

City of Garland, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2002



Prepared by
Department of Finance and the Accounting Office

On the Cover

Located in the magnificent Bridges Clubhouse, The Branding Iron at Firewheel features a wide variety of delicious foods. From burgers and steaks to seafood and pasta dishes, the dining experience can only be enhanced by the beautiful view and unique architecture. Since its opening on April 29, 2002, The Branding Iron Restaurant at Firewheel, has established itself as a favorite among local residents.

Set upon 600 acres of heavily wooded rolling terrain with bubbling creeks, rustic bridges and gorgeous waterfalls, Firewheel at Garland is home to 63 spectacular holes on three distinct courses. The Old Course challenges all golfers with its strategically placed bunkers and heavily wooded areas. A par 71, it features Champion Bermuda Greens and mid-iron fairways. Water is the key element on the Lakes Course where golfers are rewarded for strategically placed shots. And the crown jewel of Firewheel at Garland, the new Bridges Course, offers immaculate Bent Grass Greens, well-positioned bunkers, and large putting surfaces.

Firewheel at Garland is the largest municipal golf facility in Texas and the third largest municipal golf facility in the United States. The Old Course and the Lakes Course are currently ranked number two and number eight respectively by the Dallas Morning News as top municipal courses in Texas.

CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

YEAR ENDED SEPTEMBER 30, 2002

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

Jeffrey B. Muzzy

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, 2002**

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	17
Statement of Activities.....	18

Fund Financial Statements

Governmental Fund Financial Statements

Balance Sheet.....	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Budgetary Comparison Schedule – General Fund.....	24

Proprietary Fund Financial Statements

Statement of Net Assets.....	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets	27
Statement of Cash Flows	28

Notes to the Financial Statements.....	29
---	-----------

C. Combining Financial Statements

Nonmajor Governmental Funds

Balance Sheet.....	54
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	56
Budgetary Comparison Schedule – Debt Service Fund.....	59
Budgetary Comparison Schedule – Hotel/Motel and Infrastructure Repair Funds.....	60

Nonmajor Enterprise Funds

Statement of Net Assets.....	62
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	63
Statement of Cash Flows.....	64

Internal Service Funds

Statement of Net Assets.....	66
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	68
Statement of Cash Flows.....	70

III. Statistical Section

General Governmental Expenditures by Function.....	73
General Revenues by Source.....	74
Property Tax Levies and Collections.....	75
Assessed and Estimated Actual Value of Taxable Property.....	76
Assessed Values, Levies and Tax Distribution.....	77
Property Tax Rates and Percent of Assessed Valuations of Direct and Overlapping Debt.....	78
Ratio of Net General Obligation Debt to Assessed Valuation and Net General Obligation Debt per Capita.....	80
Principal Taxpayers.....	81
Delinquent Taxes Receivable – by Fund.....	82
Computation of Legal Debt Margin.....	83
Computation of Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes.....	84
Ratio of General Obligation Debt Service to Total General Governmental Expenditures.....	85
Schedule of Revenue Bond Coverage.....	86
Construction and Bank Deposits.....	87
Demographic Statistics.....	88
Miscellaneous Statistical Data.....	89
Schedule of Insurance in Force.....	90

GARLAND

City of Garland
P.O. Box 469002
Garland, Texas
75046-9002
972-205-2000



January 10, 2003

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, 2002, 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.

In the current year's financial statements, the City has implemented a change in the financial reporting model, as required by the Governmental Accounting Standards Board. This presentation will provide better information to users of the report. The new reporting model 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 220,946 (as estimated by the City's Planning Department as of January 1, 2002) 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

In spite of the economic slowdown, the City continued to experience strong growth in its property tax base. Taxable values grew \$562 million or 6.5% in 2002, with \$169 million coming from new construction. Furthermore, sales tax revenues rebounded in the last few months of the fiscal year. The rebound in sales tax revenue is attributable to the opening of Wal-Mart Supercenter and Sam's Wholesale Club in the S.H. 190 corridor. Due to the continued growth in the property tax base, and stabilizing sales tax revenues, the City of Garland remains financially strong and stable.

The economic forecast for 2003 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 a new Super Target is scheduled to open in March of 2003. Projects in central

Garland include the expansion of the Performing Arts Center which is scheduled to be completed in the spring of 2003, and the opening of the DART Light Rail in Garland, which took place in November of 2002.

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, expenditures and transfers out of \$100,546,214 exceeded revenues and transfers in of \$100,085,459, resulting in an excess of expenditures over revenues of \$460,755. 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, 2002, is equivalent to 51 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, 2002, is equivalent to 124, 74 and 65 days respectively.

Debt Administration

At September 30, 2002, the City had numerous debt issues outstanding. These issues include \$132,990,000 in general obligation bonds, \$190,195,000 in certificates of obligation, \$2,800,000 in tax anticipation notes, and \$7,890,000 in revenue bonds.

On April 15, 2002, the City issued \$8,050,000 in general obligation refunding bonds and \$25,350,000 in certificates of obligation. 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 IBCA. On September 24, 2002, the City issued a \$2,800,000 tax anticipation note. Tax notes are not rated due to the short-term maturities.

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 4.08%, and the earned investment income reported in the financial statements total \$14,125,605 for the year ended September 30, 2002.

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, 2002, 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, 2002, are:

Description	2002	2001	Increase (Decrease)
Self Insurance Fund:			
Auto Liability	\$ 316,570	357,980	(41,410)
General Liability	666,754	666,555	199
Workers Comp	<u>3,761,111</u>	<u>3,332,534</u>	<u>428,577</u>
Total Self Insurance Fund	<u>4,744,435</u>	<u>4,357,069</u>	<u>387,366</u>
Long Term Disability Fund:			
LTD Incurred But Not Reported	460,000	357,962	102,038
LTD Liability	<u>2,507,763</u>	<u>2,028,449</u>	<u>479,314</u>
Total Long Term Disability Fund	<u>2,967,763</u>	<u>2,386,411</u>	<u>581,352</u>
Total Actuarially Determined Reserves	<u>\$ 7,712,198</u>	<u>6,743,480</u>	<u>968,718</u>

Group Health

Like other public and private employers across the nation, the City has encountered significant problems in providing affordable, quality health care for its employees. Plan design changes and transfers from operating funds resulted in reducing the Group Health deficit by 54%. Management implemented additional changes to the plan design for the 2003 fiscal year to continue to reduce the fund deficit for the Group Health Fund. The plan changes include: increasing employee contribution, implementing higher deductibles, and adding a health clinic with a full time physicians' assistant.

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, 2001. 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.

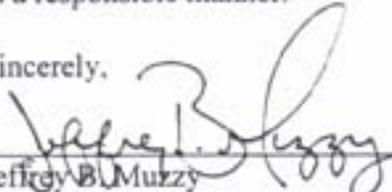
A Certificate of Achievement is valid for a period of one year only. The City of Garland has received a Certificate of Achievement for the last twenty-three consecutive years. We believe that our current report continues to conform with the Certificate of Achievement Program requirements, and we will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

Acknowledgements

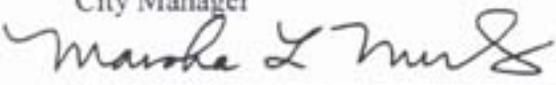
The preparation of this Comprehensive Annual Financial Report was accomplished with the professional and dedicated efforts of the staff of the Accounting Office. Appreciation is also extended to those individuals in other departments who contributed, directly or indirectly, to the development of this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

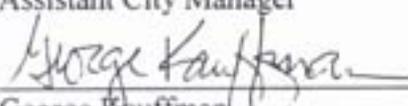
Sincerely,



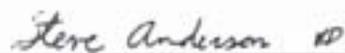
Jeffrey B. Muzzy
City Manager



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, 2001

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.

