$ 16,967,966

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

City of Garland, Texas
Statement of Net Assets
September 30, 2003

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
LIABILITIES				
Accounts payable	\$ 15,332,044	\$ 19,642,206	\$ 34,974,250	\$ 66,941
Escrow payable	109,759	-	109,759	-
Retainage payable	1,960,355	11,524	1,971,879	-
Accrued interest payable	1,172,655	996,121	2,168,776	-
CO bonds payable current portion	4,559,064	6,520,935	11,079,999	-
GO bonds payable current portion	6,658,260	2,026,701	8,684,961	-
Customer deposits	5,916,190	-	5,916,190	115,733
Due to primary government	-	-	-	15,456
Tax Note Payable	5,490,000	-	5,490,000	-
Commercial Paper	5,000,000	-	5,000,000	-
Due to other governments	689,478	492,564	1,182,042	-
Compensated absences payable current portion	5,532,721	1,225,857	6,758,578	-
Insurance claims payable current portion	2,612,422	-	2,612,422	-
Payable from restricted assets:				
Accounts payable	-	4,045,891	4,045,891	-
Accrued interest payable	-	236,207	236,207	-
Revenue bonds payable current portion	-	440,000	440,000	-
Deferred revenues	3,640,416	-	3,640,416	1,215
GO bonds payable long-term portion	96,335,584	15,889,453	112,225,037	-
Revenue bonds payable long-term portion	-	27,050,000	27,050,000	-
CO's payable long-term portion	57,597,239	130,687,762	188,285,001	-
Landfill closure costs payable	6,476,167	-	6,476,167	-
Compensated absences payable long-term portion	8,774,833	202,362	8,977,195	-
Insurance claims payable long-term portion	7,712,198	-	7,712,198	302,417
Total liabilities	235,569,385	209,467,583	445,036,968	501,762
NET ASSETS:				
Invested in capital assets, net of related debt	159,562,356	319,873,430	479,435,786	8,440,109
Restricted for:				
Debt Service	712,233	130,237	842,470	-
Construction	9,203,420	-	9,203,420	-
Rate Mitigation	-	69,545,563	69,545,563	-
HUD	-	-	-	2,627,417
Unrestricted	3,773,762	48,296,779	52,070,541	5,398,678
Total net assets	\$ 173,251,771	\$ 437,846,009	\$ 611,097,780	\$ 16,466,204

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

GARLAND

**City of Garland, Texas
Governmental Funds
Balance Sheet
For the Year Ended September 30, 2003**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,927,199	\$ 4,701,037	\$ 18,493,243	\$ 8,387,029	\$ 38,508,508
Investments	8,097,243	-	21,193,642	9,341,545	38,632,430
Receivables:					
Accounts, net	8,610,588	-	-	-	8,610,588
Taxes, net	701,321	500,863	-	-	1,202,184
Accrued interest	128,860	506	177,198	93,248	399,812
Assessments	-	-	-	326,900	326,900
Other	-	-	-	19,002	19,002
Due from other funds	4,074,747	-	-	-	4,074,747
Due from other governments	47,124	-	-	1,569,021	1,616,145
Due from affiliates	-	-	-	15,456	15,456
Total Assets	<u>\$ 28,587,082</u>	<u>\$ 5,202,406</u>	<u>\$ 39,864,083</u>	<u>\$ 19,752,201</u>	<u>\$ 93,405,772</u>
LIABILITIES					
Accounts payable	\$ 8,778,487	\$ -	\$ 2,269,110	\$ 1,553,130	\$ 12,600,727
Escrow payable	-	-	-	109,759	109,759
Due to other funds	16,961	4,021,527	792,577	1,246,205	6,077,270
Deferred revenues	6,011,998	468,646	971,967	2,668,449	10,121,060
Due to other govts.	-	-	672,518	3,162	675,680
Retainage payable	-	-	1,960,355	-	1,960,355
Tax Note Payable	-	-	5,490,000	-	5,490,000
Commercial Paper	-	-	5,000,000	-	5,000,000
Total Liabilities	<u>14,807,446</u>	<u>4,490,173</u>	<u>17,156,527</u>	<u>5,580,705</u>	<u>42,034,851</u>
FUND BALANCES:					
Fund balances:					
Reserved for:					
Debt service	-	712,233	-	-	712,233
Construction - Impact Fees	-	-	-	9,203,420	9,203,420
Construction	-	-	22,707,556	-	22,707,556
Unreserved, reported in:					
General Fund	13,779,636	-	-	-	13,779,636
Special Revenue Funds	-	-	-	4,968,076	4,968,076
Total Fund Balances	<u>13,779,636</u>	<u>712,233</u>	<u>22,707,556</u>	<u>14,171,496</u>	<u>51,370,921</u>
Total Liabilities and Fund Balances	<u>\$ 28,587,082</u>	<u>\$ 5,202,406</u>	<u>\$ 39,864,083</u>	<u>\$ 19,752,201</u>	<u>\$ 93,405,772</u>

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

**City of Garland, Texas
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
September 30, 2003**

Total fund balances - governmental funds	\$ 51,370,921
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	302,004,947
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds	6,480,644
Bond interest is not payable within 60 days and is therefore not accrued at the fund level.	(1,153,472)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long term liabilities consist of:	
Bonds payable	(161,895,747)
Landfill closure costs	(6,476,167)
Compensated absences	(13,717,878)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net assets.	(3,361,477)
Total net assets - governmental activities	\$ 173,251,771

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

City of Garland, Texas
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2003

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 52,690,783	\$ 24,505,160	\$ -	\$ 408,539	\$ 77,604,482
Franchise fees	7,781,687	-	-	-	7,781,687
Service charges	13,048,766	-	-	-	13,048,766
Licenses and permits	2,138,200	-	-	-	2,138,200
Earnings on investments	768,216	120,930	703,154	443,028	2,035,328
Intergovernmental	318,041	-	-	16,797,601	17,115,642
Intragovernmental	5,835,277	-	-	-	5,835,277
Fines and forfeits	4,488,485	-	-	-	4,488,485
Rents and concessions	582,969	-	-	-	582,969
Assessments	-	-	55,890	48,648	104,538
Impact Fees	-	-	-	878,040	878,040
Contributions	-	-	2,201,212	3,835	2,205,047
Program income	-	-	-	422,702	422,702
Special event income	-	-	-	399,826	399,826
Miscellaneous and other	-	6,070	279,062	1,283,793	1,568,925
Awards	-	-	-	347,055	347,055
Total revenues	<u>87,652,424</u>	<u>24,632,160</u>	<u>3,239,318</u>	<u>21,033,067</u>	<u>136,556,969</u>
EXPENDITURES					
Current:					
General government	8,265,797	-	-	-	8,265,797
Public safety	56,389,366	-	-	-	56,389,366
Public works	6,912,917	-	-	-	6,912,917
Culture and recreation	11,084,087	-	-	-	11,084,087
Public health	2,201,729	-	-	-	2,201,729
Nondepartmental	11,702,099	-	-	-	11,702,099
Operations	-	-	-	22,841,120	22,841,120
Capital outlay	-	-	45,217,178	1,264,429	46,481,607
Debt service:					
Principal	-	13,350,239	-	-	13,350,239
Interest	-	7,798,522	-	-	7,798,522
Tri City Academy	-	73,957	-	-	73,957
Other and fiscal expenditures	-	454,223	-	-	454,223
	<u>96,555,995</u>	<u>21,676,941</u>	<u>45,217,178</u>	<u>24,105,549</u>	<u>187,555,663</u>
Excess (deficiency) of revenues over (under) expenditures	(8,903,571)	2,955,219	(41,977,860)	(3,072,482)	(50,998,694)
OTHER FINANCING SOURCES (USES)					
Transfers in	15,104,348	10,005	8,442,508	5,850,546	29,407,407
Transfers out	(5,543,459)	(6,800,000)	(604,205)	(493,997)	(13,441,661)
Proceeds of long-term debt	-	-	17,312,472	1,267,528	18,580,000
Total other financing sources (uses)	<u>9,560,889</u>	<u>(6,789,995)</u>	<u>25,150,775</u>	<u>6,624,077</u>	<u>34,545,746</u>
Change in fund balances before cumulative effect	657,318	(3,834,776)	(16,827,085)	3,551,595	(16,452,948)
Cumulative effect of change in accounting principle	-	-	-	5,498,067	5,498,067
Net change in fund balance	<u>657,318</u>	<u>(3,834,776)</u>	<u>(16,827,085)</u>	<u>9,049,662</u>	<u>(10,954,881)</u>
Fund balances - beginning	13,122,318	4,547,009	39,534,641	5,121,834	62,325,802
Fund balances - ending	<u>\$ 13,779,636</u>	<u>\$ 712,233</u>	<u>\$ 22,707,556</u>	<u>\$ 14,171,496</u>	<u>\$ 51,370,921</u>

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

**City of Garland, Texas
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended September 30, 2003**

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

Net change in fund balances - total governmental funds	\$ (10,954,881)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	31,687,962
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	873,692
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,068,058)
Interest is accrued in the government wide financial statements but not at the fund level. This represents the change in the accrual during the period.	(114,361)
Internal service funds are used by management to charge the costs of vehicle services, building services, printing services and insurance services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(246,985)</u>
Change in net assets of governmental activities	<u><u>\$ 14,177,369</u></u>

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

GARLAND

City of Garland, Texas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 52,749,980	\$ 52,090,846	\$ 52,690,783	\$ 599,937
Franchise fees	7,339,789	7,914,756	7,781,687	(133,069)
Service charges	13,135,055	13,047,593	13,048,766	1,173
Licenses and permits	2,036,463	2,009,323	2,138,200	128,877
Earnings on investments	1,123,850	927,000	768,216	(158,784)
Intergovernmental	269,797	272,102	318,041	45,939
Intragovernmental	5,838,760	5,838,760	5,835,277	(3,483)
Fines and forfeits	4,051,350	4,102,118	4,488,485	386,367
Rents and concessions	517,165	552,565	582,969	30,404
Total revenues	<u>87,062,209</u>	<u>86,755,063</u>	<u>87,652,424</u>	<u>897,361</u>
Expenditures:				
Current:				
General government	8,332,673	8,285,377	8,265,797	19,580
Public safety	54,758,732	57,004,773	56,389,366	615,407
Public works	6,934,658	7,453,444	6,912,917	540,527
Culture and recreation	11,240,548	11,654,287	11,084,087	570,200
Public health	2,118,600	2,260,105	2,201,729	58,376
Nondepartmental	15,534,866	10,824,479	11,702,099	(877,620)
Total expenditures	<u>98,920,077</u>	<u>97,482,465</u>	<u>96,555,995</u>	<u>926,470</u>
Excess of revenues over expenditures	<u>(11,857,868)</u>	<u>(10,727,402)</u>	<u>(8,903,571)</u>	<u>1,823,831</u>
Other financing sources (uses):				
Transfer in	16,032,539	15,559,193	15,104,348	(454,845)
Transfers out	(5,532,935)	(5,532,935)	(5,543,459)	(10,524)
Total other financing sources (uses)	<u>10,499,604</u>	<u>10,026,258</u>	<u>9,560,889</u>	<u>(465,369)</u>
Net Change in fund balances.	(1,358,264)	(701,144)	657,318	1,358,462
Fund balances, beginning of year	13,122,318	13,122,318	13,122,318	-
Fund balances, end of year	<u>\$ 11,764,054</u>	<u>\$ 12,421,174</u>	<u>\$ 13,779,636</u>	<u>\$ 1,358,462</u>

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

City of Garland, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2003

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 9,132,974	\$ 853,417	\$ 1,879,409	\$ 956,990	\$ 12,822,790	\$ 10,234,732
Investments	9,484,657	995,476	2,193,645	1,116,764	13,790,542	11,943,090
Receivable net of allowance	26,516,508	3,455,576	2,406,624	1,946,759	34,325,467	-
Accrued interest	64,125	2,484	19,577	3,709	89,895	554,134
Due from other funds	7,971,347	100,000	16,961	-	8,088,308	517,577
Due from other governments	-	28,750	-	-	28,750	-
Advance to other funds	2,697,438	-	-	-	2,697,438	-
Inventories	2,346,770	-	-	-	2,346,770	3,288,495
<i>Restricted assets</i>						
Revenue bond retirement fund:						
Cash and cash equivalents	30,093	4,526	25,469	-	60,088	-
Investments	35,132	5,284	29,733	-	70,149	-
Total revenue bond retirement fund	65,225	9,810	55,202	-	130,237	-
Rate mitigation:						
Cash and cash equivalents	16,032,167	-	-	-	16,032,167	-
Investments	52,922,469	-	-	-	52,922,469	-
Accrued interest	590,927	-	-	-	590,927	-
Total rate mitigation	69,545,563	-	-	-	69,545,563	-
Construction funds:						
Cash and cash equivalents	11,160,065	2,443,995	14,155,249	164,089	27,923,398	1,101,397
Investments	13,028,450	2,853,161	16,525,075	191,559	32,598,245	1,285,789
Accrued interest	87,035	21,915	121,443	3,329	233,722	11,041
Total revenue bond construction funds	24,275,550	5,319,071	30,801,767	358,977	60,755,365	2,398,227
Total current assets	152,100,157	10,764,584	37,373,185	4,383,199	204,621,125	28,936,255
Noncurrent						
Land	390,398	238,471	311,813	10,949,310	11,889,992	-
System	345,488,129	132,005,361	226,003,476	25,565,053	729,062,019	38,505,619
Construction in progress	10,399,165	3,729,686	21,265,853	179,339	35,574,043	470,475
Less accumulated depreciation	(164,763,080)	(56,445,596)	(102,848,217)	(10,736,245)	(334,793,138)	(26,584,169)
Net noncurrent assets	191,514,612	79,527,922	144,732,925	25,957,457	441,732,916	12,391,925
TOTAL ASSETS	\$ 343,614,769	\$ 90,292,506	\$ 182,106,110	\$ 30,340,656	\$ 646,354,041	\$ 41,328,180

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

**City of Garland, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2003**

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES						
Current liabilities:						
<i>Payable from current assets</i>						
Accounts Payable	\$ 17,286,176	\$ 1,183,033	\$ 526,315	\$ 646,682	\$ 19,642,206	\$ 2,731,316
Retainage	11,524	-	-	-	11,524	-
Due to other funds	53,220	319,757	121,262	4,106,644	4,600,883	2,002,479
Insurance claims payable	-	-	-	-	-	2,612,422
Accrued interest payable:						
General obligation bonds	145	26,575	81,938	3,385	112,043	-
Certificates of obligation	520,943	69,628	220,028	73,479	884,078	19,183
Customer deposits	-	-	-	-	-	5,916,190
General obligation bonds	1,193	185,187	1,812,491	27,830	2,026,701	-
Certificates of obligation	3,366,226	758,036	1,674,193	722,480	6,520,935	594,530
Due to other governments	-	-	-	-	-	13,798
Advances from other funds	-	-	-	110,000	110,000	2,587,438
Compensated absences	539,399	136,434	250,947	299,077	1,225,857	589,676
Total payable from current assets	<u>21,778,826</u>	<u>2,678,650</u>	<u>4,687,174</u>	<u>5,989,577</u>	<u>35,134,227</u>	<u>17,067,032</u>
<i>Payable from restricted assets</i>						
Accounts payable	1,398,849	56,046	2,582,266	8,730	4,045,891	-
Due to other governments	325,384	30,582	96,560	40,038	492,564	-
Accrued interest payable-revenue bonds	118,298	17,798	100,111	-	236,207	-
Revenue bonds payable	20,000	63,400	356,600	-	440,000	-
Total payable from restricted assets	<u>1,862,531</u>	<u>167,826</u>	<u>3,135,537</u>	<u>48,768</u>	<u>5,214,662</u>	<u>-</u>
Total current liabilities	23,641,357	2,846,476	7,822,711	6,038,345	40,348,889	17,067,032
Long-term Liabilities						
Revenue bonds payable	13,790,000	2,001,600	11,258,400	-	27,050,000	-
Certificates of obligation	76,638,081	10,429,124	33,306,496	10,314,061	130,687,762	2,659,870
General obligation bonds	23,278	4,287,163	11,036,175	542,837	15,889,453	-
Unamortized bond issue cost	(8,882)	(189,143)	(598,015)	(15,763)	(811,803)	-
Insurance claims payable	-	-	-	-	-	7,712,198
Compensated absences	202,362	-	-	-	202,362	-
Total other liabilities	<u>90,644,839</u>	<u>16,528,744</u>	<u>55,003,056</u>	<u>10,841,135</u>	<u>173,017,774</u>	<u>10,372,068</u>
Total Liabilities	<u>114,286,196</u>	<u>19,375,220</u>	<u>62,825,767</u>	<u>16,879,480</u>	<u>213,366,663</u>	<u>27,439,100</u>
NET ASSETS						
Invested in capital assets, net of related debt	121,951,384	67,122,483	116,090,337	14,709,226	319,873,430	9,137,525
Restricted for:						
Debt Service	65,225	9,810	55,202	-	130,237	-
Rate Mitigation	69,545,563	-	-	-	69,545,563	-
Unrestricted	<u>37,766,401</u>	<u>3,784,993</u>	<u>3,134,804</u>	<u>(1,248,050)</u>	<u>43,438,148</u>	<u>4,751,555</u>
Total net assets	<u>\$ 229,328,573</u>	<u>\$ 70,917,286</u>	<u>\$ 119,280,343</u>	<u>\$ 13,461,176</u>	<u>\$ 432,987,378</u>	<u>\$ 13,889,080</u>

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.