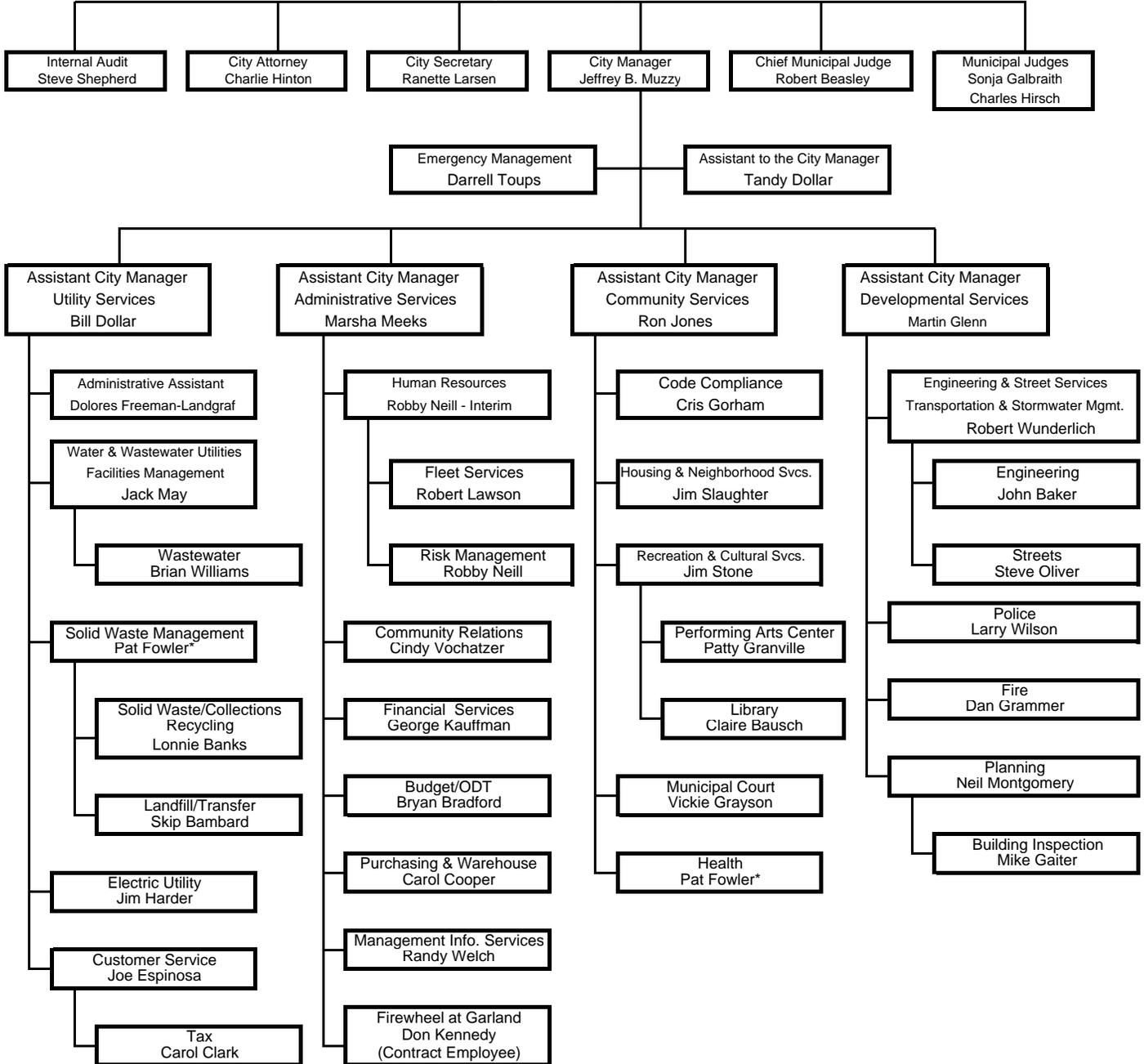


William Patrick Pate
President

Jeffrey L. Essler
Executive Director

CITIZENS OF GARLAND CITY COUNCIL

September 30, 2002



*Managing Director reports to two Assistant City Managers for separate programs

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, 2002, 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund and the aggregated remaining fund information of the City as of September 30, 2002 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 described in Note 1 to the financial statements, in fiscal year 2002, the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

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. 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 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 January 10, 2003 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

January 10, 2003

**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, 2002. 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 \$611,166,776.
- The City's total net assets increased by \$12,974,109 for the year ended September 30, 2002. The increase in net assets is primarily attributed to the amount by which capital asset additions exceeded depreciation for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$62,325,801. Of the combined ending fund balances, \$4,547,009 is reserved for debt service, \$13,122,317 is unreserved in the General Fund, \$5,121,834 is unreserved in special revenue funds, and \$39,534,641 is reserved in capital projects funds.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$13,122,317, which is equivalent to 51 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 17-19 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 seventeen 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 for the general fund and the debt service fund, both of which are considered to be major funds. Data from the other fifteen 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 20-24 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 26-28 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 29-52 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 56-72 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 \$611,166,776 for the year ended September 30, 2002.

The largest portion of the City's net assets (62 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 (27 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	\$ 116,942,763	\$ 217,292,695	\$ 334,235,458
Capital assets	271,490,377	425,518,503	697,008,880
Total assets	<u>388,433,140</u>	<u>642,811,198</u>	<u>1,031,244,338</u>
Long-term liabilities outstanding	175,688,262	158,338,657	334,026,919
Other liabilities	53,670,476	32,380,167	86,050,643
Total liabilities	<u>229,358,738</u>	<u>190,718,824</u>	<u>420,077,562</u>
Net assets:			
Invested in capital assets, net of related debt	121,384,580	254,893,648	376,278,228
Restricted	4,547,009	69,072,047	73,619,056
Unrestricted	33,142,813	128,126,679	161,269,492
Total net assets	<u>\$ 159,074,402</u>	<u>\$ 452,092,374</u>	<u>\$ 611,166,776</u>

Governmental activities

Governmental activities increased the City's net assets by \$12,335,506, thereby accounting for 95 percent of the total growth in net assets of the City. The key elements of this increase are as follows:

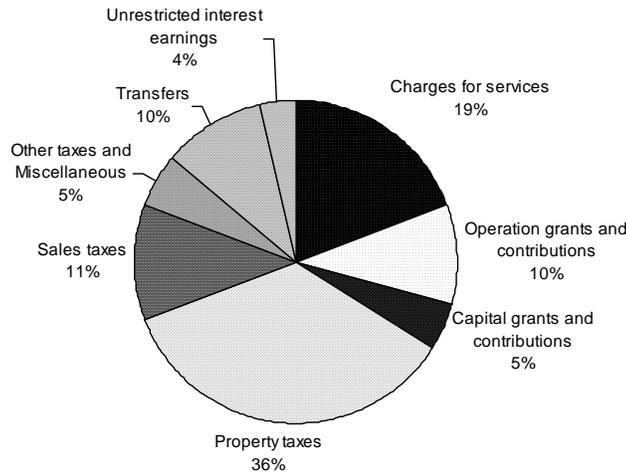
- Revenue from capital grants and contributions increased due to increased contributions by developers for streets and drainage improvements in new developments.
- Property tax revenues increased due to the increased property valuations, new construction and an ad valorem tax rate increase of 0.75 cents per \$100 of property valuation. The rate increase was solely attributable to funding of debt service cost.
- An increase in charges for services due to fee increases and increased usage of services by citizens and customers.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2002

Table 2
Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 30,303,555	\$ 229,129,044	\$ 259,432,599
Operation grants and contributions	16,191,085	-	16,191,085
Capital grants and contributions	7,153,603	3,055,431	10,209,034
General Revenues:			
Property taxes	56,369,413	-	56,369,413
Sales taxes	18,248,669		
Other taxes	8,518,409	-	8,518,409
Unrestricted interest earnings	5,742,752	8,382,853	14,125,605
Miscellaneous	96,678	1,060,891	1,157,569
Total Revenues	142,624,164	241,628,219	384,252,383
Expenses:			
General government	24,202,192	-	24,202,192
Public safety	60,351,565	-	60,351,565
Public works	32,738,057	-	32,738,057
Culture and recreation	18,079,673	-	18,079,673
Public health	2,463,345	-	2,463,345
Interest and fiscal charges	8,571,287	-	8,571,287
Tri city accademy	74,061	-	74,061
Electric	-	163,654,263	163,654,263
Water	-	21,687,201	21,687,201
Sewer	-	20,249,731	20,249,731
Golf	-	3,102,011	3,102,011
Heliport	-	40,068	40,068
Storm Water Management	-	2,872,805	2,872,805
Parks Performance	-	584,615	584,615
Sanitation	-	12,607,400	12,607,400
Total expenses	146,480,180	224,798,094	371,278,274
Increase in net assets before transfers	(3,856,016)	16,830,125	12,974,109
Transfers	16,191,522	(16,191,522)	-
Increase in net assets	12,335,506	638,603	12,974,109
Net assets - beginning	146,738,896	451,453,771	598,192,667
Net assets - ending	\$ 159,074,402	\$ 452,092,374	\$ 611,166,776

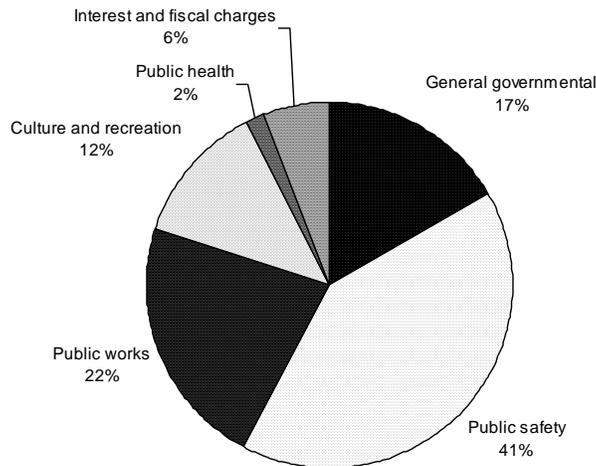
Revenues by Source – Governmental Activities



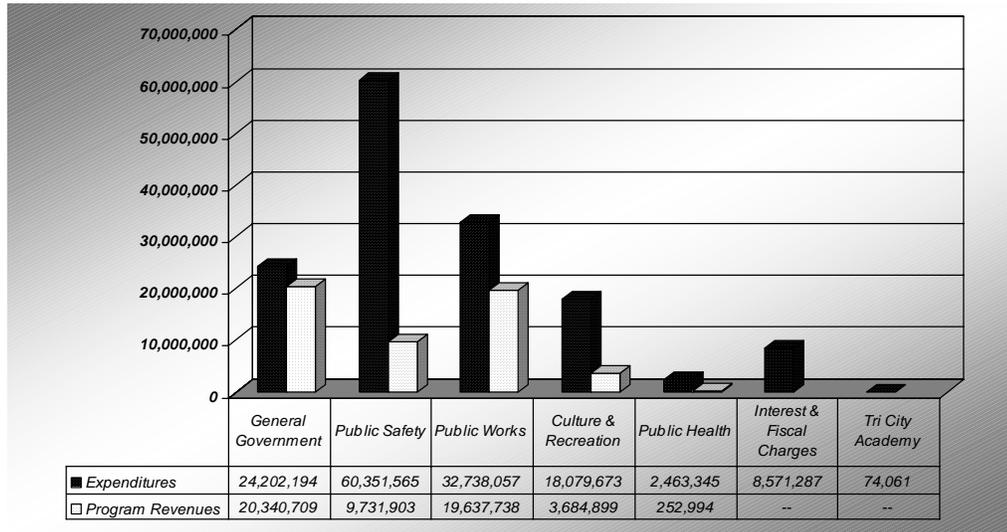
Property taxes, charges for services, sales taxes and operating grants and contributions provide 77 percent of the revenues for the governmental activities. The chart above provides a graphic representation of the City's revenues by source.

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 by Source – Governmental Activities



Expenses and Program Revenues – Governmental Activities

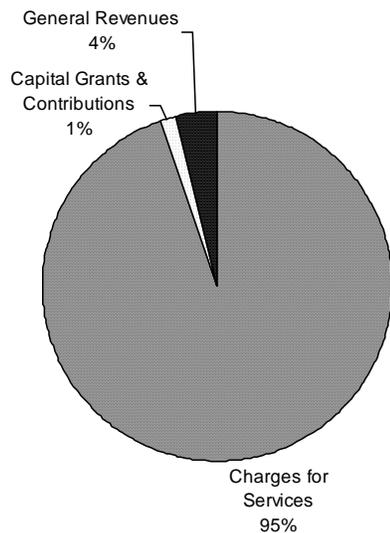


Business-type Activities

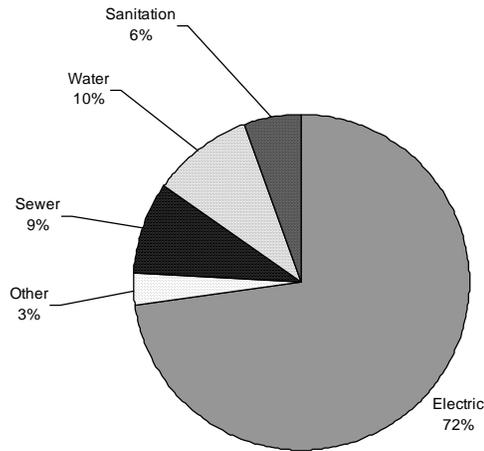
Business-type activities increased the City's net assets by \$638,603, accounting for 5% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Rate increases for sewer services resulting in a net income of \$2.8 million for the Sewer Fund.
- A 13% drop in Water consumption from the prior fiscal year resulting in a \$1.6 million net loss for the Water Fund.
- Factors contributing to the net loss of \$238,171 for the Electric Fund were a residential rate decrease due to deregulation in the Texas electric industry, and a 7% drop in electric consumption due to mild weather conditions.