4,858,631

Net assets of business type activities

\$ 437,846,009

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

City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2003

	Business-type Activities					Governmental
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 180,508,844	\$ 24,366,846	\$ 22,638,954	\$ 18,835,240	\$ 246,349,884	\$ 32,148,404
Premiums	-	-	-	-	-	17,738,340
Other	3,718,434	45,122	95,767	74,020	3,933,343	1,796,868
Total Operating Revenues	184,227,278	24,411,968	22,734,721	18,909,260	250,283,227	51,683,612
OPERATING EXPENSES						
Salaries and benefits	17,613,504	2,364,318	4,842,139	7,332,105	32,152,066	12,761,027
Demand charges	54,103,625	-	-	-	54,103,625	-
Fuel purchases	78,091,063	-	-	-	78,091,063	-
Water purchases	-	11,733,046	-	-	11,733,046	-
Landfill fees	-	-	-	3,437,217	3,437,217	-
Maintenance, repairs, and supplies	15,008,963	2,360,267	4,351,388	6,167,983	27,888,601	16,358,614
Contractual services	-	-	-	5,312	5,312	-
Telecommunication services	304,405	62,486	77,879	-	444,770	-
Customer services	4,536,523	1,133,794	556,503	-	6,226,820	-
Warehouse operations	481,868	51,903	44,506	-	578,277	-
Data processing	980,619	289,924	870,704	-	2,141,247	-
Facilities management	225,158	48,440	573,264	-	846,862	-
Bad debt expense	958,017	134,313	113,623	147,917	1,353,870	296,586
Insurance and other expenses	2,239,166	271,688	202,922	194,650	2,908,426	18,866,599
General and administrative	2,162,166	569,148	776,327	794,112	4,301,753	1,049,234
Capitalized general and administrative	(223,554)	(185,181)	(456,141)	-	(864,876)	-
Total Operating expenses before depreciation	176,481,523	18,834,146	11,953,114	18,079,296	225,348,079	49,332,060
Depreciation	10,637,018	3,387,018	6,757,996	1,097,127	21,879,159	4,715,908
Total Operating Income (Loss)	\$ (2,891,263)	\$ 2,190,804	\$ 4,023,611	\$ (267,163)	\$ 3,055,989	\$ (2,364,356)

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

City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2003

	<u>Business-type Activities</u>					<u>Governmental</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
NONOPERATING REVENUES (EXPENSES)						
Earnings from investments:						
Current operations	\$ 2,391,123	\$ (62,484)	\$ 125,862	\$ 63,111	\$ 2,517,612	\$ 549,041
Revenue bond retirement and reserve fund	82,144	12,370	50,979	-	145,493	-
Construction fund	415,104	186,395	603,082	8,997	1,213,578	92,215
Total earnings on investments	<u>2,888,371</u>	<u>136,281</u>	<u>779,923</u>	<u>72,108</u>	<u>3,876,683</u>	<u>641,256</u>
Interest expense:						
Revenue bonds	(129,989)	(111,376)	(218,803)	-	(460,168)	-
Certificates of obligation	(4,225,547)	(589,234)	(1,817,403)	(605,424)	(7,237,608)	(158,579)
General obligation bonds	(3,812)	(236,154)	(855,753)	(32,906)	(1,128,625)	-
Less capitalized interest	2,135,140	83,713	248,238	-	2,467,091	-
Total interest expense	<u>(2,224,208)</u>	<u>(853,051)</u>	<u>(2,643,721)</u>	<u>(638,330)</u>	<u>(6,359,310)</u>	<u>(158,579)</u>
Income (loss) before operating transfers	<u>(2,227,100)</u>	<u>1,474,034</u>	<u>2,159,813</u>	<u>(833,385)</u>	<u>573,362</u>	<u>(1,881,679)</u>
TRANSFERS						
Transfers in	-	-	-	-	-	174,491
Transfers out	(9,873,445)	(3,208,041)	(2,863,617)	(132,827)	(16,077,930)	(62,307)
Net nonoperating revenues (expenses)	<u>(9,873,445)</u>	<u>(3,208,041)</u>	<u>(2,863,617)</u>	<u>(132,827)</u>	<u>(16,077,930)</u>	<u>112,184</u>
Capital contributions	-	1,998,670	782,043	-	2,780,713	-
NET INCOME (LOSS)	<u>(12,100,545)</u>	<u>264,663</u>	<u>78,239</u>	<u>(966,212)</u>	<u>(12,723,855)</u>	<u>(1,769,495)</u>
Net assets, beginning of year	241,429,118	70,652,623	119,202,104	14,427,388	445,711,233	15,658,575
Net assets, end of year	<u>\$ 229,328,573</u>	<u>\$ 70,917,286</u>	<u>\$ 119,280,343</u>	<u>\$ 13,461,176</u>	<u>\$ 432,987,378</u>	<u>\$ 13,889,080</u>

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue of certain internal service funds is reported with business type activities

(1,522,510)

Change in net assets of business-type activities

\$ (14,246,365)

**City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2003**

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	\$ 174,735,459	\$ 24,217,862	\$ 22,442,560	\$ 18,567,076	\$ 239,962,957	\$ 51,459,183
Cash received for customer deposit	-	-	-	-	-	230,612
Cash paid to suppliers	(154,462,621)	(16,402,942)	(7,081,851)	(10,792,101)	(188,739,515)	(36,010,457)
Cash paid to employees for services	(17,348,513)	(2,361,246)	(4,793,870)	(7,174,019)	(31,677,648)	(12,749,850)
Other operating revenues	3,708,384	40,474	787,092	50,630	4,586,580	-
Net cash provided by (used for) operations	6,632,709	5,494,148	11,353,931	651,586	24,132,374	2,929,488
Cash flows from noncapital financing activities:						
Due to other funds (increases)	(1,879,653)	68,661	116,844	1,008,735	(685,413)	402,711
Due from other funds (increases)	(270,423)	319,757	(16,961)	10,005	42,378	-
Advance to other funds (decreases)	231,499	-	-	-	231,499	(341,499)
Due to other governments (decreases)	-	-	-	(11,227)	(11,227)	(4,451)
Inter-governmental	-	80,500	-	-	80,500	-
Transfers in	-	-	-	-	-	174,491
Transfers out	(9,873,445)	(3,208,041)	(2,863,617)	(132,827)	(16,077,930)	(62,307)
Net cash provided by (used for) noncapital financing activities	(11,792,022)	(2,739,123)	(2,763,734)	874,686	(16,420,193)	168,945
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	13,810,000	-	-	-	13,810,000	105,000
Revenue bonds	-	2,065,000	11,615,000	-	13,680,000	-
Acquisition and construction of capital assets	(16,925,086)	(3,863,512)	(12,119,142)	(615,076)	(33,522,816)	(3,632,636)
Advances from other funds	-	-	-	110,000	110,000	-
Principal paid on:						
Revenue bonds	(436,726)	(3,059,850)	(4,393,424)	-	(7,890,000)	-
Certificates of obligation	(3,122,944)	(655,919)	(1,444,589)	(650,897)	(5,874,349)	(634,758)
General obligation bonds	(507)	(78,552)	(1,577,682)	(78,913)	(1,735,654)	-
Interest paid on:						
Revenue bonds	(10,206)	(108,404)	(140,695)	-	(259,305)	-
Certificates of obligation	(2,109,382)	(559,219)	(1,538,837)	(607,604)	(4,815,042)	(166,690)
General obligation bonds	(3,815)	(209,775)	(865,584)	(34,065)	(1,113,239)	-
Contributions	-	119,050	61,458	-	180,508	-
Proceeds from sales of assets	10,050	4,648	8,675	-	-	153,775
Net cash provided by (used for) capital and related financing activities	(8,788,616)	(6,346,533)	(10,394,820)	(1,876,555)	(27,429,897)	(4,175,309)

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

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2003

	<u>Business-type Activities</u>					<u>Governmental</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Cash flows from investing activities:						
Purchase of investment securities	(31,296,941)	(7,888,935)	(27,352,217)	(1,561,316)	(68,099,409)	(16,638,263)
Proceeds from sale and maturities of investment securities	55,125,677	12,862,720	38,698,339	2,517,349	109,204,085	24,387,221
Interest received on investments	3,327,268	208,999	962,319	90,131	4,588,717	732,406
Net cash provided by (used for) investing activities	<u>27,156,004</u>	<u>5,182,784</u>	<u>12,308,441</u>	<u>1,046,164</u>	<u>45,693,393</u>	<u>8,481,364</u>
Net increase (decrease) in cash and cash equivalents	13,208,075	1,591,276	10,503,818	695,881	25,975,677	7,404,488
Cash and cash equivalents at beginning of the year	23,147,225	1,710,662	5,556,308	425,199	30,839,394	3,931,641
Cash and cash equivalents at end of the year	<u>\$ 36,355,300</u>	<u>\$ 3,301,938</u>	<u>\$ 16,060,126</u>	<u>\$ 1,121,080</u>	<u>\$ 56,815,071</u>	<u>\$ 11,336,129</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities						
Operating income (loss)	\$ (2,891,263)	\$ 2,190,804	\$ 4,023,611	\$ (267,163)	\$ 3,055,989	\$ (2,364,356)
Adjustments:						
Depreciation expense	10,637,018	3,387,018	6,757,996	1,097,127	21,879,159	4,715,908
Gain on sale of assets	(10,050)	13,314	(8,675)	-	(5,411)	(63,658)
Provision for uncollectible accounts	69,291	(4,648)	(6,606)	9,440	67,477	70,172
Change in assets and liabilities						
(increase) decrease in accounts receivable	(5,773,385)	(148,984)	503,606	(291,554)	(5,710,317)	(532,358)
(increase) decrease in inventory	148,090	-	-	-	148,090	153,989
increase (decrease) in accounts payable	4,405,893	57,405	77,366	75,031	4,615,695	539,897
increase (decrease) in compensated absences	47,115	(761)	6,633	28,705	81,692	11,177
increase (decrease) in customer deposits	-	-	-	-	-	230,612
increase (decrease) in insurance claims payable	-	-	-	-	-	168,105
Total adjustments	<u>9,523,972</u>	<u>3,303,344</u>	<u>7,330,320</u>	<u>918,749</u>	<u>21,076,385</u>	<u>5,293,844</u>
Net cash provided by (used for) operating activities	<u>\$ 6,632,709</u>	<u>\$ 5,494,148</u>	<u>\$ 11,353,931</u>	<u>\$ 651,586</u>	<u>\$ 24,132,374</u>	<u>\$ 2,929,488</u>
Noncash investing, capital and financing activities:						
Contributions from developers	-	1,771,844	782,043	-	2,553,887	-
Capitalized general & administrative expense	-	185,181	456,141	-	641,322	-

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

GARLAND

City of Garland, Texas
Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and eight-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Discretely Presented Component Units

- The Garland Housing Finance Corporation (GHFC) was organized to finance the cost of residential ownership and development that will provide decent, safe and sanitary housing for residents of the City at affordable prices.
- The Garland Health Facilities Development Corporation (GHFDC) was organized to provide tax-exempt revenue bond financing for eligible health-related businesses in the City.
- The Garland Economic Development Authority (GEDA), Inc. was organized to provide tax-exempt revenue bond financing for eligible business locating or expanding in the City.

Each component unit is governed by a board of directors that are appointed by and serve at the discretion of the City Council. All three-component units are reported as proprietary entities and maintain their accounts on an accrual basis of accounting.

Complete financial statements for all three component units may be obtained from the City of Garland, Finance Department, 200 North Fifth, Garland Texas 75040.

B. Government-wide and fund financial statements

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

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

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

City of Garland, Texas
Notes to the Financial Statements (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The capital project fund accounts for the financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary type funds).

The City reports the following major proprietary funds:

The electric fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide electric service for the residents of the City.

The water fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide water service for the residents of the City.

The sewer fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide wastewater treatment service for the residents of the City.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Additionally, the City reports the following fund categories:

Special revenue funds account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. These specific revenues sources are Community Development Block Grants, Housing Assistance Grants, Neighborhood Services Grants and Funding, Hotel/Motel Tax, Impact Fees, Infrastructure Repair Funding, Landfill Closure Funding, Library Grants, Police Grants, Substandard Perimeter Road Funding, Narcotic Seizure Funding, and Library Contributions.

The City's nonmajor enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that costs of providing goods and services to the general public on a continuing basis will be financed or recovered through user charges. These funds are the Golf Fund, the Heliport Fund, the Storm Water Management Fund, the Parks Performance Fund, and the Sanitation Fund.

Internal service funds account for group health, self-insurance, long-term disability, print shop, fleet services, vehicle replacement, information technology, facilities management, warehouse and utility billing services to other departments of the City on a cost reimbursement basis.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's electric, water, sewer, sanitation and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

City of Garland, Texas
Notes to the Financial Statements (Continued)

D. Assets, liabilities, and net assets or equity

1. *Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements and investment pools.

Investments for the governmental, as well as for its component units, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. *Receivables and payables*

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts for utility billing is estimated based on a percentage of sales. All other allowance for uncollectible accounts is based on accounts outstanding in excess of 360 days of the invoice date. The property tax receivable allowance is based on the average collection rate of delinquent taxes over the last four years.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established by the Dallas Central Appraisal District at 100% of estimated market value. Property taxes attach an enforceable lien on property as of January 1. Taxes are due immediately following the October 1 levy date and are considered delinquent after January 31 of the following year. Penalty and interest are charged at 7% on delinquent taxes beginning February 1, and increases each month to 18% on July 1. After all collection efforts have failed, the City files suit to collect the delinquent taxes.

In Texas, countywide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews by the appraisal district through various appeals and, if necessary, legal action. Under this system the City sets tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

City of Garland, Texas
Notes to the Financial Statements (Continued)

3. *Inventories and prepaid items*

All inventories are valued at average cost and consist of expendable supplies held for consumption or the construction of plant and equipment. Inventories are accounted for under the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted assets*

Certain proceeds of the City's general obligation, certificates of obligation and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or they are maintained in separate bank accounts. The "revenue bond retirement" accounts are used to segregate resources accumulated for current debt service payments. The "revenue bond reserve" accounts are used to report resources set aside to make up potential future deficiencies in the revenue bond retirement accounts. The "rate mitigation" account is used to report resources set aside to subsidize potential deficiencies from Electric fund operations that could adversely affect rates that are charges to customers. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction of assets.

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as tangible or intangible assets used in operations with an initial useful life in excess of one year. Capital asset values are established on an operational basis where the initial asset cost can range between \$1,000 and \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest accrued during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current year was \$14,157,832. Of this amount, \$2,467,091 was included as part of the cost of capital assets under construction in connection with electric, water, and sewer construction projects.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
General Buildings	40
General Infrastructure	15
General Equipment	8
Electric System	10 - 40
Water System	10 - 40
Sanitary Sewer System	10 - 40
Sanitation	5 - 40
Golf Park	5 - 40
Business Ventures	5 - 40
Storm Water Management	5 - 40
Internal Service	10
GHFC – Building and Improvements	40
GHFC – Furniture and Fixtures	5 – 10

6. *Compensated absences*

It is the City’s policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Employees are reimbursed upon termination for accumulated vacation and only non-exempt employees are reimbursed for compensatory time. Employees are not reimbursed upon termination for accumulated sick leave except for police and firefighters who are reimbursed up to a maximum of 90 days accumulated sick leave. The liabilities for these amounts are accrued as they are incurred in the government-wide, governmental, and proprietary fund financial statements.

7. *Long-term obligations*

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

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

City of Garland, Texas
Notes to the Financial Statements (Continued)

8. Fund equity

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

9. New accounting principles

The Government Accounting Standards Board (“GASB”) has issued Statement No. 39 “Determining Whether Certain Organizations Are Component Units” (“GASB 39”) which will be effective for the City in the fiscal year ending September 30, 2004. GASB 39 requires state and local governments to report legally separate, tax exempt organizations as discrete component units if they meet the following criteria:

- The economic resources raised and held by the affiliated organization almost entirely is for the benefit of the City.
- The City is entitled to or has the ability to access the funds raised by the affiliated organization.
- The funds held by the affiliated organization are material to the City’s financial statements.