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 2002, the City had \$697,008,880 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 \$42,734,570 or 6.5 percent over the prior fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2002	2001	2002	2001	2002	2001
Land	\$ 49,818,065	\$ 44,008,945	\$ 8,215,437	\$ 8,155,474	\$ 58,033,502	\$ 52,164,419
Construction in Progress	56,749,715	46,214,734	81,359,266	56,293,348	138,108,981	102,508,082
Building, Improvements, equipment and systems	164,922,597	158,745,539	335,943,800	340,846,650	500,866,397	499,592,189
Total capital assets	\$ 271,490,377	\$ 248,969,218	\$ 425,518,503	\$ 405,295,472	\$ 697,008,880	\$ 654,264,690

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2002

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

Description	Amount
Duck Creek flood plane improvement	\$5,369
Hinton Landfill Construction	5,091
Street improvement Buckingham – First Street to S.H. 78	2,553
Various Storm Water Drainage projects	2,445
Various street improvement projects funded by Community Development Block Grant funds	2,111
Various electric system improvements	1,894
Land for a new Police and Courts Building	1,313
Various building improvements	1,125
Various traffic signal installations and improvements	910
Firefighting equipment	630
Library system books	435
New Blackburn water transmission line	418
Automated police vehicle locator	324

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

Description	Amount
New golf course	\$12,574
Brand Road Bridge	5,968
New Police and Courts Building	6,563
Street improvement, Miller - First Street to Country Club	2,558
Performing Arts Center Renovation	2,245

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 Activities		Business-type Activities		Total	
	2002	2001	2002	2001	2002	2001
General obligation bonds	\$ 113,338,192	\$ 125,282,802	\$ 19,651,808	\$ 21,247,198	\$ 132,990,000	\$ 146,530,000
Certificates of obligation	47,111,953	36,053,198	143,083,047	136,851,802	190,195,000	172,905,000
Utility system revenue bonds	-	-	7,890,000	14,154,999	7,890,000	14,154,999
Tax Notes	2,800,000	-	-	-	2,800,000	-
Total outstanding debt	<u>\$ 163,250,145</u>	<u>\$ 161,336,000</u>	<u>\$ 170,624,855</u>	<u>\$ 172,253,999</u>	<u>\$ 333,875,000</u>	<u>\$ 333,589,999</u>

For the fiscal year, bond issues, applicable net interest cost and bond ratings are as follows:

Table 5
Current fiscal year debt issues

Issue	Principal	Net Interest Cost	Bond Ratings	
			Standard & Poor's	Fitch IBCA
General obligation refunding bonds, Series 2002	\$ 8,050,000	3.953%	AAA	AAA
Certificates of obligation, Series 2002	25,350,000	4.794%	AAA	AAA
Tax Notes, Series 2002	2,800,000	2.250%	--	--
Total debt issues	<u>\$ 36,200,000</u>			

The proceeds of the General obligation refunding bonds was used to advance refund \$8,095,000 of outstanding general obligation bonds. As a result of the refunding, the City increased its total debt service payments over the next eight years by \$51,439 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$226,588. These bonds received a AAA rating from Standard & Poor's and Fitch IBCA since the payment of principal and interest on the bonds are insured.

The proceeds of the certificates of obligation will be used for improving and equipping library facilities; constructing, improving and equipping park and recreation facilities; acquiring public safety vehicles, and constructing improving and equipping public safety facilities; expanding, improving and equipping the solid waste disposal system; constructing street improvements, including traffic signage; acquiring, renovating, improving and equipping municipal facilities; improving and equipping waterworks and sewer system facilities; and paying costs associated with the issuance of the Certificates. These bonds received a AAA rating from Standard & Poor's and Fitch IBCA 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.

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 \$62,325,801, a decrease of \$17,883,578 from the prior year. The majority of this decrease was a result of drawing down available cash balances in the City's Capital Projects Funds. Cash balances were sufficient for the current fiscal year to cover expenditures without issuing addition general obligation bonds. This action was taken in connection with the implementation of a new commercial paper program. The City's strategy is to issue commercial paper as needed based on cash flow requirements. This strategy will provide 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 a decrease of \$460,755 for the current fiscal year. However, the final adopted budget for the General Fund projected a decrease in fund balance of \$3,847,805. Therefore the General Fund ended the current fiscal year with \$3,387,050 more than was projected in the final adopted budget. The \$3,387,050 favorable budget to actual variance is due to several factors including total salary savings of approximately \$1.3 million; operational expenditure

savings of approximately \$525,000; an increase in sales tax revenues in the last few months of the fiscal year; and an increase in telecommunication franchise fees of \$500,000.

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 51 days of expenditures.

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

- The City's Debt Service Fund balance of \$4.5 million increased over the prior year fund balance by \$4.2 million due to transfers from the Impact Fee and the Substandard Perimeter Road Funds.
- The net change in fund balance for the Infrastructure Repair Fund was a decrease of \$2.6 million. However, the final budget for the Infrastructure Repair fund resulted in a decrease in fund balance of \$3.9 million resulting in a favorable budget to actual variance of 1.3 million.
- The City's Water Fund net assets of \$70.6 million decreased from the prior year by \$1.6 million as a result of a 13% drop in water consumption.
- The City's Sewer Fund net assets of \$119.2 million increased from the prior year by \$2.9 million due to a rate increase and reducing transfers to other funds.

General Fund Budgetary Highlights

During the fiscal year ending September 30, 2002, 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 \$560,678. 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 ending September 30, 2002, the actual budget based expenditures were \$92.5 million compared to the final budget of \$93.8 million. The \$1.3 million favorable variance was due to salary savings and holding the line on operational expenditures.

For the Fiscal year ending September 30, 2002, the actual budget-based revenues were \$100 million compared to the final budget of \$98 million. The \$2 million favorable variance was due to an unanticipated increase in telecommunication franchise fees; an increase in service fees for sanitation, Salvage, E-911 and other miscellaneous service fees; an unanticipated increase in sales tax revenues during the last few months of the fiscal year; and increased municipal court fines collections.

Economic Factors and Next Year's Budgets and Rates

In spite of the economic slowdown, the City continued to experience strong growth in the property tax base. Taxable values grew 562 million or 6.5% with \$169 million coming from new construction. Furthermore, the City's sales tax revenue began to rise with the opening of a Wal-Mart Super-center and a Sam's Wholesale Club in the State Highway 190 corridor. In addition, a Target super-center is scheduled to open in March 2003.

The City's estimated population at January 1, 2002, grew by 2.4% to 220,946 from the prior year estimated population of 215,768. In addition, the City's unemployment rate of 5.9% at September 30, 2002, was lower than the unemployment rate for the nation, state and the Dallas metroplex area.

The operating budget for the 2003 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
- Identify a sustainable source for funding for street improvements
- Design an employee health insurance plan that is both financially sound and competitive

Highlights of the 2003 fiscal year budget are outlined below:

- The total ad valorem tax rate of 64.11 cents per \$100 of valuation, was unchanged from the 2002 fiscal year.
- The City added 20 new positions in public safety departments. Eight additional firefighters were added for a new fire station in north Garland. Eleven positions were added in the Police Department for patrolmen. Finally, a training coordinator for Emergency Management was added to enhance the City's readiness to respond in the event of a natural or manmade disaster.
- A new funding strategy for the Capital Improvement Program was implemented that utilizes commercial paper and short-term tax notes to fund street improvements. The commercial paper will provide 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 2003 fiscal year budget.
- Changes made to the employee group health insurance plan includes implementing the following: (1) a new funding philosophy based on the City contributing a fixed percentage, rather than a fixed dollar amount towards employee and dependent 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.

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, 2002

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and cash equivalents	\$ 17,722,501	\$ 7,289,516	\$ 25,012,017	\$ 2,397,599
Investments	91,439,555	38,916,810	130,356,365	-
Receivables				
Taxes	1,055,671	-	1,055,671	-
Accounts, net of allowance for uncollectibles	8,430,895	28,700,586	37,131,481	68,327
Assessments	336,627	-	336,627	-
Interest	1,370,697	378,781	1,749,478	190
Other receivables	13,706	-	13,706	-
Due from other governments	1,863,064	-	1,863,064	-
Due from component unit	30,912	-	30,912	-
Inventories	3,442,484	2,494,860	5,937,344	-
Internal Balances	(12,154,468)	12,154,468	-	-
Prepaid and other items	736,382	990,727	1,727,109	268,501
Restricted Assets:				
Cash and cash equivalents	415,079	23,549,878	23,964,957	5,174,164
Investments	2,216,368	101,569,271	103,785,639	-
Accrued interest	23,290	1,247,798	1,271,088	-
Other Assets	-	-	-	136,450
Capital Assets:				
Land	49,818,065	8,215,437	58,033,502	1,441,100
Construction in Progress	56,749,715	81,359,266	138,108,981	-
Buildings, Improvements, Equipment and System, net	164,922,597	335,943,800	500,866,397	7,451,725
Total assets	388,433,140	642,811,198	1,031,244,338	16,938,056
LIABILITIES				
Accounts payable	15,886,569	15,029,233	30,915,802	319,115
Escrow payable	586,166	-	586,166	-
Retainage payable	1,454,545	112,506	1,567,051	-
Accrued interest payable	1,066,405	1,200,509	2,266,914	-
CO's payable current portion	3,640,649	5,874,350	9,514,999	-
GO bonds payable current portion	10,344,348	1,735,653	12,080,001	-
Customer deposits	5,685,578	-	5,685,578	185,130
Due to primary government	-	-	-	30,912
Payable from restricted assets:				
Accounts payable	-	1,645,369	1,645,369	-
Accrued interest payable	-	39,019	39,019	-
Revenue bonds payable current portion	-	6,020,000	6,020,000	-
Deferred revenues	11,041,756	-	11,041,756	8,500
Tax Note Payable	2,800,000	-	2,800,000	-
Due to other governments	1,164,460	723,528	1,887,988	-
GO bonds payable long-term portion	102,993,844	17,916,155	120,909,999	-
Revenue bonds payable long-term portion	-	1,870,000	1,870,000	-
CO's payable long-term portion	43,471,304	137,208,697	180,680,001	-
Landfill closure costs payable	5,486,299	-	5,486,299	-
Compensated absences payable	13,580,300	1,343,805	14,924,105	-
Insurance claims payable net of discount	10,156,515	-	10,156,515	302,417
Total liabilities	229,358,738	190,718,824	420,077,562	846,074
NET ASSETS:				
Invested in capital assets, net of related debt	121,384,580	254,893,648	376,278,228	8,892,825
Restricted	4,547,009	69,072,047	73,619,056	2,929,191
Unrestricted	33,142,813	128,126,679	161,269,492	4,269,966
Total net assets	\$ 159,074,402	\$ 452,092,374	\$ 611,166,776	\$ 16,091,982

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

**City of Garland, Texas
Statement of Activities
September 30, 2002**

Functions/Programs	Expenses	Program Revenues		
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 24,202,192	\$ 7,397,381	\$ 12,943,328	\$ -
Public safety	60,351,565	8,778,000	953,903	-
Public works	32,738,057	11,843,394	640,741	7,153,603
Culture and recreation	18,079,673	2,114,703	1,570,196	-
Public health	2,463,345	170,077	82,917	-
Interest and fiscal charges	8,571,287	-	-	-
Tri City Academy	74,061	-	-	-
Total governmental activities	<u>146,480,180</u>	<u>30,303,555</u>	<u>16,191,085</u>	<u>7,153,603</u>
Business type activities:				
Electric	163,654,263	168,564,076	-	-
Water	21,687,201	20,472,979	-	1,771,844
Sewer	20,249,731	22,401,028	-	1,283,587
Golf	3,102,011	2,086,288	-	-
Heliport	40,068	5,499	-	-
Storm Water Management	2,872,805	3,027,510	-	-
Parks Performance	584,615	569,396	-	-
Sanitation	12,607,400	12,002,268	-	-
Total business-type activities	<u>224,798,094</u>	<u>229,129,044</u>	<u>-</u>	<u>3,055,431</u>
Total primary government	<u>\$ 371,278,274</u>	<u>\$ 259,432,599</u>	<u>\$ 16,191,085</u>	<u>\$ 10,209,034</u>
Component units				
Garland Housing Finance Corp.	\$ 4,765,643	\$ 5,156,224	\$ 29,553	-
Garland Health Facilities Development Corp.	3,335	25,430	-	-
Garland Economic Develop. Corp.	2,960	14,266	-	-

General revenues:
Taxes:
Sales taxes
Franchise taxes
Property taxes
Hotel/Motel taxes
Mixed drink taxes
Bingo taxes
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues, special items, and transfers

Net assets-beginning
Net assets-ending

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
\$ (3,861,483)	\$ -	\$ (3,861,483)	\$ -
(50,619,662)	-	(50,619,662)	-
(13,100,319)	-	(13,100,319)	-
(14,394,774)	-	(14,394,774)	-
(2,210,351)	-	(2,210,351)	-
(8,571,287)	-	(8,571,287)	-
(74,061)	-	(74,061)	-
<u>(92,831,937)</u>	<u>-</u>	<u>(92,831,937)</u>	<u>-</u>
-	4,909,813	4,909,813	-
-	557,622	557,622	-
-	3,434,884	3,434,884	-
-	(1,015,723)	(1,015,723)	-
-	(34,569)	(34,569)	-
-	154,705	154,705	-
-	(15,219)	(15,219)	-
<u>-</u>	<u>(605,132)</u>	<u>(605,132)</u>	<u>-</u>
<u>-</u>	<u>7,386,381</u>	<u>7,386,381</u>	<u>-</u>
<u>(92,831,937)</u>	<u>7,386,381</u>	<u>(85,445,556)</u>	<u>-</u>
-	-	-	\$ 420,134
-	-	-	22,095
-	-	-	11,306
18,248,669	-	18,248,669	-
7,876,575	-	7,876,575	-
56,369,413	-	56,369,413	-
458,478	-	458,478	-
110,445	-	110,445	-
72,911	-	72,911	-
5,742,752	8,382,853	14,125,605	97,653
96,678	1,060,891	1,157,569	97,823
16,191,522	(16,191,522)	-	-
<u>105,167,443</u>	<u>(6,747,778)</u>	<u>98,419,665</u>	<u>195,476</u>
12,335,506	638,603	12,974,109	649,011
146,738,896	451,453,771	598,192,667	15,442,971
<u>\$ 159,074,402</u>	<u>\$ 452,092,374</u>	<u>\$ 611,166,776</u>	<u>\$ 16,091,982</u>

**City of Garland, Texas
Governmental Funds
Balance Sheet
For the Year Ended September 30, 2002**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,429,086	\$ 1,106,267	\$ 10,670,586	\$ 14,205,939
Investments	12,910,481	3,413,591	56,354,014	72,678,086
Receivables:				
Accounts, net	8,430,895	-	-	8,430,895
Taxes, net	615,849	439,822	-	1,055,671
Accrued interest	506,357	506	692,986	1,199,849
Assessments	-	-	336,627	336,627
Other	-	-	13,706	13,706
Due from other funds	715,835	-	-	715,835
Due from other governments	10,285	-	1,852,779	1,863,064
Due from affiliates	-	-	30,912	30,912
Prepaid items	-	-	736,382	736,382
Total Assets	\$ 25,618,788	\$ 4,960,186	\$ 70,687,992	\$ 101,266,966
 LIABILITIES				
Accounts payable	\$ 7,292,427	-	\$ 6,402,723	\$ 13,695,150
Escrow payable	-	-	586,166	586,166
Due to other funds	10,269	-	2,467,764	2,478,033
Deferred revenues	5,193,775	\$ 413,177	11,041,756	16,648,708
Due to other govts.	-	-	1,146,211	1,146,211
Compensated Absences	-	-	551	551
Retainage payable	-	-	1,454,545	1,454,545
Tax Note Payable	-	-	2,800,000	2,800,000
Landfill closure costs	-	-	131,801	131,801
Total Liabilities	12,496,471	413,177	26,031,517	38,941,165
 FUND BALANCES:				
Fund balances:				
Reserved for:				
Debt service	-	4,547,009	-	4,547,009
Capital Projects Funds	-	-	39,534,641	39,534,641
Unreserved, reported in:				
General Fund	13,122,317	-	-	13,122,317
Special Revenue Funds	-	-	5,121,834	5,121,834
Total Fund Balances	13,122,317	4,547,009	44,656,475	62,325,801
 Total Liabilities and Fund Balances	\$ 25,618,788	\$ 4,960,186	\$ 70,687,992	\$ 101,266,966

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, 2002**

Total fund balances - governmental funds	62,325,801
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.	271,490,377
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	5,606,952
Bond interest is not payable within 60 days and is therefore not accrued at the fund level.	(1,039,111)
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	(156,665,986)
Landfill closure costs	(5,354,498)
Compensated absences	(13,001,250)
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. The beginning net assets of \$5,235,867 which relate to the business type activities are reported as internal balances net of capital assets of \$13,565,316 as it related to the internal service funds is included in the capital asset amount above.	<u>(4,287,883)</u>
Total net assets - governmental activities	<u><u>159,074,402</u></u>

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, 2002

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 50,741,506	\$ 23,075,275	\$ 458,478	\$ 74,275,259
Franchise fees	7,876,575	-	-	7,876,575
Service charges	13,790,894	-	-	13,790,894
Licenses and permits	1,787,051	-	-	1,787,051
Earnings on investments	1,083,967	402,568	3,258,555	4,745,090
Intergovernmental	292,216	-	14,495,760	14,787,976
Intragovernmental	5,618,359	-	-	5,618,359
Fines and forfeits	4,290,574	-	-	4,290,574
Rents and concessions	533,773	-	-	533,773
Assessments	-	-	134,341	134,341
Impact Fees	-	-	1,946,127	1,946,127
Contributions	-	-	2,321,702	2,321,702
Program income	-	-	855,348	855,348
Special event income	-	-	927,277	927,277
Miscellaneous and other	-	41,508	1,786,869	1,828,377
Awards	-	-	116,161	116,161
Total revenues	<u>86,014,915</u>	<u>23,519,351</u>	<u>26,300,618</u>	<u>135,834,884</u>
EXPENDITURES				
General government	7,771,073	-	-	7,771,073
Public safety	52,504,755	-	-	52,504,755
Public works	6,584,672	-	-	6,584,672
Culture and recreation	10,644,306	-	-	10,644,306
Public health	2,061,934	-	-	2,061,934
Nondepartmental	12,959,772	-	-	12,959,772
Operations	-	-	26,875,871	26,875,871
Capital outlay	-	-	37,694,712	37,694,712
Debt service:				
Principal	-	14,606,500	-	14,606,500
Interest	-	8,004,673	-	8,004,673
Issuer Contribution	-	243,458	-	243,458
Tri City Academy	-	74,061	-	74,061
Other and fiscal expense	-	343,646	-	343,646
	<u>92,526,512</u>	<u>23,272,338</u>	<u>64,570,583</u>	<u>180,369,433</u>
Excess (deficiency) of revenues over (under) expenditures	(6,511,597)	247,013	(38,269,965)	(44,534,549)
OTHER FINANCING SOURCES (USES)				
Transfers in	14,070,544	4,000,000	11,209,945	29,280,489
Transfers out	(8,019,702)	-	(8,374,816)	(16,394,518)
Proceeds of long-term debt	-	8,027,772	13,765,000	21,792,772
Payment to bond refunding agent	-	(8,027,772)	-	(8,027,772)
Total other financing sources (uses)	<u>6,050,842</u>	<u>4,000,000</u>	<u>16,600,129</u>	<u>26,650,971</u>
Net change in fund balances	(460,755)	4,247,013	(21,669,836)	(17,883,578)
Fund balances - beginning	13,583,072	299,996	66,326,311	80,209,379
Fund balances - ending	<u>\$ 13,122,317</u>	<u>\$ 4,547,009</u>	<u>\$ 44,656,475</u>	<u>\$ 62,325,801</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, 2002