Based on a review performed by Accounting Staff, there are no affiliated organizations that meet the criteria listed above.

The GASB has also issued Statement No. 40, “Deposit and Investment Risk Disclosures” (“GASB 40”), which will be effective for the City in the fiscal year ending September 30, 2005. GASB 40 establishes more comprehensive disclosure requirements regarding state and local governments’ deposit and investment risk related to credit risk, interest rate risk and foreign currency risk. The City has not yet evaluated the impact of implementation of this standard on its financial statements.

The GASB has also issued Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries” (“GASB 42”), which will be effective for the City in the fiscal year ending September 30, 2006. GASB 42 requires that state and local governments report the effects of capital asset impairments in the financial statements when impairments, which are determined to be other than temporary, occur. Impairments of capital assets can occur under the following circumstances: changes in the utility of the asset, physical damage, and changes in legal or environmental laws and regulations, technological changes or obsolescence, changes in the manner or duration of use, or construction stoppages. The City has not yet evaluated the impact of implementation of this standard on its financial statements.

10. Change in Accounting Principle

The City changed its method of recognizing impact fees revenues. In the past, the City deferred impact fees revenue and recognized the revenue when the amounts collected were expended on eligible projects. Based on more recent history, the City noted that impact fees have not been refunded to developers since they have been consistently used on eligible projects within the allowable period. As a result, the City changed its policy to recognize the impact fees at the point of enforceable legal claim arises to the resources, which is the point at which the City expects such fees to become nonrefundable. As a result of the change, the City recognized \$878,040 as current year impact fees revenues in the special revenue funds and recorded \$5,498,066 as cumulative effect of change in accounting principle. The City also recorded reserved fund balance and restricted net assets for all unexpended impact fees at year end.

City of Garland, Texas
Notes to the Financial Statements (Continued)

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide financial statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$161,895,747 difference are as follows:

General Obligation bonds	\$102,993,844
Certificates of Obligation	<u>58,901,903</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at net assets – governmental activities	\$161,895,747

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the governmental-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$7,068,058 difference are as follows:

Debt issued or incurred:	
Issuance of certificates of obligation	\$ 18,580,000
Principal repayments:	
General obligation debt	(10,344,348)
Certificates of obligation	(3,005,891)
Change in landfill closure liability	1,121,669
Change in compensated absences liability	<u>716,628</u>
Net adjustment to decrease <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 7,068,058</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

III. Stewardship, compliance, and accountability

A. Budgetary information

Annual appropriations for the General Fund, Hotel/Motel Fund, Infrastructure Repair Fund, Narcotic Seizure, and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

The City Charter contains the following requirements, which are adhered to by the City Council and management, regarding preparation of the annual Budget:

1. Prior to August 15, 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.
2. Public hearings are conducted prior to September 15 to obtain taxpayer comments.
3. Prior to September 20, annual appropriations are approved through the passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the City Manager, is deemed to have been adopted by the City Council.
4. The level of control (level at which expenditures may not exceed budget) is the fund. The City Manager is authorized to transfer unexpended balances within each fund. The City Council, however, must approve any revisions in fund appropriations.

During the year, Council approved supplemental appropriations of \$2,410,620. This is the net of a \$1,437,612 decrease in the General Fund, a \$405,104 increase in Infrastructure Repair, a \$8,318 decrease in the Hotel/Motel Fund, and an increase of \$3,451,446 in the Debt Service Fund related to interfund transfers.

B. Excess of expenditures over appropriations

Expenditures for the debt service fund exceeded appropriations by \$46,360 due to unexpected fiscal charges.

C. Deficit fund equity

The Hotel/Motel Tax Fund deficit of \$447,836 was decreased by \$11,798 from the prior year. This deficit will be eliminated through revenues recognized in future years.

The NETLS Fund deficit of \$201 will be eliminated through a transfer from the general fund in the next fiscal year.

The Group Health Fund deficit of \$2,042,986 was decreased by \$352,569 from the prior year. This deficit will be eliminated through changes to the plan design with higher employee deductibles.

The Self-Insurance Fund deficit of \$1,692,950 was increased by \$690,684 from the prior year. This deficit will be eliminated by increasing charges to other operating funds in future years.

The Long Term Disability Insurance Fund deficit of \$2,337,526 is the result of an accrual of claims incurred but not reported of \$2,967,763. This accrual was made on the basis of an actuarial analysis completed in November of 2002.

City of Garland, Texas
Notes to the Financial Statements (Continued)

The Fleet Services Fund deficit of \$847,838 will be eliminated by increasing charges to other operating funds.

The Warehouse Fund deficit of \$263,558 will be eliminated by increasing charges to other operating funds in future years.

The Customer Service Fund deficit of \$193,150 will be eliminated by increasing charges to other operating funds in future years.

IV. Detailed notes on all funds

A. Deposits and investments

At year-end, the carrying amount of the City's deposits was \$(5,032,110) and the bank balance was \$2,055,726. This bank balance was completely covered by federal depository insurance or by collateral held by the City's safekeeping agent in the City's name.

The bank balance for GHFC was \$7,482,126. The entire balance was covered by federal depository insurance or collateral held by the depository institution in GHFC's name. The bank balance for GHFDC was \$144,682, of which \$100,000 was covered by federal depository insurance. \$44,682 was collateralized by securities held by the pledging financial institution, but not in GHFDC's name. The bank balance for GEDA was \$104,051, of which \$100,000 was covered by federal depository insurance. \$4,051 was collateralized by securities held by the pledging financial institution, but not in GEDA's name.

Investments are categorized into these three categories of credit risk:

- Insured or registered, or securities held by the City or its agent in the City's name.
- Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, obligations of the State of Texas and related agencies, obligations of states, agencies, counties, cities and other political subdivisions of any state rated A or above by Standard & Poor's Corporation or Moody's Investors Service, certificates of deposit issued by state and national banks domiciled in Texas, fully collateralized direct repurchase agreements, reverse repurchase agreements, and commercial paper. The investments reported at September 30, 2003, are similar to those held during the fiscal year.

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market price at September 30, 2003, to be the fair value of investments. The fair value of the position in TexPool, Fidelity, and Logic is the same as the value of the pool shares.

At September 30, 2003, all investments other than pools were classified in Category 1, which includes investments that are insured and registered. All investment securities were held by the City or by its agent in the City's name. The Comptroller maintains oversight of the services provided to TexPool by Federated Investors, Inc. and Lehman Brothers, Inc. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. The Fidelity investment is a municipal money market fund that maintains a stable \$1.00 net asset value. The fund normally invests in municipal securities whose interest is exempt from federal income taxes. Administration of LOGIC is performed by a Board of Directors, which

City of Garland, Texas
Notes to the Financial Statements (Continued)

is an administrative Agency Created under the Interlocal Act. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days.

At year-end, the City's investment balances were as follows:

	Category 1	Carrying\Fair Value
U.S. Government securities	\$ 148,889,195	151,242,713
Commercial Paper	-	-
Total	\$ 148,889,195	151,242,713
Investments not subject to categorization:		
TEXPOOL		104,435,679
Fidelity		2,730,215
LOGIC Pooled Investment Trust		4,549,296
Total investments		\$ 262,957,903

B. Receivables

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

	General	Debt Service	Electric	Water	Sewer	Nonmajor and Other Funds	Total
Receivables:							
Interest	\$ 128,860	506	64,125	2,484	19,577	366,102	\$ 581,654
Taxes	1,173,676	838,205	-	-	-	-	2,011,881
Utility Accounts	14,533	-	22,748,606	3,422,976	2,005,570	2,544,961	30,736,646
Other Accounts	8,603,385	-	4,626,477	153,255	541,406	237,995	14,130,938
Assessments	-	-	-	-	-	326,900	326,900
Gross Receivables	9,920,454	838,711	27,439,208	3,578,715	2,566,553	3,444,378	47,788,019
Less: allowance for Uncollectibles	(479,685)	(337,342)	(858,575)	(120,655)	(140,352)	(323,428)	(2,260,037)
Net total receivables	\$ 9,440,769	501,369	26,580,633	3,458,060	2,426,201	3,120,950	\$ 45,527,982

City of Garland, Texas
Notes to the Financial Statements (Continued)

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

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	\$ 656,210	-
Delinquent property taxes receivable (debt service fund)	468,646	-
Other delinquent receivables (general fund)	5,244,923	-
Parks service charges for future events	-	\$ 110,865
Grant drawdowns prior to meeting all eligibility requirements	-	2,341,549
Special assessments prior to meeting all eligibility requirements	-	1,298,867
	\$ 6,369,779	\$ 3,751,281

City of Garland, Texas
Notes to the Financial Statements (Continued)

C. Capital Assets

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

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 49,818,065	\$ 2,341,156	-	\$ 52,159,221
Construction in progress	56,655,024	17,819,150	-	74,474,174
Total capital assets, not being depreciated	<u>106,473,089</u>	<u>20,160,306</u>	-	<u>126,633,395</u>
Capital assets, being depreciated:				
Buildings	50,035,243	11,341,517	-	61,376,760
Improvements other than buildings	348,173,909	10,429,716	-	358,603,625
Machinery and equipment	93,718,650	8,402,129	(567,725)	101,553,054
Internal service buildings, improvements, and equipment	36,491,931	3,669,969	(1,185,804)	38,976,096
Total capital assets being depreciated	<u>528,419,733</u>	<u>33,843,331</u>	<u>(1,753,529)</u>	<u>560,509,535</u>
Less accumulated depreciation for:				
Buildings	(14,340,406)	(1,392,650)	-	(15,733,056)
Improvements other than buildings	(258,707,299)	(11,672,937)	-	(270,380,236)
Machinery, furniture, and equipment	(66,899,352)	(6,108,896)	567,725	(72,440,523)
Internal service buildings, improvements, and equipment	(22,926,613)	(4,715,908)	1,058,353	(26,584,168)
Total accumulated depreciation	<u>(362,873,670)</u>	<u>(23,890,391)</u>	<u>1,626,078</u>	<u>(385,137,983)</u>
Total capital assets, being depreciated, net	<u>165,546,063</u>	<u>9,952,940</u>	<u>(127,451)</u>	<u>175,371,552</u>
Governmental activities capital assets, net	<u>\$ 272,019,152</u>	<u>\$ 30,113,246</u>	<u>\$ (127,451)</u>	<u>\$ 302,004,947</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 8,215,437	\$ 3,674,555	\$ -	\$ 11,889,992
Construction in progress	81,359,266	28,800,102	(74,585,325)	35,574,043
Total capital assets, not being depreciated	89,574,703	32,474,657	(74,585,325)	47,464,035
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	649,494,777	80,204,239	(636,997)	729,062,019
Total capital assets being depreciated	649,494,777	80,204,239	(636,997)	729,062,019
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(313,550,977)	(21,879,158)	636,997	(334,793,138)
Total accumulated depreciation	(313,550,977)	(21,879,158)	636,997	(334,793,138)
Total capital assets, being depreciated, net	335,943,800	58,325,081	-	394,268,881
Business-type activities capital assets, net	\$ 425,518,503	\$ 90,799,738	\$ (74,585,325)	\$ 441,732,916

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 888,512
Public safety	1,756,939
Public works	14,363,999
Culture and recreation	2,137,143
Public health	27,890
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	4,715,908
Total depreciation expense -- governmental activities	\$ 23,890,391

City of Garland, Texas
Notes to the Financial Statements (Continued)

Business-type activities:	
Electric	\$ 10,637,018
Water	3,387,018
Sewer	6,757,996
Other non-major business-type activities	<u>1,097,126</u>
 Total depreciation expense -- business-type activities	 <u><u>\$ 21,879,158</u></u>

Construction commitments

The City has active construction projects as of September 30, 2003. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Electric system	\$ 1,873,692	\$ 140,696
Water system	1,486,142	804,776
Sewer system	7,614,853	1,136,456
Parks	8,262,833	173,471
Streets and Drainage	15,239,065	5,300,248
Buildings	<u>27,338,547</u>	<u>1,118,608</u>
Total	<u><u>\$ 61,815,132</u></u>	<u><u>\$ 8,674,255</u></u>

The City's arbitrage rebate liability at September 30, 2003, as defined in Section 148 (f) (2) of the Internal Revenue Code of 1986, is \$1,182,042 and is reported as Due to Other Governments. The arbitrage rebate liability is related to debt issued to finance governmental capital projects.

Discretely presented component units

Activity for the GHFDC for the year ended September 30, 2003, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	<u>\$ 141,100</u>	<u>-</u>	<u>-</u>	<u>\$ 141,100</u>
 GHFDC capital assets, net	 <u>\$ 141,100</u>	 <u>-</u>	 <u>-</u>	 <u>\$ 141,100</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

Activity for the GHFC for the year ended September 30, 2003, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,300,000	-	-	\$ 1,300,000
Capital assets, being depreciated:				
Building and improvements	8,914,975	-	-	8,914,975
Furniture and fixtures	1,101,599	93,682	(144,730)	1,050,551
Total capital assets being depreciated	10,016,574	93,682	(144,730)	9,965,526
Less accumulated depreciation	(2,564,849)	(401,668)	-	(2,966,517)
Total capital assets being depreciated, net	7,451,725	(307,986)	(144,730)	6,999,009
GHFC capital assets, net	\$ 8,751,725	(307,986)	(144,730)	\$ 8,299,009

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2003, is as follows:

Interfund Payable	Interfund Receivable					Total
	General	Electric	Water	Sewer	Internal Service	
General	\$ -	-	-	16,961	-	16,961
Debt Service Fund	4,021,527	-	-	-	-	4,021,527
Capital Project Fund	-	175,000	100,000	-	517,577	792,577
Non-major Governmental	-	1,246,205	-	-	-	1,246,205
Electric	53,220	-	-	-	-	53,220
Water	-	319,757	-	-	-	319,757
Sewer	-	121,262	-	-	-	121,262
Internal Service	-	2,002,479	-	-	-	4,106,644
Non-major Business-type	-	4,106,644	-	-	-	2,002,479
	\$ 4,074,747	7,971,347	100,000	16,961	517,577	12,680,632

City of Garland, Texas
Notes to the Financial Statements (Continued)

Interfund balances are created by short-term deficiencies in cash position in individual funds and it is anticipated that these balances will be repaid within one year or less.

The composition of advances to\from at September 30, 2003, is as follows:

	Advance Receivable	
Advance Payable	Electric	Total
Internal Service	\$ 2,587,438	\$ 2,587,438
Non Major Business Type Fund	110,000	110,000
	\$ 2,697,438	\$ 2,697,438

Advances are created by long-term deficiencies in cash position in individual funds. It is not anticipated that these balances will be repaid within one year or less.

During the year, funds were transferred from one fund to support expenditures of another fund in accordance with the authority established for the individual fund. A summary of interfund transfers by fund type is as follows:

	Transfers From:	Transfers To:				
	General	Non-major	Internal	Capital	Debt	Total
	Fund	Governmental	Service	Project	Service	Transfers
		Funds	Funds	Fund	Fund	
General	\$ -	4,770,935	10,524	762,200	-	5,543,459
Debt Service Fund	-	-	-	6,800,000	-	6,800,000
Capital Projects Fund	-	440,625	-	163,580	-	604,205
Non-major Governmental	-	97,664	-	396,333	-	493,997
Electric	9,870,798	-	2,647	-	-	9,873,445
Water	2,336,163	541,322	9,961	320,595	-	3,208,041
Sewer	2,778,741	-	84,876	-	-	2,863,617
Non-major Business-type	118,646	-	4,176	-	10,005	132,827
Internal Service	-	-	62,307	-	-	62,307
Total	\$ 15,104,348	5,850,546	174,491	8,442,508	10,005	29,581,898

City of Garland, Texas
Notes to the Financial Statements (Continued)

E. Long-term debt and liabilities

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

	Balance at October 1, 2002	Increased	Retired	Balance at September 30, 2003	Due within one year
<u>Governmental activities:</u>					
General obligation bonds	\$ 113,338,192	-	10,344,348	102,993,844	6,658,299
Certificates of obligation	47,111,953	18,685,000	3,640,650	62,156,303	4,559,064
Tax Note	2,800,000	5,490,000	2,800,000	5,490,000	5,490,000
Commercial Paper	-	5,000,000	-	5,000,000	5,000,000
Landfill post closure cost	5,354,498	1,121,669	-	6,476,167	-
Compensated absences	13,580,300	727,254	-	14,307,554	5,532,721
Insurance claims payable	10,156,515	168,105	-	10,324,620	2,612,422
Governmental activity Long-term debt	<u>\$ 192,341,458</u>	<u>31,192,028</u>	<u>16,784,998</u>	<u>206,748,488</u>	<u>29,852,506</u>
<u>Business-type activities:</u>					
Utility System revenue bonds	7,890,000	27,490,000	7,890,000	27,490,000	440,000
General obligation bonds	19,651,808	-	1,735,654	17,916,154	2,026,701
Certificates of obligation	143,083,047	-	5,874,350	137,208,697	6,520,935
Compensated absences	1,343,805	84,414	-	1,428,219	1,225,857
Business-type activity Long-term debt	<u>\$ 171,968,660</u>	<u>27,574,414</u>	<u>15,500,004</u>	<u>184,043,070</u>	<u>10,213,493</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$589,676 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

City of Garland, Texas
Notes to the Financial Statements (Continued)

Long-term debt at September 30, 2003 includes the following individual issues (not including the unamortized discount and issue costs of \$990,728):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
General obligation bonds:						
1994 Various purpose	5.25 -- 5.50	6/01/1994	8/15/2013	\$ 8,840,000	7,410,000	1,430,000
1995 Various purpose	5.50 -- 5.70	6/16/1995	8/15/2015	7,005,000	5,665,000	1,340,000
1995B Refunding	5.25 -- 5.50	6/16/1995	8/15/2007	24,325,000	16,015,000	8,310,000
1996 Various purpose	5.10 -- 8.10	5/07/1996	2/15/2016	9,520,000	7,785,000	1,735,000
1997 Various purpose	5.125 -- 7.125	5/07/1997	2/15/2017	6,375,000	1,140,000	5,235,000
1998 Various purpose	4.50 -- 5.00	3/15/1998	2/15/2019	48,890,000	2,240,000	46,650,000
1999 Various purpose	4.05 -- 5.30	3/30/1999	2/15/2019	18,375,000	2,170,000	16,205,000
1999A Refunding	4.05 -- 5.30	2/22/1999	2/15/2016	13,335,000	1,075,000	12,260,000
2000 Various purpose	5.50 -- 6.50	2/22/2000	2/15/2020	10,820,000	715,000	10,105,000
2001 Various purpose	4.25 -- 5.00	4/01/2001	2/15/2021	14,315,000	580,000	13,735,000
2002 Refunding	3.75 -- 4.50	5/21/2002	2/15/2010	8,050,000	4,145,000	3,905,000
				<u>169,850,000</u>	<u>48,940,000</u>	<u>120,910,000</u>
Certificates of obligation:						
1993 Various purpose	4.75 -- 5.00	5/1/1993	8/15/2003	2,090,000	2,090,000	-
1994 Various purpose	5.00 -- 6.50	6/1/1994	8/15/2009	1,950,000	1,560,000	390,000
1995 Various purpose	5.50 -- 5.70	3/15/1995	8/15/2015	10,900,000	8,750,000	2,150,000
1996 Various purpose	5.20 -- 8.00	5/01/1996	2/15/2016	18,580,000	15,225,000	3,355,000
1997 Various purpose	5.00 -- 7.00	3/15/1997	2/15/2017	11,930,000	3,160,000	8,770,000
1997B Golf course	5.50	8/15/1997	8/15/2027	600,000	-	600,000
1998 Various purpose	4.50 -- 5.50	2/15/1998	2/15/2018	25,295,000	3,670,000	21,625,000
1998TX Electric	6.50	3/15/1998	2/15/2005	1,600,000	1,055,000	545,000
1999 Various purpose	3.15 -- 5.15	2/22/1999	2/15/2019	20,780,000	4,000,000	16,780,000
2000 Various purpose	5.00 -- 5.75	2/22/2000	5/15/2020	63,950,000	4,330,000	59,620,000
2001 Various purpose	4.25 -- 5.25	4/01/2001	2/15/2021	45,320,000	3,345,000	41,975,000
2002 Various purpose	3.75 -- 5.25	5/21/2002	2/15/2022	25,350,000	480,000	24,870,000
2003 Various purpose	3.00 -- 4.75	4/15/2003	2/15/2023	18,685,000	-	18,685,000
				<u>247,030,000</u>	<u>47,665,000</u>	<u>199,365,000</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

Utility System revenue bonds:							
1992 Various purpose	3.40 -- 6.20	5/01/1992	5/01/2006	37,245,000	37,245,000	-	
1993 Various purpose	3.40 -- 6.20	5/01/1993	5/01/2009	1,815,000	1,815,000	-	
1994 Various purpose	5.00 -- 5.20	6/01/1994	9/01/2004	675,000	675,000	-	
2003 Electric Utility	3.00 -- 5.00	8/01/2003	3/01/2023	13,810,000	-	13,810,000	
2003 Water & Sewer	2.00 -- 5.00	8/01/2003	3/01/2023	13,680,000	-	13,680,000	
				67,225,000	39,735,000	27,490,000	
Tax anticipation note:							
2002 Tax anticipation	2.25	9/24/2002	9/29/2003	2,800,000	2,800,000	-	
2003 Tax anticipation	2.00	9/23/2003	9/30/2004	5,490,000	-	5,490,000	
				8,290,000	2,800,000	5,490,000	
Commercial Paper							
2003 Commercial Paper Issue	0.85	7/08/2003	2/09/2004	5,000,000	-	5,000,000	

The annual requirements to amortize outstanding debt and advances from other funds as of September 30, 2003, including interest payments of \$153,652,413 are summarized in the table below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable, and have not been included in the following summary:

Years Ending September 30,	Governmental Funds							
	General Obligation	GO Interest	Certificates of Obligation	CO Interest	Tax Note	TN Interest	Commercial Paper	CP Interest
2004	\$ 6,658,299	4,912,316	4,559,064	3,009,525	5,490,000	107,360	5,000,000	25,138
2005	6,308,378	4,605,589	4,748,640	2,564,421	-	-	-	-
2006	6,602,847	4,301,888	4,676,775	2,354,659	-	-	-	-
2007	6,502,944	3,975,061	4,551,615	2,156,114	-	-	-	-
2008	7,382,499	3,618,043	4,159,594	1,952,942	-	-	-	-
2009-2013	34,763,105	12,972,626	16,367,969	7,314,691	-	-	-	-
2014-2018	27,051,727	5,069,901	13,477,620	3,969,235	-	-	-	-
2019-2023	7,724,047	414,822	9,615,024	1,034,089	-	-	-	-
Total	\$ 102,993,844	39,870,245	62,156,303	24,355,676	5,490,000	107,360	5,000,000	25,138

City of Garland, Texas
Notes to the Financial Statements (Continued)

Years Ending September 30,	Proprietary Funds					
	Revenue	Revenue		GO Interest	Certificates	
		Interest	General Obligation		Of Obligation	CO Interest
2004	\$ 440,000	1,289,936	2,026,701	886,574	6,520,936	6,923,808
2005	715,000	1,177,489	2,101,622	780,357	6,741,360	6,596,929
2006	1,015,000	1,155,101	2,197,153	670,289	6,608,225	6,261,549
2007	1,045,000	1,120,414	2,302,056	557,523	6,553,385	5,932,722
2008	1,085,000	1,082,808	857,501	425,050	5,855,406	5,615,773
2009-2013	6,065,000	4,781,763	3,576,895	1,613,950	35,747,031	23,141,775
2014-2018	7,525,000	3,309,498	4,543,273	491,873	46,987,380	12,419,327
2019-2023	9,600,000	1,246,416	310,954	6,997	21,594,976	1,674,078
2024-2028	-	-	-	-	600,000	132,000
Total	\$ 27,490,000	15,163,423	17,916,156	5,432,612	137,208,697	68,697,959

At September 30, 2003, the City has authorized but not issued general obligation bonds in the amount of \$75,356,586 as follows:

	Balance at Oct.1, 2002	Issued	Balance at Sept.30, 2003
Streets Improvements	\$ 49,476,500	-	49,476,500
Park Improvements	6,014,000	-	6,014,000
Drainage Improvements	5,002,000	-	5,002,000
Municipal Facilities	364,000	-	364,000
Library Improvements	879,000	-	879,000
Public Safety	13,621,086	-	13,621,086
	<u>\$ 75,356,586</u>	<u>-</u>	<u>75,356,586</u>

As of September 30, 2003, authorizations for unissued revenue bonds lapsed.

	Balance at Oct.1, 2002	Authorization Lapsed	Balance at Sept.30, 2003
Electric	\$ 1,917,000	1,917,000	-
Water	1,000	1,000	-
Sewer	175,000	175,000	-
	<u>\$ 2,093,000</u>	<u>2,093,000</u>	<u>-</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

The City intends to retire all general long-term debt, plus interest, from ad valorem taxes and other current revenues. Revenue Bonds, applicable Certificates of Obligation and applicable General Obligation Bonds are reflected in the appropriate Proprietary Fund operation. Current requirements for principal and interest expenses are accounted for in the appropriate Proprietary Fund operation. The revenue bonds issued by the City's Electric, Water, and Sewer Systems are payable as to both principal and interest solely from, and are secured by a lien on, and pledge of, the revenues of those combined systems, after deduction of reasonable operation and maintenance expenses.

Certificates of obligation and General Obligation Bonds applicable to Proprietary Fund operations are reflected in the appropriate Enterprise and Internal Service Funds and current requirements for principal and interest expenses are accounted for in the applicable fund. These requirements will be met by current revenues.

Debt issues for the year are as follows:

Issue	Principal	Net Interest Cost
Certificates of Obligation, Series 2003	\$ 18,685,000	4.218%
Electric Utility System Revenue Bonds, Series 2003	13,810,000	4.738%
Water & Sewer System Revenue Bonds, Series 2003	13,680,000	4.749%
Tax Anticipation Note, Series 2003	5,490,000	1.797%
Commercial Paper	5,000,000	.850%

In prior years, the City defeased certain General Obligation Bonds, Certificates of Obligation and Utility System Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's combined financial statements. At September 30, 2003, \$23,550,000 of General Obligation Bonds, \$13,515,000 of Certificates of Obligation, all of which are considered defeased, is still outstanding.

F. Retirement Plans

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 774 administered by TMRS, an agent multiple-employer public employee retirement system. A copy of separately audited financial statements of the plan could be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

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

City of Garland, Texas
Notes to the Financial Statements (Continued)

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. The plan also provides death and disability benefits. A member is vested after five years, but he/she must leave his/her accumulated contributions in the plan. If a member withdraws his/her own money, he/she is not entitled to the employer-financed monetary credits, even if he/she was vested. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City's total payroll in fiscal year 2003 was \$117,639,793, and the City's contributions were based on a payroll of \$96,689,625. Both the City and the covered employees made the required contributions, amounting to \$13,930,654 for the City and \$6,768,274 (7 %) for the employees.

A summary of City and employee contributions for the fiscal year ending September 30, 2003, follows:

	Gross Earnings	Normal		Unfunded Actuarial Liability		Death and Disability Benefit		Total	Total
		Rate	Contribution	Rate	Contribution	Rate	Contribution	Rate	Contribution
City Contribution:									
Months in calendar year 2002	\$ 26,106,340	10.12%	\$ 2,641,962	3.97%	\$ 1,036,422	0.23%	\$ 60,045	14.32%	\$ 3,738,428
Months in calendar year 2003	70,583,284	10.09%	7,121,853	4.12%	2,908,031	0.23%	162,342	14.44%	10,192,226
Total Fiscal Year	<u>\$ 96,689,625</u>		<u>\$ 9,763,815</u>		<u>\$ 3,944,453</u>		<u>\$ 222,386</u>		<u>\$ 13,930,654</u>
Employee Contribution:									
Months in calendar year 2002	\$ 26,106,340	7.00%	\$ 1,827,445	-	-	-	-	7.00%	\$ 1,827,445
Months in calendar year 2003	70,583,284	7.00%	4,940,830	-	-	-	-	7.00%	4,940,830
Total Fiscal Year	<u>\$ 96,689,625</u>		<u>\$ 6,768,274</u>		<u>-</u>		<u>-</u>		<u>\$ 6,768,274</u>
Total City and Employee Contributions			<u>\$ 16,532,090</u>		<u>\$ 3,944,453</u>		<u>\$ 222,386</u>		<u>\$ 20,698,929</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

Three Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	12,206,011	100%	--
2002	12,802,322	100%	--
2003	13,930,654	100%	--

Actuarial Assumptions

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

Schedule of funding progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Percentage Funded</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
12-31-2000	231,692,041	297,767,673	77.8%	66,075,632	81,279,170	81.3%
12-31-2001	247,160,319	319,708,278	77.3%	72,547,959	85,759,730	84.6%
12-31-2002	266,539,224	345,480,330	77.2%	78,941,106	91,566,432	86.2%

City of Garland, Texas
Notes to the Financial Statements (Continued)

G. Self Insurance

Self-insurance for general and auto liability exposure is maintained in the Self-Insurance Fund in the Internal Service Funds. Self-insurance for workers' compensation is also maintained in the Self-Insurance Fund. A private insurance company administers workers' compensation claims and losses for the City.

Self-insurance premiums of \$3,803,660 were collected from insured funds. Claims settlement and loss expenses are accrued in the Self Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto and worker's compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses at the selected per occurrence limits. Based on a current independent actuarial analysis completed in November 2002, long-term claims payable is estimated at \$4,744,435.

Long-Term Disability claims are paid from the LTD Insurance Fund, which is funded with City and employee contributions. A private company administers the long-term disability claims and losses for the City. An actuarially determined liability of \$2,967,763 has been established for projected future long-term disability claims.

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 2003, a short-term liability of \$2,612,422 was recognized for open claims and claims incurred but not reported.

The City provides post employment health and dental care benefits for all retired employees and their dependents under the same plan as active employees in accordance with City Directives, which are approved by City management. The City contributes \$208 per month for health premiums per retired employee and claims are paid through the Group Health Fund. For the year ended September 30, 2003, claims paid for the 366 retirees in the plan totaled \$4,284,501 and premium contributions received from the retired employees totaled \$1,057,406.

There were no significant reductions in insurance coverage in the current year from coverage in the prior year, nor have there been any settlements that have exceeded insurance coverage for each of the past three fiscal years.

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2002 and 2003 are:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year - End
Self Insurance – 2002	\$ 4,357,069	3,572,198	3,184,832	4,744,435
Self Insurance – 2003	4,744,435	3,039,844	3,039,844	4,744,435
Long-Term Disability – 2002	2,386,411	907,248	325,896	2,967,763
Long-Term Disability – 2003	2,967,763	456,021	456,021	2,967,763
Group Health – 2002	2,691,433	9,530,149	9,777,265	2,444,317
Group Health – 2003	\$ 2,444,317	10,617,819	10,449,714	2,612,422

City of Garland, Texas
Notes to the Financial Statements (Continued)

H. Texas Municipal Power Agency

The Texas Municipal Power Agency (TMPA) was created in 1975 pursuant to legislation that was passed by the 64th Legislative Session. In 1976, the City along with the cities of Bryan, Denton, and Greenville entered into identical Power Sales Contracts with TMPA. Under the Power Sales Contracts each member city is required to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at rates set to cover TMPA's operating cost and retirement of debt. In the event that revenues are insufficient to cover all costs to retire the outstanding debt, each of the member cities has guaranteed a portion of the unpaid debt based on a percentage, which is determined by each member cities' annual net energy load. The City of Garland does not own an equity interest in TMPA.

TMPA, a municipal corporation, is governed by a Board of Directors consisting of eight members. The governing body of each of the four Cities appoints two members to the Board. An affirmative vote of five Directors, plus a weighted majority vote based on the respective energy usage of the Cities, is required for major decisions.

Condensed financial information as of and for the year ended September 30, 2003, reported in thousands, for TMPA is as follows:

Description	Amount
Total assets	\$ <u>1,383,166</u>
Total liabilities	1,345,362
Total net assets	<u>37,804</u>
Total liabilities and net assets	\$ <u>1,383,166</u>
Total operating revenues	\$ 226,459
Total operating expenses	<u>91,671</u>
Income from operations	134,788
Total other income(expenses)	1,358
Total interest charges	(83,027)
Deferred cost	(13,383)
Refunds to member Cities	<u>(37,907)</u>
Change in net assets	1,829
Net assets - beginning balance	<u>35,975</u>
Net assets - ending balance	\$ <u>37,804</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

Total debt of TMPA at September 30, 2003, amounted to \$1,283,526,000 of which \$56,855,000 represented the current portion. TMPA's Revenue Bonds are payable from and secured by an irrevocable first lien on the TMPA's net revenues and certain other special funds created in the TMPA's Bond Resolution.

TMPA
 Outstanding Debt Amounts
 September 30, 2003
 (reported in thousands)

	L-T	Current	Total
Revenue Bonds	\$ 777,453	53,355	830,808
Zero Coupon Interest Payable	246,118	-	246,118
Tax Exempt Commercial Paper	186,700	-	186,700
Taxable Commercial Paper	16,400	3,500	19,900
	\$ 1,226,671	56,855	1,283,526

Financial statements for TMPA are available from TMPA or through the City of Garland's Finance Department.