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

Net change in fund balances - total governmental funds	\$ (17,883,578)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$41,993,200 exceeded depreciation in the current period of \$18,331,880.	23,661,320
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	984,657
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.	1,151,378
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.	59,393
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.	4,362,336
Change in net assets of governmental activities	<u>\$ 12,335,506</u>

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

**City of Garland, Texas
General Fund
Budgetary Comparison Schedule
September 30, 2002**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 50,930,361	50,352,115	50,741,506	389,391
Franchise fees	6,453,740	6,991,672	7,876,575	884,903
Service charges	11,954,705	13,283,442	13,790,894	507,452
Licenses and permits	1,598,322	1,687,052	1,787,051	99,999
Earnings on investments	1,219,010	1,102,400	1,083,967	(18,433)
Intergovernmental	226,000	282,072	292,216	10,144
Intragovernmental	5,587,734	5,587,734	5,618,359	30,625
Fines and forfeits	3,780,575	4,051,350	4,290,574	239,224
Rents and concessions	494,665	518,265	533,773	15,508
Total revenues	<u>82,245,112</u>	<u>83,856,102</u>	<u>86,014,915</u>	<u>2,158,813</u>
Expenditures:				
Current:				
General government	8,089,200	8,140,717	7,771,073	369,644
Public safety	51,680,151	52,749,218	52,504,755	244,463
Public works	6,557,100	6,857,959	6,584,672	273,287
Culture and recreation	11,102,780	11,096,631	10,644,306	452,325
Public health	2,045,134	2,074,383	2,061,934	12,449
Nondepartmental	13,858,979	12,936,189	12,959,772	(23,583)
Total expenditures	<u>93,333,344</u>	<u>93,855,097</u>	<u>92,526,512</u>	<u>1,328,585</u>
Excess of revenues over expenditures	<u>(11,088,232)</u>	<u>(9,998,995)</u>	<u>(6,511,597)</u>	<u>3,487,398</u>
Other financing sources (uses):				
Operating transfer in	15,641,917	14,170,892	14,070,544	(100,348)
Operating transfers out	<u>(7,980,777)</u>	<u>(8,019,702)</u>	<u>(8,019,702)</u>	<u>-</u>
Total other financing sources (uses)	<u>7,661,140</u>	<u>6,151,190</u>	<u>6,050,842</u>	<u>(100,348)</u>
Excess of revenues and other sources over expenditures and other uses	<u>(3,427,092)</u>	<u>(3,847,805)</u>	<u>(460,755)</u>	<u>3,387,050</u>
Fund balances, beginning of year	<u>13,583,072</u>	<u>13,583,072</u>	<u>13,583,072</u>	<u>-</u>
Fund balances, end of year	<u>\$ 10,155,980</u>	<u>9,735,267</u>	<u>13,122,317</u>	<u>3,387,050</u>

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

GARLAND

**City of Garland, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2002**

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 5,844,966	\$ 416,662	\$ 681,174	\$ 346,714	\$ 7,289,516	\$ 3,516,562
Investments	31,213,325	2,221,797	3,636,931	1,844,757	38,916,810	18,761,469
Receivable net of allowance	20,812,412	3,319,906	2,903,624	1,664,644	28,700,586	-
Accrued interest	296,666	27,093	37,693	17,329	378,781	170,848
Due from other funds	6,091,694	168,661	-	10,005	6,270,360	517,577
Advance to other funds	2,928,937	-	-	-	2,928,937	-
Inventories	2,494,860	-	-	-	2,494,860	3,442,484
<i>Restricted assets</i>						
Revenue bond retirement fund:						
Cash and cash equivalents	341,098	136,130	63,943	-	541,171	-
Investments	50,647	-	7,738	-	58,385	-
Total revenue bond retirement fund	391,745	136,130	71,681	-	599,556	-
Revenue bond reserve fund:						
Cash and cash equivalents	20,958	110,886	197,586	-	329,430	-
Investments	188,315	1,012,552	1,805,087	-	3,005,954	-
Accrued interest receivable	6,539	9,271	13,884	-	29,694	-
Total revenue bond reserve fund	215,812	1,132,709	2,016,557	-	3,365,078	-
Rate mitigation:						
Cash and cash equivalents	14,090,972	-	-	-	14,090,972	-
Investments	52,625,895	-	-	-	52,625,895	-
Accrued interest	720,458	-	-	-	720,458	-
Total rate mitigation	67,437,325	-	-	-	67,437,325	-
Construction funds:						
Cash and cash equivalents	2,849,231	1,046,984	4,613,605	78,485	8,588,305	415,079
Investments	15,221,262	5,593,357	24,644,819	419,599	45,879,037	2,216,368
Accrued interest	157,321	60,753	271,840	7,732	497,646	23,290
Total revenue bond construction funds	18,227,814	6,701,094	29,530,264	505,816	54,964,988	2,654,737
Total current assets	155,955,556	14,124,052	38,877,924	4,389,265	213,346,797	29,063,677
Noncurrent						
Land	390,398	238,471	311,813	7,274,755	8,215,437	-
System	283,932,144	127,859,808	221,365,491	16,337,334	649,494,777	36,397,236
Construction in progress	54,273,454	2,291,405	11,906,175	12,888,232	81,359,266	94,692
Less accumulated depreciation	(154,208,156)	(53,133,405)	(96,183,157)	(10,026,259)	(313,550,977)	(22,926,612)
Net noncurrent assets	184,387,840	77,256,279	137,400,322	26,474,062	425,518,503	13,565,316
TOTAL ASSETS	340,343,396	91,380,331	176,278,246	30,863,327	638,865,300	42,628,993
LIABILITIES						
Current liabilities:						
<i>Payable from current assets</i>						
Accounts Payable	12,880,283	1,125,628	448,949	574,373	15,029,233	2,191,419
Retainage	20,025	-	92,481	-	112,506	-
Advances from other funds	-	-	-	-	-	2,928,937
Insurance claims payable	-	-	-	-	-	10,156,515
Accrued interest payable:						
General obligation bonds	148	27,041	91,769	4,544	123,502	-
Certificates of obligation	539,918	123,326	333,600	80,163	1,077,007	27,294
Customer deposits	-	-	-	-	-	5,685,578
General obligation bonds	506	78,552	1,577,682	78,913	1,735,653	-
Certificates of obligation	3,122,945	655,919	1,444,589	650,897	5,874,350	634,758
Due to other governments	-	-	-	-	-	18,249
Due to other funds	323,643	-	4,418	3,097,909	3,425,970	1,599,768
Compensated absences	694,646	137,195	244,314	267,650	1,343,805	578,499
Total payable from current assets	17,582,114	2,147,661	4,237,802	4,754,449	28,722,026	23,821,017
<i>Payable from restricted assets</i>						
Accounts payable	409,678	13,407	1,191,872	30,412	1,645,369	-
Due to other governments	467,348	48,442	143,601	64,137	723,528	-
Accrued interest payable-revenue bonds	2,190	14,826	22,003	-	39,019	-
Revenue bonds payable	377,201	1,893,250	3,749,549	-	6,020,000	-
Total payable from restricted assets	1,256,417	1,969,925	5,107,025	94,549	8,427,916	-
Total current liabilities	18,838,531	4,117,586	9,344,827	4,848,998	37,149,942	23,821,017
Long-term Liabilities						
Revenue bonds payable	59,525	1,166,600	643,875	-	1,870,000	-
Certificates of obligation	80,004,307	11,187,160	34,980,689	11,036,541	137,208,697	3,149,401
General obligation bonds	24,472	4,472,350	12,848,666	570,667	17,916,155	-
Unamortized bond issue cost	(12,557)	(215,988)	(741,915)	(20,267)	(990,727)	-
Total other liabilities	80,075,747	16,610,122	47,731,315	11,586,941	156,004,125	3,149,401
Total Liabilities	98,914,278	20,727,708	57,076,142	16,435,939	193,154,067	26,970,418
NET ASSETS						
Invested in capital assets, net of related debt	100,258,818	57,652,081	81,729,903	14,052,337	253,693,139	9,753,863
Restricted	64,620,513	1,837,199	2,614,335	-	69,072,047	-
Unrestricted	76,549,787	11,163,343	34,857,866	375,051	122,946,047	5,904,712
Total net assets	\$ 241,429,118	\$ 70,652,623	\$ 119,202,104	\$ 14,427,388	445,711,233	\$ 15,658,575

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.

6,381,141

Net assets of business type activities

\$ 452,092,374

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, 2002

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 164,692,050	\$ 20,460,061	\$ 22,347,393	\$ 17,690,961	\$ 225,190,465	\$ 30,934,308
Premiums	-	-	-	-	-	18,028,897
Other	4,117,854	40,795	761,765	79,056	4,999,470	707,930
Total Operating Revenues	168,809,904	20,500,856	23,109,158	17,770,017	230,189,935	49,671,135
OPERATING EXPENSES						
Salaries and benefits	14,814,041	2,151,776	4,353,204	6,794,764	28,113,785	42,636,765
Demand charges	52,825,649	-	-	-	52,825,649	-
Fuel purchases	58,012,322	-	-	-	58,012,322	-
Water purchases	-	10,309,136	-	-	10,309,136	-
Landfill fees	-	-	-	3,925,756	3,925,756	-
Maintenance, repairs, and supplies	13,046,520	1,692,919	3,974,477	5,494,535	24,208,451	-
Contractual services	-	-	-	32,300	32,300	-
Telecommunication services	191,942	45,852	57,285	-	295,079	-
Customer services	5,076,886	1,170,179	582,202	-	6,829,267	-
Warehouse operations	108,702	9,545	9,698	-	127,945	-
Data processing	634,293	791,420	211,785	-	1,637,498	-
Facilities management	186,448	505,560	124,443	-	816,451	-
Bad debt expense	1,621,593	276,507	386,669	221,784	2,506,553	-
Insurance and other expenses	3,815,134	404,338	262,353	274,819	4,756,644	-
General and administrative	2,174,802	466,424	744,993	788,579	4,174,798	996,559
Capitalized general and administrative	(494,788)	(298,117)	(4,502)	-	(797,407)	-
Total Operating expenses before depreciation	152,013,544	17,525,539	10,702,607	17,532,537	197,774,227	43,633,324
Depreciation	9,646,792	3,275,569	6,673,342	1,091,551	20,687,254	4,749,629
Total Operating Income (Loss)	7,149,568	(300,252)	5,733,209	(854,071)	11,728,454	1,288,182
NONOPERATING REVENUES (EXPENSES)						
Earnings from investments:						
Current operations	5,126,735	205,469	241,638	120,404	5,694,246	886,107
Revenue bond retirement and reserve fund	34,209	73,146	112,538	-	219,893	-
Construction fund	844,136	279,171	1,322,039	23,368	2,468,714	111,555
Total earnings on investments	6,005,080	557,786	1,676,215	143,772	8,382,853	997,662
Interest expense:						
Revenue bonds	(52,034)	(250,787)	(381,522)	-	(684,343)	-
Certificates of obligation	(4,437,374)	(518,662)	(1,694,667)	(642,222)	(7,292,925)	(83,783)
General obligation bonds	(1,193)	(227,133)	(900,759)	(38,442)	(1,167,527)	-
Less capitalized interest	1,662,908	-	-	-	1,662,908	-
Total interest expense	(2,827,693)	(996,582)	(2,976,948)	(680,664)	(7,481,887)	(83,783)
Income (loss) before operating transfers	10,326,955	(739,048)	4,432,476	(1,390,963)	12,629,420	2,202,061
OPERATING TRANSFERS						
Transfers in	-	-	-	109,606	109,606	3,622,682
Transfers out	(10,565,126)	(2,641,228)	(2,859,144)	(235,630)	(16,301,128)	(317,132)
Net nonoperating revenues (expenses)	(10,565,126)	(2,641,228)	(2,859,144)	(126,024)	(16,191,522)	3,305,550
Capital contributions	-	1,771,844	1,283,587	-	3,055,431	-
NET INCOME (LOSS)	(238,171)	(1,608,432)	2,856,919	(1,516,987)	(506,671)	5,507,611
Net assets, beginning of year	241,667,289	72,261,055	116,345,185	15,944,375	446,217,904	10,150,964
Net assets, end of year	\$ 241,429,118	\$ 70,652,623	\$ 119,202,104	\$ 14,427,388	445,711,233	\$ 15,658,575

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

1,145,274

Change in net assets of business-type activities

\$ 638,603

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, 2002

	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	\$ 176,999,376	\$ 17,870,231	\$ 22,437,358	\$ 17,595,614	\$ 234,902,579	\$ 49,710,406
Cash received for customer deposit						326,139
Cash paid to suppliers	(138,234,983)	(15,253,845)	(6,134,933)	(10,793,179)	(170,416,940)	(32,755,076)
Cash paid to employees for services	(14,815,696)	(2,118,736)	(4,371,795)	(6,626,142)	(27,932,369)	(11,765,686)
Other operating revenues	4,091,511	39,145	61,765	79,056	4,271,477	-
Net cash provided by (used for) operations	28,040,208	536,795	11,992,395	255,349	40,824,747	5,515,783
Cash flows from noncapital financing activities:						
Due to other funds (increases)	323,643	-	4,418	1,655,573	1,983,634	(1,064,118)
Due from other funds (increases)	(391,460)	(68,661)	-	-	(460,121)	79,880
Advance to other funds (decreases)	(472,515)	-	165,000	-	(307,515)	307,515
Due to other governments (decreases)	-	26,501	102,964	17,378	146,843	8,340
Transfers in	-	-	-	109,606	-	3,622,682
Transfers out	(10,565,126)	(2,641,228)	(2,859,144)	(235,630)	(16,301,128)	(317,132)
Net cash provided by (used for) noncapital financing activities	(11,105,458)	(2,683,388)	(2,586,762)	1,546,927	(14,938,287)	2,637,167
Cash flows from financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	3,515,000	7,410,000	180,000	11,105,000	480,000
Acquisition and construction of capital assets	(23,224,105)	(3,607,660)	(8,167,114)	(2,646,775)	(37,645,654)	(3,606,181)
Principal paid on:						
Revenue bonds	(815,765)	(2,152,521)	(3,296,706)	-	(6,264,992)	-
Certificates of obligation	(2,561,536)	(516,285)	(1,009,671)	(786,263)	(4,873,755)	(479,730)
General obligation bonds	(483)	(74,888)	(1,480,585)	(39,434)	(1,595,390)	-
Interest paid on:						
Revenue bonds	(52,773)	(261,671)	(254,617)	-	(569,061)	-
Certificates of obligation	(3,059,270)	(486,920)	(1,722,710)	(639,422)	(5,908,322)	(109,681)
General obligation bonds	(1,196)	(170,084)	(909,609)	(38,133)	(1,119,022)	-
Proceeds from sales of assets	26,343	1,650	-	-	-	56,470
Net cash provided by (used for) capital and related financing activities	(29,688,785)	(3,753,379)	(9,431,012)	(3,970,027)	(46,871,196)	(3,659,122)
Cash flows from investing activities:						
Purchase of investment securities	(143,090,168)	(36,008,911)	(94,676,724)	(7,218,879)	(280,994,682)	(72,048,510)
Proceeds from sale and maturities of investment securities	149,867,459	38,598,911	89,985,623	8,590,777	287,042,770	66,139,234
Interest received on investments	5,999,387	590,686	1,658,715	164,888	8,413,676	972,162
Net cash provided by (used for) investing activities	12,776,678	3,180,686	(3,032,386)	1,536,786	14,461,764	(4,937,114)
Net increase (decrease) in cash and cash equivalents	22,643	(2,719,286)	(3,057,765)	(630,965)	(6,522,972)	(443,286)
Cash and cash equivalents at beginning of the year	23,124,582	4,429,948	8,614,073	1,056,164	37,224,767	4,374,927
Cash and cash equivalents at end of the year	\$ 23,147,225	\$ 1,710,662	\$ 5,556,308	\$ 425,199	\$ 30,701,795	\$ 3,931,641
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities						
Operating income (loss)	\$ 7,149,568	\$ (300,252)	\$ 5,733,209	\$ (854,071)	\$ 11,728,454	\$ 1,288,182
Adjustments:						
Depreciation expense	9,646,792	3,275,569	6,673,342	1,091,551	20,687,254	4,749,629
Gain on sale of fixed assets	(26,343)	(1,650)	-	-	(27,993)	(56,470)
Provision for uncollectible accounts	(195,419)	78,963	(133,507)	22,519	(227,444)	371,094
Change in assets and liabilities						
(increase) decrease in accounts receivable	12,307,326	(2,589,830)	(343,021)	(82,829)	9,291,646	(133,241)
(increase) decrease in inventory	(105,767)	-	-	-	(105,767)	(279,278)
increase (decrease) in accounts payable	(685,160)	72,308	71,198	55,021	(486,633)	(1,505,671)
increase (decrease) in compensated absences	(50,789)	1,687	(8,826)	23,158	(34,770)	33,797
increase (decrease) in customer deposits	-	-	-	-	-	326,139
increase (decrease) in insurance claims payable	-	-	-	-	-	721,602
Total adjustments	20,890,640	837,047	6,259,186	1,109,420	29,096,293	4,227,601
Net cash provided by (used for) operating activities	\$ 28,040,208	\$ 536,795	\$ 11,992,395	\$ 255,349	\$ 40,824,747	\$ 5,515,783

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

City of Garland, Texas
Notes to the Financial Statements
September 30, 2002

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.

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 similarly items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Garland, Texas

Notes to the Financial Statements (Continued)

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 cash is received by the City.

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 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.

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. Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities. These funds are the Parks Fund, the Streets and Drainage Fund, and the Building Fund.

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

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

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 expense.

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.

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 operates 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.

City of Garland, Texas

Notes to the Financial Statements (Continued)

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.

3. *Inventories and prepaid items*

All inventories are valued at average cost and consists 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 assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. 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 \$17,173,858. Of this amount, \$1,662,908 was included as part of the cost of capital assets under construction in connection with electric 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.

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. *Implementation of new accounting principles*

In fiscal year 2002, the City has implemented GASB Statement No. 34, “Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements

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

– Management’s Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34,” and GASB Statement No. 38, “Certain Financial Statement Note Disclosures.” There was no effect on fund balance as a result of implementing these Statements.

GASB 34 creates new basic financial statements for reporting the City’s financial activities. The financial statements now include government-wide statements prepared on an accrual basis of accounting and fund financial statements that present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

As a part of this Statement, there is a new reporting requirement regarding a local government’s infrastructure (streets, bridges, traffic signals, etc.) with required implementation for fiscal years ending after June 15, 2006. The City elected to implement the infrastructure reporting for the year ended September 30, 2002.

As a result of implementing GASB 34, the previously reported governmental fund balance reconciles to net assets of the governmental activities as of September 30, 2001, as follows:

	<u>Governmental</u>
Fund balance, 9/30/2001	\$ 90,360,343
Net capital assets	234,263,741
Long-term liabilities	(176,173,112)
Accrued interest	(1,098,504)
Deferred revenues	4,622,295
Internal service assets	(5,235,867)
Net assets, 9/30/01, full accrual	<u>\$146,738,896</u>

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 \$156,665,986 difference are as follows:

General Obligation bonds	\$105,999,735
Certificates of Obligation	50,666,251
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net assets -- governmental activities</i>	<u>\$156,665,986</u>

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

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

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 \$1,151,378 difference are as follows:

Debt issued or incurred:	
Issuance of certificates of obligation	\$ 13,765,000
Issuance of general obligation refunding bonds	7,982,890
Principal repayments:	
General obligation debt	(11,899,728)
Certificates of obligation	(2,706,772)
Gross payment to refund debt	(8,027,772)
Change in landfill closure liability	(240,426)
Change in compensated absences liability	<u>(24,570)</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><u>\$ 1,151,378</u></u>

III. Stewardship, compliance, and accountability

A. Budgetary information

Annual appropriations for the General Fund, Hotel/Motel Fund, Infrastructure Repair Fund, and the Debt Service Fund. 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 \$971,727. This is the net of a \$560,678 increase in the General Fund, a \$3,799,847 increase in Infrastructure Repair related to prior years encumbrances, a \$359,799 increase in the Hotel/Motel Fund, and a decrease of \$3,748,597 in the Debt Service Fund related to a reduction in planned additional debt payments.