I. Fuel Contract

Effective October 1, 2000, the City entered into a contract with Phillips Gas Marketing Company (Phillips), which extends through January 1, 2004, for the purpose of providing a non-curtable source of natural gas for the City's electric utility. Under the terms of the contract the City agrees to purchase 2.754 million MMBtu annually. All of the gas purchased will be used by the City to generate electric energy.

J. Deferred Compensation Plan

The City offers its employees three deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Plans are administered by the Internal City Management Association Retirement Corporation (ICMARC), Hartford Variable Annuity Life Insurance Company, and Variable Annuity Life Insurance Company (VALIC). The plans, available to all permanent City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

At October 1, 1998, as a result of legislative changes, all amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and their beneficiaries, whereas, prior to these legislative changes, these amounts were solely the property and rights of the City subject only to the claims of the City's general creditors. Therefore, the Deferred Compensation Investments are no longer reported in the City's financial statements.

City of Garland, Texas
Notes to the Financial Statements (Continued)

K. Component Unit Information

Condensed financial information for the discretely presented component units as of September 30, 2003 are as follows:

Description	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Corporation	Total
Capital assets, net of depreciation	\$ 8,299,009	141,100	-	8,440,109
Other assets	8,240,490	169,850	117,517	8,527,857
Total assets	<u>16,539,499</u>	<u>310,950</u>	<u>117,517</u>	<u>16,967,966</u>
Due to primary government	15,456	-	-	15,456
Other liabilities	486,306	-	-	486,306
Total liabilities	<u>501,762</u>	<u>-</u>	<u>-</u>	<u>501,762</u>
Amounts invested in capital assets				
net of related debt	8,299,009	141,100	-	8,440,109
Restricted net assets	2,627,417	-	-	2,627,417
Unrestricted net assets	5,111,311	169,850	117,517	5,398,678
Total net assets	<u>16,037,737</u>	<u>310,950</u>	<u>117,517</u>	<u>16,466,204</u>
Depreciation	401,668	-	-	401,668
Other expenses	3,980,625	45,200	3,509	4,029,334
Program revenues	4,548,466	26,187	13,466	4,588,119
Other revenues	217,105	-	-	217,105
Change in net assets	383,278	(19,013)	9,957	374,222
Beginning net assets	15,654,459	329,963	107,560	16,091,982
Ending net assets	<u>\$ 16,037,737</u>	<u>310,950</u>	<u>117,517</u>	<u>16,466,204</u>

City of Garland, Texas
Notes to the Financial Statements (Continued)

Each component unit was created to issue revenue bonds to provide financial assistance to qualified homeowners and businesses. Even though the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit bonds by component unit at September 30, 2003, is as follows:

Series	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Corporation	Total
1984	\$ -	-	9,500,000	9,500,000
1994	-	-	-	2,270,000
1995	-	-	4,150,000	4,150,000
1998	10,187,419	-	-	10,187,419
2000	6,000,000	-	-	6,000,000
2002	1,798,341	-	-	1,798,341
2003	35,220,000	25,019,000	-	60,239,000
	<u>\$ 53,205,760</u>	<u>25,019,000</u>	<u>13,650,000</u>	<u>91,874,760</u>

L. Landfill Closure And Postclosure Care Cost

As of September 30, 2003, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill and transfer station is \$7,297,538, \$25,307,806 and \$21,509 respectively. The \$6,476,167 reported as landfill closure and postclosure care liability represents the cumulative amount reported to date based on the use of 100.00% of the estimated capacity of the Castle landfill, 2.96% use of the Hinton landfill, 100.00% of the closure cost for the transfer station, less expenditures to date of \$1,591,530. The City will recognize the remaining estimated closure and postclosure care costs of \$24,559,156 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996, which estimated cost to perform all closure and postclosure care. In addition, the closure and postclosure care cost were adjusted for inflation annually based on the most recent Implicit Price Deflator for Gross National Product published by the United States Department of Commerce. Actual cost may differ from the estimate due to inflation, changes in technology, or regulatory changes.

Since the City's Landfill operation is a general government function, a special revenue fund was established to account for actual landfill closure and postclosure care funding sources and expenditures as they are incurred. Expenditures to date of \$1,591,530 were paid for landfill closure projects. Based on the City's current landfill closure financial strategy, \$2.4 million in Certificates of Obligation will be issued to finance the one time closure cost and the on-going post closure care will be paid from operating funds.

M. Related Party Transactions

The City has paid certain legal and professional fees amounting to \$15,456 on behalf of GHFC relating to the acquisition of the Villages of Eastgate apartment complex from HUD. This unreimbursed portion is reported as due from component unit for the City and as due to primary government for GHFC.

City of Garland, Texas
Notes to the Financial Statements (Continued)

N. Contingent Liabilities

The U.S. Department of Justice has filed a lawsuit against the City claiming discrimination in the hiring practices of the Police and Fire Departments. The City Attorney and City management is of the opinion that the City is in compliance with all applicable state and federal laws regarding the hiring of civil service employees within the Police and Fire Departments.

In addition to the lawsuit listed above, the City has been named as a defendant or co-defendant in a number of personal injury cases. While the outcome of these cases is not known at this time, the City attorney and City management are of the opinion that any awards to injured parties which must be paid in excess of amounts covered by insurance will not be material to the financial position of the City.

A number of other claims against the City, as well as certain other matters of litigation, are pending with respect to various matters arising in the normal course of the City's operations. The City attorney and City management are of the opinion that the settlement of these other claims and pending litigation will not have a material adverse impact on the City's financial position.

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

GHFC participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, GHFC's compliance with applicable grant or contract requirements will be established at some future date. The amount, if any, of revenues which may be disallowed by the granting agencies cannot be determined at this time, and accordingly, no accrual has been made for them, as management believes this to be immaterial. Additionally, in the event that federal revenues are reduced, the impact on GHFC cannot be determined.

O. Subsequent Events

On December 4, 2003, GHFC transferred the deed, operating funds of \$7,129,154 and operating responsibility of the Village of Eastgate apartment complex to the City. The Department of Urban Development (HUD) conveyed the apartment complex to GHFC for \$1 in July 1996, provided that GHFC abided by the terms of the Special Warranty Deed. The apartment complex is scheduled to be vacated in June of 2004 and demolished in July 2004. The property will then be made available for economic development opportunities. The apartment complex is being demolished under terms established in the special warranty deed and the net proceeds from the operation of the apartment complex will be shared with HUD.

GARLAND

City of Garland, Texas
 Nonmajor Governmental Funds
 Balance Sheet
 September 30, 2003

	CDBG	Housing Assistance Pgm.	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Total Other Governmental Funds
Assets:													
Cash and cash equivalents	\$ -	\$ 1,367,846	\$ 696,806	\$ -	\$ 3,687,747	\$ 810,079	\$ 655,503	\$ 500	\$ 290,937	\$ 565,514	\$ 285,369	\$ 26,728	\$ 8,387,029
Investments	-	1,596,847	812,529	-	4,305,137	945,349	765,246	-	20,036	660,190	205,009	31,202	9,341,545
Receivables:													
Accrued interest	-	13,471	11,670	-	36,987	18,521	5,109	-	136	5,551	1,547	256	93,248
Assessments	-	-	-	-	-	326,900	-	-	-	-	-	-	326,900
Other	-	-	3,852	15,150	-	-	-	-	-	-	-	-	19,002
Due from other governments	534,921	63,962	30,000	-	-	141,427	-	704,075	94,636	-	-	-	1,569,021
Due from affiliates	-	-	15,456	-	-	-	-	-	-	-	-	-	15,456
Total Assets	534,921	3,042,126	1,570,313	15,150	8,029,871	2,242,276	1,425,858	704,575	405,745	1,231,255	491,925	58,186	19,752,201
LIABILITIES													
Current liabilities:													
Accounts payable	197,590	617,064	90,504	6,534	57,707	362,067	24,108	154,622	21,024	-	21,703	207	1,553,130
Due to other funds	239,599	-	-	456,452	-	-	-	550,154	-	-	-	-	1,246,205
Escrow payable	-	-	-	-	-	-	-	-	-	(1)	109,760	-	109,759
Deferred revenues	-	1,961,102	15,456	-	-	326,900	-	-	364,991	-	-	-	2,668,449
Due to other govts.	-	-	-	-	-	-	3,162	-	-	-	-	-	3,162
Total Liabilities	437,189	2,578,166	105,960	462,986	57,707	688,967	27,270	704,776	386,015	(1)	131,463	207	5,580,705
FUND BALANCES													
Reserved	-	-	-	-	7,972,164	-	-	-	-	1,231,256	-	-	9,203,420
Unreserved	97,732	463,960	1,464,353	(447,836)	-	1,553,309	1,398,588	(201)	19,730	-	360,462	57,979	4,968,076
Total fund balances	97,732	463,960	1,464,353	(447,836)	7,972,164	1,553,309	1,398,588	(201)	19,730	1,231,256	360,462	57,979	14,171,496
Total Liabilities and Fund Balances	\$ 534,921	\$ 3,042,126	\$ 1,570,313	\$ 15,150	\$ 8,029,871	\$ 2,242,276	\$ 1,425,858	\$ 704,575	\$ 405,745	\$ 1,231,255	\$ 491,925	\$ 58,186	\$ 19,752,201

City of Garland, Texas
Nonmajor Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended September 30, 2003

	CDBG	Housing Assistance Pgm.	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Total Other Governmental Funds
REVENUES:													
Taxes	\$ -	\$ -	\$ -	\$ 408,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 408,539
Earnings on investments	-	51,366	47,915	-	211,512	60,099	21,242	-	4,251	37,700	7,497	1,446	443,028
Intergovernmental	2,583,631	11,250,140	1,006,041	-	-	248,000	-	1,496,733	213,056	-	-	-	16,797,601
Assessments	-	-	-	-	-	48,648	-	-	-	-	-	-	48,648
Impact Fees	-	-	-	-	878,040	-	-	-	-	-	-	-	878,040
Contributions	-	449	-	-	-	-	-	-	-	-	-	3,386	3,835
Program income	89,466	-	333,236	-	-	-	-	-	-	-	-	-	422,702
Special event income	-	-	-	399,826	-	-	-	-	-	-	-	-	399,826
Awards	-	-	-	-	-	-	-	-	-	-	347,055	-	347,055
Miscellaneous and other	-	865,100	255,835	6,475	-	70,029	-	12	28,034	-	58,308	-	1,283,793
Total Revenues	2,673,097	12,167,055	1,643,027	814,840	1,089,552	426,776	21,242	1,496,745	245,341	37,700	412,860	4,832	21,033,067
EXPENDITURES:													
Current:													
Operations	1,447,818	11,703,095	1,560,484	803,042	72,497	5,373,422	76,871	1,454,905	192,435	-	156,551	-	22,841,120
Capital outlay	1,127,548	-	-	-	-	6,538	-	42,041	32,725	-	55,066	511	1,264,429
Total Expenditures	2,575,366	11,703,095	1,560,484	803,042	72,497	5,379,960	76,871	1,496,946	225,160	-	211,617	511	24,105,549
Excess (deficiency) of revenues over (under) expenditures	97,731	463,960	82,543	11,798	1,017,055	(4,953,184)	(55,629)	(201)	20,181	37,700	201,243	4,321	(3,072,482)
OTHER FINANCING SOURCES (USES):													
Transfers in	97,664	-	55,852	-	-	5,697,030	-	-	-	-	-	-	5,850,546
Transfers out	-	-	-	-	(396,333)	(97,664)	-	-	-	-	-	-	(493,997)
Proceeds of debt	-	-	-	-	-	-	1,267,528	-	-	-	-	-	1,267,528
Total other financing sources (uses)	97,664	-	55,852	-	(396,333)	5,599,366	1,267,528	-	-	-	-	-	6,624,077
Net change in fund balances before cumulative effect	195,395	463,960	138,395	11,798	620,722	646,182	1,211,899	(201)	20,181	37,700	201,243	4,321	3,551,595
Cumulative effect of change in accounting principle	-	-	-	-	5,176,420	-	-	-	-	321,647	-	-	5,498,067
Net change in fund balances	195,395	463,960	138,395	11,798	5,797,142	646,182	1,211,899	(201)	20,181	359,347	201,243	4,321	9,049,662
Fund balances - beginning	(97,663)	-	1,325,958	(459,634)	2,175,022	907,127	186,689	-	(451)	871,909	159,219	53,658	5,121,834
Fund balances - ending	\$ 97,732	\$ 463,960	\$ 1,464,353	\$ (447,836)	\$ 7,972,164	\$ 1,553,309	\$ 1,398,588	\$ (201)	\$ 19,730	\$ 1,231,256	\$ 360,462	\$ 57,979	\$ 14,171,496

City of Garland, Texas
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	\$ 24,492,355	\$ 24,184,885	\$ 24,505,160	\$ 320,275
Earnings on investments	320,000	123,000	120,930	(2,070)
Miscellaneous and other	-	-	6,070	6,070
Total Revenues	<u>24,812,355</u>	<u>24,307,885</u>	<u>24,632,160</u>	<u>324,275</u>
Expenditures:				
Principal retirement	13,350,238	13,350,238	13,350,239	(1)
Interest	8,330,080	7,798,526	7,798,522	4
Tri City Academy	73,957	73,957	73,957	-
Fiscal charges and other	407,863	407,863	454,223	(46,360)
Total Expenditures	<u>22,162,138</u>	<u>21,630,584</u>	<u>21,676,941</u>	<u>(46,357)</u>
Excess (deficiency) of revenues over expenditures	<u>2,650,217</u>	<u>2,677,301</u>	<u>2,955,219</u>	<u>277,918</u>
Other financing sources:				
Transfers in	-	10,005	10,005	-
Transfers out	(2,817,000)	(6,800,000)	(6,800,000)	-
Total other financing sources	<u>(2,817,000)</u>	<u>(6,789,995)</u>	<u>(6,789,995)</u>	<u>-</u>
Net change in fund balances	(166,783)	(4,112,694)	(3,834,776)	277,918
Fund balance, beginning of year	<u>4,547,009</u>	<u>4,547,009</u>	<u>4,547,009</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,380,226</u>	<u>\$ 434,315</u>	<u>\$ 712,233</u>	<u>\$ 277,918</u>

City of Garland, Texas
Hotel/Motel, Infrastructure Repair, and Narcotic Seizure Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2003

	Hotel/Motel Tax				Infrastructure Repair				Narcotic Seizure				Total Budgeted Special Revenue		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:															
Occupancy taxes	\$ 461,080	\$ 409,214	\$ 408,539	\$ (675)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 409,214	\$ 408,539	\$ (675)
Earnings on investments	-	-	-	-	300,000	55,000	60,099	5,099	3,100	3,100	7,497	4,397	58,100	67,596	9,496
Intergovernmental	-	-	-	-	-	-	248,000	248,000	-	-	-	-	-	248,000	248,000
Assessments	-	-	-	-	-	-	48,648	48,648	-	-	-	-	-	48,648	48,648
Contributions	-	-	-	-	-	-	-	-	131,001	131,001	347,055	216,054	131,001	347,055	216,054
Special event income	446,000	471,806	399,826	(71,980)	-	-	-	-	-	-	-	-	471,806	399,826	(71,980)
Miscellaneous and other	-	5,000	6,475	1,475	60,000	316,750	70,029	(246,721)	-	-	58,308	58,308	321,750	134,812	(186,938)
Total revenues	907,080	886,020	814,840	(71,180)	360,000	371,750	426,776	55,026	134,101	134,101	412,860	278,759	1,391,871	1,654,476	262,605
Expenditures:															
Current:															
Operations	846,329	838,011	803,042	34,969	5,664,816	6,069,920	5,373,422	696,498	200,000	200,000	156,551	43,449	7,107,931	6,333,015	774,916
Capital	-	-	-	-	16,500	16,500	6,538	9,962	-	-	55,066	(55,066)	16,500	61,604	(45,104)
Total expenditures	846,329	838,011	803,042	34,969	5,681,316	6,086,420	5,379,960	706,460	200,000	200,000	211,617	(11,617)	7,124,431	6,394,619	729,812
Excess (deficiency) of revenues over expenditures	60,751	48,009	11,798	(36,211)	(5,321,316)	(5,714,670)	(4,953,184)	761,486	(65,899)	(65,899)	201,243	267,142	(5,732,560)	(4,740,143)	992,417
Other financing sources:															
Transfers in	-	-	-	-	5,256,405	5,697,030	5,697,030	-	-	-	-	-	5,697,030	5,697,030	-
Transfers out	-	-	-	-	(54,720)	(54,720)	(97,664)	(42,944)	-	-	-	-	(54,720)	(97,664)	(42,944)
Total other financing sources	-	-	-	-	5,201,685	5,642,310	5,599,366	(42,944)	-	-	-	-	5,642,310	5,599,366	(42,944)
Net change in fund balances	60,751	48,009	11,798	(36,211)	(119,631)	(72,360)	646,182	718,542	(65,899)	(65,899)	201,243	267,142	(90,250)	859,223	949,473
Fund balances (deficit), beginning of year	(459,634)	(459,634)	(459,634)	-	907,127	907,127	907,127	-	159,219	159,219	159,219	-	606,712	606,712	-
Fund balances (deficit), end of year	\$ (398,883)	\$ (411,625)	\$ (447,836)	\$ (36,211)	\$ 787,496	\$ 834,767	\$ 1,553,309	\$ 718,542	\$ 93,320	\$ 93,320	\$ 360,462	\$ 267,142	\$ 516,462	\$ 1,465,935	\$ 949,473

City of Garland, Texas
 Nonmajor Enterprise Funds
 Statement of Net Assets
 September 30, 2003

	<u>Business-Type Activities - Enterprise Funds</u>					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
ASSETS						
Current assets:						
<i>Unrestricted</i>						
Cash and cash equivalents	\$ -	\$ 51,949	\$ 407,306	\$ 71,466	\$ 426,269	\$ 956,990
Investments	-	60,647	475,495	83,431	497,191	1,116,764
Receivable net of allowance	174,488	-	283,389	506	1,488,376	1,946,759
Accrued interest	(1,736)	500	3,501	728	716	3,709
<i>Restricted assets</i>						
<i>Construction funds:</i>						
Cash and cash equivalents	119,668	-	-	-	44,421	164,089
Investments	139,702	-	-	-	51,857	191,559
Accrued interest	2,916	-	-	-	413	3,329
Total current assets	435,038	113,096	1,169,691	156,131	2,509,243	4,383,199
Capital Assets						
Land	9,111,400	1,538,974	-	-	298,936	10,949,310
System	12,488,669	956,383	2,483,864	163,077	9,473,060	25,565,053
Construction in progress	122,251	-	-	-	57,088	179,339
Less accumulated depreciation	(2,098,674)	(415,556)	(1,384,371)	(109,456)	(6,728,188)	(10,736,245)
Net capital assets	19,623,646	2,079,801	1,099,493	53,621	3,100,896	25,957,457
Total assets	\$ 20,058,684	\$ 2,192,897	\$ 2,269,184	\$ 209,752	\$ 5,610,139	\$ 30,340,656

**City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Assets
September 30, 2003**

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
LIABILITIES						
Current Liabilities:						
<i>Payable from current assets</i>						
Accounts payable	\$ 122,228	\$ -	\$ 211,693	\$ 11,224	\$ 301,537	\$ 646,682
Advance from other funds	110,000	-	-	-	-	110,000
Accrued interest payable:						
General obligation bonds	3,385	-	-	-	-	3,385
Certificates of obligation	63,642	-	-	-	9,837	73,479
General obligation bonds	27,830	-	-	-	-	27,830
Certificates of obligation	372,428	-	-	-	350,052	722,480
Due to other funds	4,106,644	-	-	-	-	4,106,644
Compensated absences	87,132	-	38,609	2,722	170,614	299,077
<i>Total payable from current assets</i>	<u>4,893,289</u>	<u>-</u>	<u>250,302</u>	<u>13,946</u>	<u>832,040</u>	<u>5,989,577</u>
<i>Payable from restricted assets:</i>						
Accounts payable	8,730	-	-	-	-	8,730
Due to other governments	21,480	-	-	-	18,558	40,038
<i>Total payable from restricted assets</i>	<u>30,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,558</u>	<u>48,768</u>
Total current liabilities	<u>4,923,499</u>	<u>-</u>	<u>250,302</u>	<u>13,946</u>	<u>850,598</u>	<u>6,038,345</u>
Long-term Liabilities						
Certificates of obligation	9,098,256	-	-	-	1,215,805	10,314,061
General obligation bonds	542,837	-	-	-	-	542,837
Unamortized bond issue cost	-	-	-	-	(15,763)	(15,763)
Total long-term liabilities	<u>9,641,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200,042</u>	<u>10,841,135</u>
Total Liabilities	<u>14,564,592</u>	<u>-</u>	<u>250,302</u>	<u>13,946</u>	<u>2,050,640</u>	<u>16,879,480</u>
NET ASSETS						
Invested in capital assets, net of related debt	9,844,581	2,079,801	1,099,493	53,621	1,631,730	14,709,226
Unrestricted	(4,350,489)	113,096	919,389	142,185	1,927,769	(1,248,050)
Total net assets	<u>\$ 5,494,092</u>	<u>\$ 2,192,897</u>	<u>\$ 2,018,882</u>	<u>\$ 195,806</u>	<u>\$ 3,559,499</u>	<u>\$ 13,461,176</u>

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2003

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
OPERATING REVENUES						
Charges for services	\$ 2,221,772	\$ 6,500	\$ 3,068,703	\$ 594,613	\$ 12,943,652	\$ 18,835,240
Other	-	-	22,691	23,390	27,939	74,020
Total Operating Revenues	2,221,772	6,500	3,091,394	618,003	12,971,591	18,909,260
OPERATING EXPENSES:						
Salaries and benefits	1,766,018	-	1,361,210	118,122	4,086,755	7,332,105
Landfill fees	-	-	-	-	3,437,217	3,437,217
Maintenance, repairs, and supplies	751,974	-	1,268,923	452,300	3,694,786	6,167,983
Contractual services	5,312	-	-	-	-	5,312
Bad debt expense	-	-	21,533	-	126,384	147,917
Insurance and other expenses	-	-	-	-	194,650	194,650
General and administrative	148,624	2,220	172,352	27,333	443,583	794,112
Total Operating expenses before depreciation	2,671,928	2,220	2,824,018	597,755	11,983,375	18,079,296
Depreciation	309,916	28,122	180,269	12,876	565,944	1,097,127
Total Operating Income (Loss)	(760,072)	(23,842)	87,107	7,372	422,272	(267,163)
NONOPERATING REVENUES (EXPENSES)						
Earnings from investments:						
Current operations	-	2,851	25,822	3,193	31,245	63,111
Construction fund	5,190	-	-	-	3,807	8,997
Total earnings on investments	5,190	2,851	25,822	3,193	35,052	72,108
Interest expense:						
Certificates of obligation	(518,403)	-	-	-	(87,021)	(605,424)
General obligation bonds	(27,479)	-	-	-	(5,427)	(32,906)
Total interest expense	(545,882)	-	-	-	(92,448)	(638,330)
Income (loss) before operating transfers	(1,300,764)	(20,991)	112,929	10,565	364,876	(833,385)
TRANSFERS						
Transfers out	-	-	-	(75,000)	(57,827)	(132,827)
Net nonoperating revenues (expenses)	-	-	-	(75,000)	(57,827)	(132,827)
NET INCOME (LOSS)	(1,300,764)	(20,991)	112,929	(64,435)	307,049	(966,212)
Net assets, beginning of year	6,794,856	2,213,888	1,905,953	260,241	3,252,450	14,427,388
Net assets, end of year	\$ 5,494,092	\$ 2,192,897	\$ 2,018,882	\$ 195,806	\$ 3,559,499	\$ 13,461,176

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2003

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	\$ 2,200,817	\$ 6,500	\$ 3,063,839	\$ 617,497	\$ 12,678,423	\$ 18,567,076
Cash payments for goods and services	(910,556)	(2,220)	(1,390,923)	(600,351)	(7,888,051)	(10,792,101)
Cash payments to employees for services	(1,780,079)	-	(1,339,596)	-	(4,054,344)	(7,174,019)
Other operating revenues	-	-	22,691	-	27,939	50,630
Net cash provided (used) by operating activities	(489,818)	4,280	356,011	17,146	763,967	651,586
Cash flows from non-capital financing activities:						
Due to other government - increase (decrease)	-	-	-	-	(11,227)	(11,227)
Due from other funds - decreases	-	-	-	-	10,005	10,005
Due to other funds - increase (decrease)	1,396,509	-	-	-	(387,774)	1,008,735
Transfers out	-	-	-	(75,000)	(57,827)	(132,827)
Net cash provided by (used for) non-capital financing activities	1,396,509	-	-	(75,000)	(446,823)	874,686
Cash flows from capital and financing activities:						
Proceeds of advances from other funds	110,000	-	-	-	-	110,000
Acquisition of capital assets	(193,630)	-	(217,894)	-	(203,552)	(615,076)
Principal paid on certificates of obligation	(332,737)	-	-	-	(318,160)	(650,897)
Principal paid on general obligation bonds	(23,241)	-	-	-	(55,672)	(78,913)
Principal paid on advances from other funds	-	-	-	-	-	-
Interest paid on certificates of obligation	(522,978)	-	-	-	(84,626)	(607,604)
Interest paid on general obligation bonds	(27,735)	-	-	-	(6,330)	(34,065)
Net cash provided by (used for) financing activities	(990,321)	-	(217,894)	-	(668,340)	(1,876,555)
Cash flows from investing activities:						
Purchase of investment securities	(136,655)	(80,333)	(725,646)	(81,611)	(537,071)	(1,561,316)
Proceeds from the sale and maturity of investment securities	279,031	108,143	853,698	173,511	1,102,966	2,517,349
Interest received on investments	8,166	3,288	28,098	4,671	45,908	90,131
Net cash provided by (used for) investing activities	150,542	31,098	156,150	96,571	611,803	1,046,164
Net increase (decrease) in cash and cash equivalents	66,912	35,378	294,267	38,717	260,607	695,881
Cash and cash equivalents at beginning of year	52,756	16,571	113,039	32,749	210,084	425,199
Cash and cash equivalents at end of year	\$ 119,668	\$ 51,949	\$ 407,306	\$ 71,466	\$ 470,691	\$ 1,121,080
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (760,072)	\$ (23,842)	\$ 87,107	\$ 7,372	\$ 422,273	\$ (267,162)
Adjustments:						
Depreciation	309,916	28,122	180,269	12,876	565,944	1,097,127
Bad debt expense	-	-	-	-	9,439	9,439
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	(20,955)	-	(4,864)	(506)	(265,229)	(291,554)
Increase (decrease) in accounts payable	(25,402)	-	78,453	(2,596)	24,576	75,031
Increase (decrease) in compensated absences	6,695	-	15,046	-	6,964	28,705
Total adjustments	270,254	28,122	268,904	9,774	341,694	918,748
Net cash provided by (used for) operating activities	\$ (489,818)	\$ 4,280	\$ 356,011	\$ 17,146	\$ 763,967	\$ 651,586

City of Garland, Texas
Internal Service Funds
Statement of Net Assets
September 30, 2003

	Group Health	Self Insurance	LTD Insurance	Print Shop	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
ASSETS											
Current assets:											
<i>Unrestricted</i>											
Cash and cash equivalents	\$ 505,725	\$ 1,466,104	\$ 289,612	\$ 49,589	\$ 200	\$ 2,465,600	\$ 2,654,552	\$ 179,315	\$ -	\$ 2,624,035	\$ 10,234,732
Investments	590,391	1,711,555	338,098	57,891	-	2,878,383	3,098,970	209,334	-	3,058,468	11,943,090
Accrued interest	3,684	20,151	2,527	473	59	15,052	25,474	2,085	8,729	475,900	554,134
Due from other funds	-	-	-	-	415,000	-	97,998	-	-	4,579	517,577
Inventories	-	-	-	-	579,535	-	-	-	2,708,960	-	3,288,495
<i>Restricted assets</i>											
<i>Construction funds:</i>											
Cash and cash equivalents	-	-	-	-	14,183	-	1,084,030	-	3,184	-	1,101,397
Investments	-	-	-	-	16,557	-	1,265,515	-	3,717	-	1,285,789
Accrued interest	-	-	-	-	139	-	10,867	-	35	-	11,041
Total construction funds	-	-	-	-	30,879	-	2,360,412	-	6,936	-	2,398,227
Total current assets	1,099,800	3,197,810	630,237	107,953	1,025,673	5,359,035	8,237,406	390,734	2,724,625	6,162,982	28,936,255
Capital assets											
System	-	47,631	-	313,175	2,127,662	18,647,349	16,367,562	318,549	172,951	510,740	38,505,619
Construction in progress	-	-	-	-	1,730	-	462,939	-	3,885	1,921	470,475
Less accumulated depreciation	-	(43,641)	-	(295,683)	(993,774)	(11,977,611)	(12,537,624)	(290,359)	(61,501)	(383,976)	(26,584,169)
Net capital assets	-	3,990	-	17,492	1,135,618	6,669,738	4,292,877	28,190	115,335	128,685	12,391,925
Total assets	1,099,800	3,201,800	630,237	125,445	2,161,291	12,028,773	12,530,283	418,924	2,839,960	6,291,667	41,328,180
LIABILITIES											
Current Liabilities:											
<i>Payable from current assets</i>											
Accounts payable	528,353	106,285	-	22,981	331,238	340,018	521,512	145,100	404,390	331,439	2,731,316
Accrued interest	-	-	-	-	3,870	-	14,413	-	418	482	19,183
Customer deposits	-	-	-	-	-	-	-	-	-	5,916,190	5,916,190
Due to other funds	-	-	-	-	1,969,481	-	-	-	32,998	-	2,002,479
Due to other governments	-	-	-	-	169	-	11,708	-	-	1,921	13,798
Advances from other funds	-	-	-	-	-	-	-	-	2,587,438	-	2,587,438
Compensated absences	2,011	44,030	-	14,452	81,774	-	203,615	84,887	9,122	149,785	589,676
Insurance claims payable	2,612,422	-	-	-	-	-	-	-	-	-	2,612,422
Certificates of obligation	-	-	-	-	144,202	-	442,831	-	2,497	5,000	594,530
Total Current Liabilities	3,142,786	150,315	-	37,433	2,530,734	340,018	1,194,079	229,987	3,036,863	6,404,817	17,067,032
Long-term Liabilities:											
Certificates of obligation	-	-	-	-	478,395	-	2,034,820	-	66,655	80,000	2,659,870
Insurance claims payable	-	4,744,435	2,967,763	-	-	-	-	-	-	-	7,712,198
Total Long-term Liabilities	-	4,744,435	2,967,763	-	478,395	-	2,034,820	-	66,655	80,000	10,372,068
Total Liabilities	3,142,786	4,894,750	2,967,763	37,433	3,009,129	340,018	3,228,899	229,987	3,103,518	6,484,817	27,439,100
NET ASSETS											
Invested in capital assets, net of related debt	-	3,990	-	17,492	513,021	6,669,738	1,815,226	28,190	46,183	43,685	9,137,525
Unrestricted	(2,042,986)	(1,696,940)	(2,337,526)	70,520	(1,360,859)	5,019,017	7,486,158	160,747	(309,741)	(236,835)	4,751,555
Total net assets (liabilities)	\$ (2,042,986)	\$ (1,692,950)	\$ (2,337,526)	\$ 88,012	\$ (847,838)	\$ 11,688,755	\$ 9,301,384	\$ 188,937	\$ (263,558)	\$ (193,150)	\$ 13,889,080

City of Garland, Texas
Internal Service Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2003