B. Excess of expenditures over appropriations

There are no excesses of expenditures over appropriations for the fiscal year ended September 30, 2002.

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

C. Deficit fund equity

The Group Health Fund deficit of \$2,395,555 was decreased by \$2,862,492 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 \$1,002,266 was decreased by \$2,183,893 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 \$2,277,048 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.

The Warehouse Fund deficit of \$53,826 was created by a reduction in the charges for services for the current year. This deficit will be eliminated by increasing charges to other operating funds in future years.

The Community Development Block Grant Fund had a fund deficit of \$97,663. This deficit was caused by an excess of expenditures over revenues, and will be eliminated through transfers from other funds.

The Hotel/Motel Tax Fund deficit of \$459,634 was decreased by \$74,397 from the prior year. This deficit will be eliminated through revenues recognized in future years.

The Police Training Grant Fund had a fund deficit of \$451. This deficit was caused by an excess of expenditures over revenues, and will be eliminated through transfers from other funds.

IV. Detailed notes on all funds

A. Deposits and investments

At year-end, the carrying amount of the City's deposits was \$(155,938) and the bank balance was \$2,633,587. 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 \$7,315,226. 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 \$163,243, of which \$100,000 was covered by federal depository insurance. \$63,243 was collateralized by securities held by the pledging financial institution, but not in GHFDC's name. The bank balance for GEDA was \$93,294. The entire balance was covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) 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, 2002 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, 2002, to be the fair value of investments. The fair value at the position in TexPool and Logic is the same as the value of the pool shares.

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

At September 30, 2002, all investments 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. Administration of LOGIC is performed by a Board of Directors, which 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	\$ 228,878,198	234,142,010
Commercial Paper	-	-
Total	\$ 228,878,198	234,142,010
Investments not subject to categorization		
TEXPOOL		44,640,749
LOGIC Pooled Investment Trust		4,492,157
Total investments		\$ 283,274,916

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	\$ 506,357	\$ 506	\$ 296,666	\$ 27,093	\$ 37,693	\$ 881,163	\$ 1,749,478
Taxes	615,849	439,822	-	-	-	-	1,055,671
Utility Accounts	6,118	-	17,697,865	2,808,221	1,922,029	1,753,580	24,187,813
Other Accounts	8,425,030	-	3,903,833	619,026	1,128,553	153,533	14,229,975
Assessments	-	-	-	-	-	336,627	336,627
Other	-	-	-	-	-	13,706	13,706
Gross Receivables	9,553,354	440,328	21,898,364	3,454,340	3,088,275	3,138,609	41,573,270
Less: allowance for Uncollectibles	(253)	-	(789,286)	(107,341)	(146,958)	(242,469)	(1,286,307)
Net total receivables	\$9,553,101	\$440,328	\$21,109,078	\$3,346,999	\$2,941,317	\$2,896,140	\$40,286,963

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

Governmental fund 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)	\$ 578,540	-
Delinquent property taxes receivable (debt service fund)	413,177	-
Other delinquent receivables (general fund)	4,582,668	-
Parks service charges for future events	-	\$ 32,567
Grant drawdowns prior to meeting all eligibility requirements	-	3,911,644
Special assessments prior to meeting all eligibility requirements	-	7,130,112
	\$ 5,574,385	\$11,074,323

C. Capital Assets

Capital asset activity for the year ended September 30, 2002 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 44,008,945	\$ 5,809,120	\$ -	\$ 49,818,065
Construction in progress	46,214,734	37,339,297	(26,804,316)	56,749,715
Total capital assets, not being depreciated	90,223,679	43,148,417	(26,804,316)	106,567,780
Capital assets, being depreciated:				
Buildings	47,076,430	2,958,813	-	50,035,243
Improvements other than buildings	330,877,050	17,296,859	-	348,173,909
Machinery and equipment	87,752,456	5,966,194	(528,773)	93,189,877
Internal service buildings, improvements, and equipment	33,393,778	3,536,201	(532,741)	36,397,238
Total capital assets being depreciated	499,099,714	29,758,067	(1,061,514)	527,796,267
Less accumulated depreciation for:				
Buildings	(13,126,510)	(1,213,896)	-	(14,340,406)
Improvements other than buildings	(247,128,894)	(11,578,405)	-	(258,707,299)
Machinery and equipment	(61,389,046)	(6,039,079)	528,773	(66,899,352)
Internal service buildings, improvements, and equipment	(18,709,725)	(4,749,629)	532,741	(22,926,613)
Total accumulated depreciation	(340,354,175)	(23,581,009)	1,061,514	(362,873,670)
Total capital assets, being depreciated, net	158,745,539	6,177,058	-	164,922,597
Governmental activities capital assets, net	\$248,969,218	\$49,325,475	\$(26,804,316)	\$271,490,377

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	\$ 8,155,474	\$ 59,963	\$ -	\$ 8,215,437
Construction in progress	56,293,348	34,133,275	(9,067,357)	81,359,266
Total capital assets, not being depreciated	<u>64,448,822</u>	<u>34,193,238</u>	<u>(9,067,357)</u>	<u>89,574,703</u>
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	634,093,540	15,801,051	(399,814)	649,494,777
Total capital assets being depreciated	<u>634,093,540</u>	<u>15,801,051</u>	<u>(399,814)</u>	<u>649,494,777</u>
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(293,246,890)	(20,687,254)	383,167	(313,550,977)
Total accumulated depreciation	<u>(293,246,890)</u>	<u>(20,687,254)</u>	<u>383,167</u>	<u>(313,550,977)</u>
Total capital assets, being depreciated, net	<u>340,846,650</u>	<u>(4,886,203)</u>	<u>(16,647)</u>	<u>335,943,800</u>
Business-type activities capital assets, net	<u>\$405,295,472</u>	<u>\$29,307,035</u>	<u>\$ (9,084,004)</u>	<u>\$425,518,503</u>

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

Governmental activities:	
General government	\$ 823,464
Public safety	1,932,712
Public works	14,149,583
Culture and recreation	1,895,879
Public health	29,742
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>4,749,629</u>
Total depreciation expense -- governmental activities	<u>\$ 23,581,009</u>
Business-type activities:	
Electric	\$ 9,646,792
Water	3,275,569
Sewer	6,673,342
Other non-major business-type activities	<u>1,091,551</u>
Total depreciation expense -- business-type activities	<u>\$ 20,687,254</u>

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

Construction commitments

The City has active construction projects as of September 30, 2002. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Electric system	\$ 6,818,581	\$ 395,309
Water system	1,688,604	156,535
Sewer system	13,148,300	2,615,869
Parks	6,591,006	2,023,367
Streets and Drainage	13,095,056	5,861,898
Buildings	16,134,385	10,893,556
Total	<u>\$57,475,932</u>	<u>\$21,946,534</u>

The City's arbitrage rebate liability at September 30, 2002, as defined in Section 148 (f) (2) of the Internal Revenue Code of 1986, is \$1,887,988 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, 2002, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 141,100	-	-	\$ 141,100
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, 2002, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 141,100	-	-	\$ 141,100
GHFDC capital assets, net	<u>\$ 141,100</u>	<u>-</u>	<u>-</u>	<u>\$ 141,100</u>
	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	8,897,583	\$ 17,392	-	8,914,975
Furniture and fixtures	1,098,052	3,547	-	1,101,599
Total capital assets being depreciated	<u>9,995,635</u>	<u>20,939</u>	<u>-</u>	<u>10,016,574</u>
Less accumulated depreciation	<u>(2,096,187)</u>	<u>(468,662)</u>	<u>-</u>	<u>(2,564,849)</u>
Total capital assets being depreciated, net	<u>7,899,448</u>	<u>(447,723)</u>	<u>-</u>	<u>7,451,725</u>
GHFC capital assets, net	<u>\$ 9,199,448</u>	<u>\$ (447,723)</u>	<u>-</u>	<u>\$ 8,751,725</u>

Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2002, is as follows:

Interfund Payable	Interfund Receivable					Total
	General	Electric	Water	Non-major Business-type	Internal Service	
General	\$ -	-	10,269	-	-	10,269
Non-major Governmental	-	1,840,182	100,000	10,005	517,577	2,467,764
Electric	323,643	-	-	-	-	323,643
Sewer	4,418	-	-	-	-	4,418
Internal Service	-	1,541,376	58,392	-	-	1,599,768
Non-major Business-type	387,774	2,710,136	-	-	-	3,097,910
	<u>\$ 715,835</u>	<u>6,091,694</u>	<u>168,661</u>	<u>10,005</u>	<u>517,577</u>	<u>7,503,772</u>

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.

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

The composition of advances to\from at September 30, 2002, is as follows:

Advance Payable	Advance Receivable	
	Electric	Total
Internal Service	\$ 2,928,937	\$ 2,928,937
	\$ 2,928,937	\$ 2,928,937

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 Fund	Non-major Governmental Funds	Non-major Business-type Funds	Internal Service Funds	Debt Service Fund	Total	Transfers
General	\$ -	6,398,623	109,606	1,511,473	-	8,019,702
Non-major Governmental	-	4,270,000	-	104,816	4,000,000	8,374,816
Electric	9,279,470	-	-	1,285,656	-	10,565,126
Water	2,028,686	541,322	-	71,220	-	2,641,228
Sewer	2,716,623	-	-	142,521	-	2,859,144
Non-major Business-type	45,765	-	-	189,865	-	235,630
Internal Service	-	-	-	317,132	-	317,132
Total	\$ 14,070,544	11,209,945	109,606	3,622,683	4,000,000	33,012,778

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

E. Long-term debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2002, is as follows:

	Balance at October 1, 2001	Increased	Retired	Balance at September 30, 2002	Due within one year
<u>Governmental activities:</u>					
General obligation bonds	\$ 125,282,802	7,982,890	19,927,500	113,338,192	10,344,348
Certificates of obligation	36,053,198	14,245,000	3,186,245	47,111,953	3,640,649
Tax Note	-	2,800,000	-	2,800,000	2,800,000
Advance from other funds	2,621,422	307,515	-	2,928,937	-
Landfill post closure cost	5,594,924	-	240,426	5,354,498	-
Compensated absences	13,570,779	9,521	-	13,580,300	-
Governmental activity					
Long-term debt	\$ 183,123,125	25,344,926	23,354,171	185,113,880	16,784,997
<u>Business-type activities:</u>					
Utility System revenue bonds	14,154,999	-	6,264,999	7,890,000	6,020,000
General obligation bonds	21,247,198	67,110	1,662,500	19,651,808	1,735,653
Certificates of obligation	136,851,802	11,105,000	4,873,755	143,083,047	5,874,350
Compensated absences	1,378,575	-	34,770	1,343,805	-
Business-type activity					
Long-term debt	\$ 173,632,574	11,172,110	12,836,024	171,968,660	13,630,003