	Group Health	Self Insurance	LTD Insurance	Print Shop	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
OPERATING REVENUES											
Charges for services	\$ -	\$ -	\$ -	\$ 351,518	\$ 6,596,773	\$ 2,965,308	\$ 9,794,673	\$ 4,384,712	\$ 727,598	\$ 7,327,822	\$ 32,148,404
Premiums	13,553,885	3,803,660	380,795	-	-	-	-	-	-	-	17,738,340
Other	1,168,864	413,979	-	33,792	-	51,081	41,605	-	-	87,547	1,796,868
Total Operating Revenues	14,722,749	4,217,639	380,795	385,310	6,596,773	3,016,389	9,836,278	4,384,712	727,598	7,415,369	51,683,612
OPERATING EXPENSES:											
Salaries and benefits	99,405	553,685	-	198,598	2,126,178	-	3,980,987	1,582,359	355,284	3,763,587	12,660,083
Maintenance, repairs, and supplies	100,944	178,394	-	237,648	5,352,428	-	3,715,189	2,670,985	453,607	3,750,363	16,459,558
Premiums	2,994,978	1,170,986	-	-	-	-	-	-	-	-	4,165,964
Claims	10,449,714	3,039,844	456,021	-	-	-	-	-	-	-	13,945,579
Insurance claims payable - increase (decrease)	168,105	-	-	-	-	-	-	-	-	-	168,105
Administrative services	578,243	8,708	-	-	-	-	-	-	-	-	586,951
Bad Debt Expense	-	-	-	-	-	-	-	-	-	296,586	296,586
General and administrative	-	-	-	-	-	-	418,556	188,201	108,786	333,691	1,049,234
Total Operating expenses before depreciation	14,391,389	4,951,617	456,021	436,246	7,478,606	-	8,114,732	4,441,545	917,677	8,144,227	49,332,060
Operating income (loss) before depreciation	331,360	(733,978)	(75,226)	(50,936)	(881,833)	3,016,389	1,721,546	(56,833)	(190,079)	(728,858)	2,351,552
Depreciation	-	1,039	-	5,101	152,100	2,534,819	1,941,331	17,460	13,952	50,106	4,715,908
Total Operating Income (Loss)	331,360	(735,017)	(75,226)	(56,037)	(1,033,933)	481,570	(219,785)	(74,293)	(204,031)	(778,964)	(2,364,356)
NONOPERATING REVENUES (EXPENSES)											
Earnings from investments:											
Current operations	21,209	106,640	14,748	1,700	(335)	139,149	105,230	12,035	(2,672)	151,337	549,041
Construction fund	-	-	-	-	1,099	-	90,762	-	354	-	92,215
Interest expense	-	-	-	-	(35,156)	-	(116,110)	-	(3,383)	(3,930)	(158,579)
Total earnings on investments	21,209	106,640	14,748	1,700	(34,392)	139,149	79,882	12,035	(5,701)	147,407	482,677
Income (loss) before operating transfers	352,569	(628,377)	(60,478)	(54,337)	(1,068,325)	620,719	(139,903)	(62,258)	(209,732)	(631,557)	(1,881,679)
TRANSFERS											
Transfers in	-	-	-	-	-	174,491	-	-	-	-	174,491
Transfers out	-	(62,307)	-	-	-	-	-	-	-	-	(62,307)
Net nonoperating revenues (expenses)	-	(62,307)	-	-	-	174,491	-	-	-	-	112,184
NET INCOME (LOSS)	352,569	(690,684)	(60,478)	(54,337)	(1,068,325)	795,210	(139,903)	(62,258)	(209,732)	(631,557)	(1,769,495)
Net assets (liabilities), beginning of year	(2,395,555)	(1,002,266)	(2,277,048)	142,349	220,487	10,893,545	9,441,287	251,195	(53,826)	438,407	15,658,575
Net assets (liabilities), end of year	\$ (2,042,986)	\$ (1,692,950)	\$ (2,337,526)	\$ 88,012	\$ (847,838)	\$ 11,688,755	\$ 9,301,384	\$ 188,937	\$ (263,558)	\$ (193,150)	\$ 13,889,080

City of Garland, Texas
Internal Service Funds
Statement of Cash Flows
For the Year Ended September 30, 2003

	Group Health	Self Insurance	LTD Insurance	Print Shop	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
Cash flows from operating activities:											
Cash received from customers	\$ 14,722,749	\$ 4,217,639	\$ 380,795	\$ 385,310	\$ 6,596,773	\$ 2,952,731	\$ 9,836,278	\$ 4,384,712	\$ 1,016,594	\$ 6,965,602	\$ 51,459,183
Cash received for customer deposits	-	-	-	-	-	-	-	-	-	230,612	230,612
Cash payments for goods and services	(14,011,444)	(4,414,109)	(456,021)	(246,419)	(5,327,752)	273,563	(4,168,114)	(3,013,778)	(291,687)	(4,354,696)	(36,010,457)
Cash payments to employees for services	(198,338)	(547,984)	-	(199,244)	(2,132,703)	-	(3,977,467)	(1,587,036)	(355,844)	(3,751,234)	(12,749,850)
Net cash provided (used) by operating activities	512,967	(744,454)	(75,226)	(60,353)	(863,682)	3,226,294	1,690,697	(216,102)	369,063	(909,716)	2,929,488
Cash flows from non-capital financing activities:											
Due to other government - increase (decrease)	-	-	-	-	(2,525)	-	(1,738)	-	(289)	101	(4,451)
Due from other funds - decreases	-	-	-	-	-	-	-	-	-	-	-
Due to other funds - increase (decrease)	-	-	-	-	1,065,132	-	-	-	(22,929)	(639,492)	402,711
Advances from other funds - decreases	-	-	-	-	-	-	-	-	(341,499)	-	(341,499)
Transfers in	-	-	-	-	-	174,491	-	-	-	-	174,491
Transfers out	-	(62,307)	-	-	-	-	-	-	-	-	(62,307)
Net cash provided by (used for) non-capital financing activities	-	(62,307)	-	-	1,062,607	174,491	(1,738)	-	(364,717)	(639,391)	168,945
Cash flows from capital and financing activities:											
Certificate of obligation issues	-	-	-	-	-	-	105,000	-	-	-	105,000
Acquisition of capital assets	-	-	-	-	(29,359)	(2,731,312)	(867,979)	-	(3,885)	(101)	(3,632,636)
Principal paid on certificates of obligation	-	-	-	-	(135,088)	-	(492,286)	-	(2,384)	(5,000)	(634,758)
Principal paid on advances from other funds	-	-	-	-	-	-	-	-	-	-	-
Interest paid on certificates of obligation	-	-	-	-	(36,038)	-	(123,302)	-	(3,396)	(3,954)	(166,690)
Interest paid on advances from other funds	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	153,775	-	-	-	-	153,775
Net cash provided by (used for) financing activities	-	-	-	-	(200,485)	(2,577,537)	(1,378,567)	-	(9,665)	(9,055)	(4,175,309)
Cash flows from investing activities:											
Purchase of investment securities	(1,174,322)	(1,674,219)	(364,104)	(56,628)	(19,661)	(4,332,995)	(5,775,801)	(207,385)	(3,758)	(3,029,390)	(16,638,263)
Proceeds from the sale and maturity of investment securities	1,059,981	3,228,885	602,822	137,665	29,506	5,133,397	7,783,198	494,676	9,009	5,908,082	24,387,221
Interest received on investments	18,037	106,816	18,055	2,871	909	153,306	227,850	15,166	1,486	187,910	732,406
Net cash provided by (used for) investing activities	(96,304)	1,661,482)	256,773)	83,908)	10,754)	953,708)	2,235,247)	302,457)	6,737)	3,066,602)	8,481,364)
Net increase (decrease) in cash and cash equivalents	416,663)	854,721)	181,547)	23,555)	9,194)	1,776,956)	2,545,639)	86,355)	1,418)	1,508,440)	7,404,488)
Cash and cash equivalents at beginning of year	89,062)	611,383)	108,065)	26,034)	5,189)	688,644)	1,192,943)	92,960)	1,766)	1,115,595)	3,931,641)
Cash and cash equivalents at end of year	\$ 505,725)	\$ 1,466,104)	\$ 289,612)	\$ 49,589)	\$ 14,383)	\$ 2,465,600)	\$ 3,738,582)	\$ 179,315)	\$ 3,184)	\$ 2,624,035)	\$ 11,336,129)
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:											
Operating income (loss)	\$ 331,360)	\$ (735,017)	\$ (75,226)	\$ (56,037)	\$ (1,033,933)	\$ 481,570)	\$ (219,785)	\$ (74,293)	\$ (204,031)	\$ (778,964)	\$ (2,364,356)
Adjustments:											
Depreciation	-	1,039	-	5,101	152,100	2,534,819	1,941,331	17,460	13,952	50,106	4,715,908
Gain on sale of assets	-	-	-	-	-	(63,658)	-	-	-	-	(63,658)
Provision for uncollectible accounts	-	-	-	-	-	-	-	-	-	70,172	70,172
Change in assets and liabilities:											
Decrease (increase) in inventory	-	-	-	-	(147,426)	-	-	-	301,415	-	153,989
Decrease (increase) in accounts receivable	-	-	-	-	-	-	-	-	(12,419)	(519,939)	(532,358)
Increase (decrease) in accounts payable	11,491	(16,177)	-	(8,771)	172,102	273,563	(34,369)	(154,592)	270,706	25,944	539,897
Increase in customer deposits	-	-	-	-	-	-	-	-	-	230,612	230,612
Increase (decrease) in compensated absences	2,011	5,701	-	(646)	(6,525)	-	3,520	(4,677)	(560)	12,353	11,177
Increase (decrease) in insurance claims payable	168,105	-	-	-	-	-	-	-	-	-	168,105
Total adjustments	181,607	(9,437)	-	(4,316)	170,251	2,744,724	1,910,482	(141,809)	573,094	(130,752)	5,293,844
Net cash provided by (used for) operating activities	\$ 512,967)	\$ (744,454)	\$ (75,226)	\$ (60,353)	\$ (863,682)	\$ 3,226,294)	\$ 1,690,697)	\$ (216,102)	\$ 369,063)	\$ (909,716)	\$ 2,929,488)

Table 1**CITY OF GARLAND, TEXAS****General Governmental Expenditures by Function (1)
Last Ten Fiscal Years**

Fiscal Year	Total (1)	General Government	Public Safety	Public Works	Culture and Recreation	Public Health	Non-Departmental	Debt Service Principal	Debt Service Interest
1994	\$ 69,027,925	\$ 6,441,556	\$ 32,387,780	\$ 4,312,829	\$ 6,540,327	\$ 1,193,716	\$ 1,424,958	\$ 9,846,412	\$ 6,880,347
1995	77,952,685	5,305,190	35,992,527	4,962,125	7,183,286	1,361,239	6,149,283	10,541,944	6,457,091
1996	82,001,278	5,548,582	38,234,754	5,254,675	7,596,174	1,406,283	6,812,160	10,583,736	6,564,914
1997	87,894,870	5,978,433	40,923,961	5,250,281	7,985,678	1,604,782	7,938,775	11,433,622	6,779,338
1998	91,262,311	6,131,216	42,356,996	5,512,871	8,254,917	1,664,745	8,142,153	12,027,874	7,171,539
1999	97,747,094	6,779,219	46,142,166	5,756,813	9,264,169	1,898,471	9,594,409	11,434,315	6,877,532
2000	103,859,914	7,011,395	48,246,794	5,848,079	9,619,379	2,076,463	10,741,459	11,983,282	8,333,063
2001	109,746,670	7,468,670	50,676,933	6,131,095	10,332,719	2,088,095	11,396,820	11,869,987	9,782,351
2002	115,137,685	7,771,073	52,504,755	6,584,672	10,644,306	2,061,934	12,959,772	14,606,500	8,004,673
2003	117,704,756	8,265,797	56,389,366	6,912,917	11,084,087	2,201,729	11,702,099	13,350,239	7,798,522

(1) Includes general fund and debt service fund expenditures on GAAP basis.**Unaudited**

Table 2**CITY OF GARLAND, TEXAS****General Revenues by Source (1)
Last Ten Fiscal Years**

Fiscal Year	Total (1)	Taxes	Franchise Fees	Service Charges	Licenses and Permits	Earnings on Investments	Inter-governmental	Intra-governmental (2)	Fines and Forfeits	Rents and Concessions
1994	\$ 60,364,910	\$ 31,804,586	\$ 4,376,101	\$ 6,480,959	\$ 1,161,558	\$ 835,782	\$ 328,061	\$ 12,487,476	\$ 2,413,628	\$ 476,759
1995	68,876,794	33,824,383	5,103,763	7,930,670	1,073,560	744,543	427,014	16,352,918	2,893,538	526,405
1996	71,802,164	35,794,387	5,047,098	8,291,093	1,240,380	954,787	559,265	16,103,339	3,298,595	513,220
1997	75,203,911	38,338,894	5,891,237	8,340,283	1,491,530	1,054,250	546,108	15,564,843	3,475,742	501,024
1998	81,654,026	40,809,175	5,596,099	10,903,390	1,363,638	1,262,620	449,890	16,821,824	3,924,364	523,026
1999	86,070,579	43,406,301	6,150,311	11,961,917	1,603,990	1,164,771	327,382	17,190,353	3,765,551	500,003
2000	90,616,518	46,238,520	6,248,115	11,207,515	1,510,857	1,321,639	334,126	19,174,705	4,036,751	544,290
2001	95,965,457	48,064,858	7,671,616	11,494,440	1,769,018	1,793,299	364,992	20,012,800	4,168,074	626,360
2002	86,014,915	50,741,506	7,876,575	13,790,894	1,787,051	1,083,967	292,216	5,618,359	4,290,574	533,773
2003	87,652,424	52,690,783	7,781,687	13,048,766	2,138,200	768,216	318,041	5,835,277	4,488,485	582,969

(1) Includes only general fund revenues.

(2) Prior to 2002, payments in lieu of taxes were included in Intragovernmental revenue.

Unaudited

Table 3

CITY OF GARLAND, TEXAS

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy	Current Tax Collection	Percent of Levy Collected	Delinquent Tax Collection (1)	Total Tax Collection	Percent of Total Tax Collection to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy (2)
1994	\$ 34,249,513	\$ 33,499,399	97.81%	\$ 123,877	\$ 33,623,276	98.17%	\$ 1,391,882	4.06%
1995	35,564,114	35,255,486	99.13%	288,431	35,543,917	99.94%	1,397,245	3.93%
1996	37,340,146	37,076,378	99.29%	286,996	37,363,374	100.06%	1,451,121	3.89%
1997	39,348,913	38,886,723	98.83%	124,085	39,010,808	99.14%	1,446,423	3.68%
1998	41,710,227	41,216,156	98.82%	483,752	41,699,908	99.98%	1,179,595	2.83%
1999	44,116,195	43,678,152	99.01%	260,829	43,938,981	99.60%	1,414,623	3.21%
2000	45,857,853	45,422,322	99.05%	470,672	45,892,994	100.08%	1,325,961	2.89%
2001	50,228,511	49,773,440	99.09%	57,586	49,831,025	99.21%	1,613,942	3.21%
2002	55,160,051	54,389,283	98.60%	530,631	54,919,914	99.56%	1,057,466	1.92%
2003	58,814,787	57,706,425	98.12%	542,008	58,248,433	99.04%	866,802	1.47%

(1) Excludes penalty and interest. Prior to write-off of uncollectible amounts in current year.

(2) Ratio of cumulative delinquent taxes to current year levy.

Source: City of Garland, Texas - Tax Office

Unaudited

Table 4

CITY OF GARLAND, TEXAS

**Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Total Assessed Value
1994	\$ 4,554,581,390	\$ 977,564,104	\$ 5,532,145,494
1995	4,563,582,655	1,049,440,393	5,613,023,048
1996	4,737,117,530	1,164,177,640	5,901,295,170
1997	5,010,446,838	1,221,683,610	6,232,130,448
1998	5,332,452,428	1,250,601,090	6,583,053,518
1999	5,751,199,307	1,211,583,940	6,962,783,247
2000	6,149,931,191	1,323,643,287	7,473,574,478
2001	6,526,753,690	1,400,725,976	7,927,479,666
2002	7,064,158,639	1,539,811,256	8,603,969,895
2003	7,773,381,089	1,404,942,190	9,178,323,279

Note: Assessed values are established at 100% of estimated market value by the
Dallas Central Appraisal District

Source: City of Garland, Texas - Tax Office

Unaudited

Table 5

CITY OF GARLAND, TEXAS

**Assessed Values, Levies and Tax Distribution
Last Ten Fiscal Years**

Fiscal Year	Assessed Values			Tax Rate	Total Tax Levy	Tax Distribution		Percentage Assessed to Full Value
	Real Property	Personal Property	Total			General Fund	Debt Service Fund	
1994	\$ 4,554,581,390	\$ 977,564,104	\$ 5,532,145,494	.6191	\$ 34,249,513	.3473	.2718	100
1995	4,563,582,655	1,049,440,393	5,613,023,048	.6336	35,564,114	.3618	.2718	100
1996	4,737,117,530	1,164,177,640	5,901,295,170	.6336	37,340,146	.3628	.2708	100
1997	5,010,446,838	1,221,683,610	6,232,130,448	.6336	39,348,913	.3628	.2708	100
1998	5,332,452,428	1,250,601,090	6,583,053,518	.6336	41,710,227	.3628	.2708	100
1999	5,751,199,307	1,211,583,940	6,962,783,247	.6336	44,116,195	.3790	.2546	100
2000	6,149,931,191	1,323,643,287	7,473,574,478	.6136	45,857,853	.3690	.2446	100
2001	6,526,753,690	1,400,725,976	7,927,479,666	.6336	50,228,511	.3740	.2596	100
2002	7,064,158,639	1,539,811,256	8,603,969,895	.6411	55,160,051	.3740	.2671	100
2003	7,773,381,089	1,404,942,190	9,178,323,279	.6411	58,842,231	.3740	.2671	100

Source: City of Garland, Texas - Tax Office

Unaudited

Table 6

CITY OF GARLAND, TEXAS

**Property Tax Rates and Percent of Assessed Valuations of Direct and Overlapping Debt
Last Ten Fiscal Years**

Fiscal Year	City of Garland		Garland Independent School District		Dallas County		Dallas County Hospital District		Dallas County Community College District		Dallas Independent School District		Richardson Independent School District		Mesquite Independent School District	
	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation
1994	.6191	100	1.3784	83.22	.20883	7.29	.20696	7.29	.05206	7.29	1.41813	0.18	1.5698	3.17	1.4600	2.61
1995	.6336	100	1.4428	83.22	.20883	7.29	.19959	7.29	.05206	7.29	1.41813	0.18	1.5698	3.17	1.5000	2.61
1996	.6336	100	1.4428	83.22	.21640	7.29	.194092	7.29	.05206	7.29	1.46053	0.18	1.5698	3.17	1.5000	2.61
1997	.6336	100	1.4872	83.22	.20100	7.29	.185800	7.29	.05000	7.29	1.46050	0.18	1.6000	3.17	1.5300	2.61
1998	.6336	100	1.5445	83.22	.20317	7.29	.179900	7.29	.05000	7.29	1.46053	0.18	1.6257	3.17	1.5800	2.61
1999	.6336	100	1.5445	83.22	.19720	7.29	.179900	7.29	.05000	7.29	1.4605	0.18	1.6257	3.17	1.5800	2.61
2000	.6136	100	1.4784	83.22	.19600	7.29	.19600	7.29	.05000	7.29	1.4605	0.18	1.6486	3.17	1.5800	2.61
2001	.6336	100	1.4053	83.22	.19600	7.29	.2540	7.29	.05000	7.29	1.5475	0.18	1.6683	3.17	1.5800	2.61
2002	.6411	100	1.4717	83.22	.19600	7.29	.2540	7.29	.06000	7.29	1.5475	0.18	1.7993	3.17	1.5800	2.61
2003	.6411	100	1.4586	83.22	.19600	7.29	.2540	7.29	.06000	7.29	1.5875	0.18	1.8081	3.17	1.6200	2.61

Tax rates are based on each \$100 of assessed value times 100 percent of assessed value.

Source: Tax Rates, City of Garland, Texas - Tax Office
Percent of Assessed Valuations, First Southwest Co.

Unaudited

Table 7**CITY OF GARLAND, TEXAS****Ratio of Net General Obligation Debt to Assessed Valuation and Net General Obligation Debt Per Capita Last Ten Fiscal Years**

Fiscal Year	Assessed Valuation (a)	Total General Obligation Debt (b) (1)	Less Proprietary General Obligation and Certificates of Obligation	Less Amount Available in Debt Service Fund	Net General Obligation Debt	Ratio of Net General Obligation Debt to Assessed Valuation	Population (c)	Per Capita Net General Obligation
1994	\$ 5,532,145,494	\$ 133,806,629	\$ 18,268,355	\$ 5,004,653	\$ 110,533,621	2.00%	193,000	572.71
1995	5,613,023,048	141,111,627	29,183,882	3,728,462	108,199,283	1.93%	195,952	552.17
1996	5,901,295,170	156,641,628	40,937,619	3,394,749	112,309,260	1.90%	197,281	569.29
1997	6,232,130,448	161,521,627	44,911,240	3,408,382	113,202,005	1.82%	200,106	565.71
1998	6,583,053,518	192,741,628	63,820,750	3,076,198	125,844,680	1.91%	201,824	623.54
1999	6,962,783,247	218,016,628	76,185,065	2,787,011	139,044,552	2.00%	203,883	681.98
2000	7,473,574,478	276,528,188	130,784,159	1,205,296	144,538,733	1.93%	205,869	702.09
2001	7,927,479,666	319,435,000	161,882,889	299,996	157,252,115	1.98%	215,768	728.80
2002	8,603,969,895	323,185,000	166,519,012	4,547,009	152,118,979	1.77%	220,946	688.49
2003	9,178,323,279	320,275,000	158,379,250	712,233	161,183,517	1.76%	222,651	723.93

(1) Includes currently outstanding Certificates of Obligation

Sources:

(a) City of Garland, Texas - Tax Office

(b) City of Garland, Texas - Accounting Office

(c) City of Garland, Texas - Planning Department, except for 1994 estimate, which is from North Central Texas Council of Governments

Unaudited

Table 8**CITY OF GARLAND, TEXAS****Principal Taxpayers
Fiscal Year 2003**

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>2002 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation (1)</u>
Sears Roebuck & Company	Warehouse, Service Center	\$ 72,351,994	0.79%
Walmart	Retail	71,168,520	0.78%
Verizon	Public Utility	66,182,470	0.72%
Eckerd Corporation	Warehouse, Retail	57,071,489	0.62%
Valspar/Engineered Polymer	Paint Manufacturer	47,558,993	0.52%
Kraft Corporation	Warehouse, Food Processing	46,801,320	0.51%
Raytheon E-Systems	Electronics/Defense Contractor	43,315,980	0.47%
Fleming Foods of Texas	Food Distribution	37,443,915	0.41%
Tom Thumb/Randalls Food	Grocery Store/Warehouse	30,752,580	0.34%
Prestige Ford	Car Dealership	<u>30,065,340</u>	0.33%
		<u>\$ 502,712,601</u>	5.48%

(1) Total Taxable Value October 1, 2002 - \$9,178,323,279

Source: City of Garland, Texas - Tax Office

Unaudited

Table 9

CITY OF GARLAND, TEXAS

**Delinquent Taxes Receivable - by Fund
Fiscal Year 2003**

	<u>Total</u>	<u>Funds</u>	
		<u>General</u>	<u>Debt Service</u>
Taxes, by year of levy:			
1996 and prior	\$ 392,332	\$ 231,585	\$ 160,747
1997	44,078	26,018	18,060
1998	51,678	30,504	21,174
1999	99,218	58,566	40,652
2000	183,260	108,174	75,086
2001	374,513	218,480	156,033
2002	<u>866,802</u>	<u>505,668</u>	<u>361,134</u>
Total delinquent taxes	2,011,881	1,178,995	832,886
Less estimated uncollectible taxes	<u>(809,697)</u>	<u>(472,355)</u>	<u>(337,342)</u>
Net taxes receivable	<u><u>\$1,202,184</u></u>	<u><u>\$706,640</u></u>	<u><u>\$495,544</u></u>

Unaudited

CITY of GARLAND, TEXAS

Computation of Legal Debt Margin

As a Home Rule city, the City of Garland is not limited by law in the amount of debt it may issue. The City's Charter (Section 46) states:

"The Council shall have the power to levy, for general purposes, an ad valorem tax on real, personal, and mixed property within the territory of the City of Garland, not exempt from taxation by the Constitution and laws of the State of Texas, based upon its true value as provided by law, to the extent of the constitutional limit permitted by the State of Texas to cities over 5,000 population, and said tax shall embrace all taxes for municipal purposes."

Article 11, Section 5 of the State of Texas Constitution states in part:

"...but no tax for any purpose shall ever be lawful for one year, which shall exceed two and one-half percent of the taxable property of such city."

The tax rate at September 30, 2003, is \$0.6411 per \$100 of assessed valuation with assessed valuation being 100% of appraised value.

Unaudited

Table 11

CITY OF GARLAND, TEXAS

**Computation of Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes
September 30, 2003**

<u>Taxing Jurisdiction</u>	<u>Total Funded Debt</u>	<u>Estimated Percent Applicable</u>	<u>Overlapping Funded Debt</u>
City of Garland	\$ 169,798,296	100.00%	\$ 169,798,296
Garland Independent School District	232,870,054	83.22%	193,794,459
Dallas County	233,657,395	7.29%	17,033,624
Dallas Independent School District	633,578,749	0.18%	1,140,442
Richardson Independent School District	292,638,179	3.17%	9,276,630
Mesquite Independent School District	374,974,431	2.61%	<u>9,786,833</u>
Total estimated overlapping bonded debt			\$ <u><u>400,830,284</u></u>
Ratio overlapping debt to 100% assessed valuation			<u><u>4.37%</u></u>
Per capita overlapping bonded debt			\$ <u><u>1,814</u></u>

Source: First Southwest Co.

Unaudited

Table 12

CITY OF GARLAND, TEXAS

**Ratio of General Obligation Debt Service to Total General Governmental Expenditures
Last Ten Fiscal Years**

Fiscal Year	Principal	Interest	Total General Obligation Debt Service (1)	Total General Fund Expenditures	Total Debt Service and General Fund Expenditures	Ratio of General Obligation Debt Service to Total General Governmental Expenditures
1994	\$ 9,846,412	\$ 6,880,347	\$ 16,726,759	\$ 52,301,166	\$ 69,027,925	24.23%
1995	10,541,944	6,457,091	16,999,035	60,953,650	77,952,685	21.81%
1996	10,583,736	6,564,914	17,148,650	64,852,628	82,001,278	20.91%
1997	11,433,622	6,779,338	18,212,960	69,681,910	87,894,870	20.72%
1998	12,027,874	7,171,539	19,199,413	72,062,898	91,262,311	21.04%
1999	11,434,315	6,877,532	18,311,847	79,435,247	97,747,094	18.73%
2000	11,983,282	8,333,063	20,316,345	83,543,569	103,859,914	19.56%
2001	11,869,987	9,782,351	21,652,338	88,094,332	109,746,670	19.73%
2002	14,606,500	8,248,132	22,854,632	92,526,512	115,381,144	19.81%
2003	13,350,239	7,750,648	21,100,887	96,555,995	117,656,882	17.93%

(1) Does not include general obligation debt service for utility purposes but does include debt service for Certificates of Obligation.

Source: City of Garland, Texas - Tax Office

Unaudited

Table 13**CITY OF GARLAND, TEXAS****Schedule of Revenue Bond Coverage
Last Ten Fiscal Years**

Fiscal Year	Total Revenue (1)	Operating and Administrative Expense (2)	Net Income Available for Debt Service	Average Annual Requirements	Times Coverage	Depreciation	Bond Interest Expense (3)	In Lieu-of-Tax Payments (4)	Net Income (5)
1994	\$ 193,064,220	\$ 150,710,310	\$ 42,353,910	\$ 6,245,646	6.78	\$ 13,956,322	\$ 3,654,808	\$ 10,565,505	\$ 7,502,514
1995	179,460,267	137,941,116	41,519,151	5,304,549	7.83	14,736,258	2,703,112	11,611,164	3,339,283
1996	196,808,834	144,187,520	52,621,314	4,839,258	10.87	15,433,384	2,314,993	12,018,967	17,407,443
1997	194,473,068	144,350,698	50,122,370	3,641,250	13.77	16,101,044	2,669,442	11,538,215	17,656,399
1998	208,145,139	150,998,567	57,146,572	3,822,446	14.95	16,691,185	2,171,629	12,295,686	23,357,526
1999	207,921,142	155,594,897	52,326,245	3,253,739	16.08	17,375,627	1,761,690	12,041,092	18,141,481
2000	235,461,345	175,378,118	60,083,227	2,625,238	22.89	17,910,632	1,529,969	13,722,478	20,469,870
2001	244,900,896	198,512,513	46,388,383	1,914,904	24.22	18,719,164	1,088,074	14,523,694	13,696,789
2002	220,658,999	180,241,690	40,417,309	1,199,312	33.70	19,595,703	684,343	14,024,779	4,703,522
2003	235,178,542	207,268,781	27,909,761	1,374,500	20.31	20,782,032	460,168	14,890,682	(11,757,643)

(1) Includes operating revenues and interest income of the Utility Fund only.

(2) Does not include operating payments to General Fund for in lieu-of-taxes and does not include Golf Fund, Heliport Fund, Storm Water Management Fund, Business Ventures Fund, Parks Performance Fund, and Sanitation Fund expenses.

(3) Net of capitalized interest.

(4) Payments in lieu of taxes are classified as transfers out in the financials.

(5) Does not include residual equity transfer or net income (loss) of the Golf Fund, Heliport Fund, Storm Water Management Fund, Business Ventures Fund, Parks Performance Fund, and Sanitation Fund.

Source: City of Garland, Texas - Accounting Office.

Unaudited

Table 14**CITY OF GARLAND, TEXAS****Construction and Bank Deposits
Last Ten Fiscal Years**

Fiscal Year	Total Property Value	Residential (a)		Commercial/Industrial (a)		Combined Bank Deposits (000's) (b)
		Number of Units	Value	Number of Units	Value	
1994	\$ 5,532,145,494	627	\$ 70,543,457	44	\$ 18,564,593	(c)
1995	5,613,023,048	493	54,572,863	58	23,456,999	(c)
1996	5,901,295,170	699	88,612,630	56	32,316,639	(c)
1997	6,232,130,448	667	94,811,701	51	32,435,693	(c)
1998	6,583,053,518	541	77,618,326	48	23,935,359	(c)
1999	6,962,783,247	506	70,480,807	30	13,243,973	(c)
2000	7,473,574,478	501	75,801,514	27	22,180,700	(c)
2001	7,927,479,666	751	114,209,686	53	44,953,173	(c)
2002	8,603,969,895	672	106,641,032	64	29,318,686	(c)
2003	9,178,323,279	611	107,590,044	87	47,249,326	(c)

*Sources:**(a) City of Garland, Texas - Building Inspection Department**(b) Garland Chamber of Commerce, Garland, Texas**(c) Information not available*

Unaudited

Table 15

CITY OF GARLAND, TEXAS

**Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population (a)	Per Capita Income	Median Age (b)	Education (b)	School Enrollment (c)	Unemployment (e)
1994	193,000	(d)	30.2	12.9	42,654	4.1%
1995	195,952	(d)	30.2	12.9	43,702	3.9%
1996	197,281	(d)	30.2	12.9	45,060	3.5%
1997	200,106	(d)	30.2	12.9	46,487	3.2%
1998	201,824	(d)	30.2	12.9	48,139	2.8%
1999	203,883	(d)	33.0	12.9	49,154	2.7%
2000	205,869	(d)	33.0	12.9	50,250	2.6%
2001	215,768	(d)	31.7	12.9	51,884	4.7%
2002	220,946	(d)	31.7	12.9	53,612	5.9%
2003	222,651	(d)	31.7	12.9	54,868	5.3%

Sources:

*(a) City of Garland, Texas - Planning Department, except for 1994,
North Central Texas Council of Governments*

(b) U.S. Census

(c) Garland Independent School District, Garland, Texas

(d) Information not available

(e) Texas Employment Commission

Unaudited

Table 16

CITY OF GARLAND, TEXAS

**Miscellaneous Statistical Data
September 30, 2003**

Date of incorporation	1891
Form of government	Council - Manager
Area	57 square miles
Miles of streets	671.6
Number of street lights	11228
Fire Protection:	
Number of stations	9
Number of firemen and officers (exclusive of volunteers)	238
Police Protection:	
Number of stations	1
Number of sworn police officers	293
Municipal water department:	
Number of accounts	65,564
Average daily consumption	30,950,700 gallons
Miles of water mains	1,081
Municipal electric department:	
Number of accounts	67,175
Average daily usage	5,543,664 KWH
Miles of lines	897
Municipal wastewater department:	
Number of accounts	63,882
Miles of sewer mains	981
Building permits issued:	
Residential (single-family)	1,083
Industrial/Commercial	314
Multi-family	15
Other	2,506
Recreation and culture:	
Number of parks	68 parks comprising 2,698 Acres
Number of libraries	5
Number of volumes	496,804 volumes in all formats

Unaudited

Table 17**CITY OF GARLAND, TEXAS****Schedule of Insurance in Force
September 30, 2003**

<u>Insuring Company</u>	<u>Policy Number</u>	<u>From</u>	<u>To</u>	<u>Description</u>	<u>Type</u>	<u>Amount</u>
Allianz Insurance Co.	CLP3003859	10/1/2003	10/1/2004	Real/Personal Property	All Risk / \$100,000 ded. per occ	\$ 100,000,000
State National Insurance Co.	MDB0219131	10/1/2003	10/1/2004	Excess Liability Package Policy (includes, GL, AL, Law Enforcement, Public Officials, Emp. Benefits, & Worker's Comp.	\$500,000 SIR	\$ 9,500,000
Great American	GVT26876802	10/1/2003	10/1/2004	Public Employees Dishonesty	\$10,000 Deductible	\$ 1,000,000
Travelers Insurance Co.	BAEEBM21303D3252PHX03	10/1/2003	10/1/2004	Boiler/Machinery/Transformers	Combined physical damage. Deductible varies by location and equipment	\$ 20,000,000
Evanston Ins. Co.	SM820348	4/2/2003	4/2/2004	Medical Professional Liability	\$1,000 Deductible	\$ 3,000,000
Great American Assurrance	GLO0000566196000	10/1/2003	10/1/2004	Special Events Liability	\$0 Deductible	\$ 5,000,000
Great American Assurrance	EXC0000566196100	10/1/2003	10/1/2004	Special Events Excess Liability	Excess over underlying special events	\$ 1,000,000

Unaudited