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

Long-term debt at September 30, 2002 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	6/1/1994	8/15/2013	\$ 8,840,000	6,985,000	1,855,000
1995 Various purpose	5.50 -- 5.70	6/16/1995	8/15/2015	7,005,000	5,375,000	1,630,000
1995B Refunding	5.25 -- 5.50	6/16/1995	8/15/2007	24,325,000	12,880,000	11,445,000
1996 Various purpose	5.10 -- 8.10	5/7/1996	2/15/2016	9,520,000	7,405,000	2,115,000
1997 Various purpose	5.125 -- 7.125	5/7/1997	2/15/2017	6,375,000	890,000	5,485,000
1998 Various purpose	4.50 -- 5.00	3/15/1998	2/15/2019	48,890,000	1,275,000	47,615,000
1999 Various purpose	4.05 -- 5.30	3/30/1999	2/15/2019	18,375,000	1,490,000	16,885,000
1999A Refunding	4.05 -- 5.30	2/22/1999	2/15/2016	13,335,000	75,000	13,260,000
2000 Various purpose	5.50 -- 6.50	2/22/2000	2/15/2020	10,820,000	365,000	10,455,000
2001 Various purpose	4.25 -- 5.00	4/1/2001	2/15/2021	14,315,000	120,000	14,195,000
2002 Refunding	3.75 -- 4.50	5/21/2002	2/15/2010	8,050,000	-	8,050,000
				<u>169,850,000</u>	<u>36,860,000</u>	<u>132,990,000</u>
Certificates of obligation:						
1993 Various purpose	4.75 -- 5.00	5/1/1993	8/15/2003	2,090,000	1,870,000	220,000
1994 Various purpose	5.00 -- 6.50	6/1/1994	8/15/2009	1,950,000	1,425,000	525,000
1995 Various purpose	5.50 -- 5.70	3/15/1995	8/15/2015	10,900,000	8,090,000	2,810,000
1996 Various purpose	5.20 -- 8.00	5/1/1996	2/15/2016	18,580,000	14,465,000	4,115,000
1997 Various purpose	5.00 -- 7.00	3/15/1997	2/15/2017	11,930,000	2,535,000	9,395,000
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	2,735,000	22,560,000
1998TX Electric	6.50	3/15/1998	2/15/2005	1,600,000	805,000	795,000
1999 Various purpose	3.15 -- 5.15	2/22/1999	2/15/2019	20,780,000	2,835,000	17,945,000
2000 Various purpose	5.00 -- 5.75	2/22/2000	5/15/2020	63,950,000	2,250,000	61,700,000
2001 Various purpose	4.25 -- 5.25	4/1/2001	2/15/2021	45,320,000	1,140,000	44,180,000
2002 Various purpose	3.75 -- 5.25	5/21/2002	2/15/2022	25,350,000	-	25,350,000
				<u>228,345,000</u>	<u>38,150,000</u>	<u>190,195,000</u>
Utility System revenue bonds:						
1992 Various purpose	3.40 -- 6.20	5/1/1992	5/1/2006	37,245,000	30,495,000	6,750,000
1993 Various purpose	3.40 -- 6.20	5/1/1993	5/1/2009	1,815,000	815,000	1,000,000
1994 Various purpose	5.00 -- 5.20	6/1/1994	9/1/2004	675,000	535,000	140,000
				<u>39,735,000</u>	<u>31,845,000</u>	<u>7,890,000</u>
Tax anticipation note:						
2002 Tax anticipation	2.25	9/24/2002	9/29/2003	2,800,000	-	2,800,000
				<u>\$ 2,800,000</u>	<u>-</u>	<u>2,800,000</u>

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

The annual requirements to amortize outstanding debt and advances from other funds as of September 30, 2002, including interest payments of \$126,152,363 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:

		Governmental Funds					
Years Ending September 30,		Certificates					TN Interest
		General Obligation	GO Interest	of Obligation	CO Interest	Tax Note	
2003	\$	10,344,348	2,859,725	3,640,649	2,474,087	2,800,000	64,050
2004		6,658,299	2,519,615	3,654,065	2,060,220	-	-
2005		6,308,378	2,361,767	3,573,640	1,887,036	-	-
2006		6,602,847	2,212,716	3,471,775	1,712,974	-	-
2007		6,502,944	2,056,525	3,311,615	1,549,554	-	-
2008-2012		35,197,521	7,753,900	12,716,927	5,664,487	-	-
2013-2017		29,611,453	3,621,029	9,695,087	3,026,884	-	-
2018-2022		12,112,402	611,682	7,048,195	826,167	-	-
Total	\$	113,338,192	23,996,959	47,111,953	19,201,409	2,800,000	64,050

		Proprietary Funds					
Years Ending September 30,		Revenue		Certificates			
		Revenue	Interest	General Obligation	GO Interest	of Obligation	CO Interest
2003	\$	6,020,000	234,116	1,735,653	977,135	5,874,350	7,414,564
2004		800,000	54,191	2,026,701	886,574	6,520,935	6,923,807
2005		290,000	30,544	2,101,622	780,357	6,741,360	6,596,929
2006		305,000	22,133	2,197,153	670,289	6,608,225	6,261,549
2007		150,000	13,185	2,302,056	557,523	6,553,385	5,932,721
2008-2012		325,000	13,680	3,647,479	1,787,868	33,563,074	24,882,462
2013-2017		-	-	5,033,546	722,338	44,894,913	14,830,448
2018-2022		-	-	607,598	27,663	31,726,805	3,105,044
2023-2027		-	-	-	-	600,000	165,000
Total	\$	7,890,000	367,849	19,651,808	6,409,747	143,083,047	76,112,524

At September 30, 2002, the City has authorized but not issued general obligation bonds in the amount of \$75,356,586 as follows:

	Balance at Oct.1, 2001	Issued	Balance at Sept.30, 2002
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	<u>13,621,086</u>	<u>-</u>	<u>13,621,086</u>
	<u>\$ 75,356,586</u>	<u>-</u>	<u>75,356,586</u>

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

At September 30, 2002, the City has authorized but not issued revenue bonds in the amount of \$2,093,000 as follows:

		Balance at <u>Oct.1, 2001</u>	Issued	Balance at <u>Sept.30, 2002</u>
Electric	\$	1,917,000	-	1,917,000
Water		1,000	-	1,000
Sewer		175,000	-	175,000
	\$	<u>2,093,000</u>	<u>-</u>	<u>2,093,000</u>

General Obligation Bonds, Certificates of Obligation, and Advances from other funds other than those applicable to Proprietary Fund operations, are reflected in the General Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. 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 Utility System 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. The ordinances authorizing the Utility System revenue bonds stipulate that the City will deposit, in addition to current principal and interest requirements, certain amounts as a restricted asset. Deposits in such reserve funds at September 30, 2002 are adequate to meet the various debt service requirements of the bond ordinances.

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.

Long-term debt issues for the year are as follows:

<u>Issue</u>		<u>Principal</u>	<u>Net Interest Cost</u>
Certificates of Obligation, Series 2002	\$	25,350,000	4.794%
General Obligation Refunding Bonds, Series 2002		8,050,000	3.953%
Tax Anticipation Note, Series 2002		2,800,000	2.250%

On May 21, 2002, The City issued \$8,050,000 in General Obligation Refunding Bonds to advance refund \$8,095,000 of outstanding General Obligation Bonds. An amount of \$8,422,209 was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's combined financial statements. As a result of the refunding, the City increased its total debt service payments over the next eight years by \$51,439 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$226,588. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of \$327,209.

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, 2002, \$28,030,000 of General Obligation Bonds, \$13,515,000 of Certificates of Obligation, all of which are considered defeased, is still outstanding.

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 745 administered by TMRS,

City of Garland, Texas

Notes to the Financial Statements (Continued)

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.

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 200 was \$93,099,514, and the City's contributions were based on a payroll of \$89,586,033. Both the City and the covered employees made the required contributions, amounting to \$12,802,322 for the City and \$6,271,518 (7 %) for the employees.

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

A summary of City and employee contributions for the fiscal year ending September 30, 2002, 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 2001	\$23,997,788	10.11%	\$2,426,177	3.87%	\$928,714	0.23%	\$55,195	14.21%	\$3,410,086
Months in calendar year 2002	65,588,245	10.12%	6,637,530	3.97%	2,603,853	0.23%	150,853	14.32%	9,392,236
Total Fiscal Year	<u>\$89,586,033</u>		<u>\$9,063,707</u>		<u>\$3,532,567</u>		<u>\$206,048</u>		<u>\$12,802,322</u>
Employee Contribution:									
Months in calendar year 2001	\$23,997,788	7.00%	\$1,679,845	-	-	-	-	7.00%	\$1,679,845
Months in calendar year 2002	65,588,245	7.00%	4,591,673	-	-	-	-	7.00%	4,591,673
Total Fiscal Year	<u>\$89,586,033</u>		<u>\$6,271,518</u>		<u>-</u>		<u>-</u>		<u>\$6,271,518</u>
Total City and Employee Contributions			<u>\$15,335,225</u>		<u>\$3,532,567</u>		<u>\$206,048</u>		<u>\$19,073,840</u>

Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2000	11,446,106	100%	--
2001	12,206,011	100%	--
2001	12,802,322	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:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12-31-2000	216,171,046	274,873,063	78.6%	58,702,017	76,310,319	76.9%
12-31-2001	231,692,041	297,767,673	77.8%	66,075,632	81,279,170	81.3%
12-31-2002	247,160,319	319,708,278	77.3%	72,547,959	85,759,730	84.6%

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 \$7,272,309 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, 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, 2002, a liability of \$2,444,317 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. Premiums are paid entirely by the retired employees and claims are paid through the Group Health Fund. For the year ended September 30, 2002, claims paid for the 356 retirees in the plan totaled \$2,139,773 and premium contributions received from the retired employees totaled \$1,133,422.

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 2001 and 2002 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 – 2001	4,357,069	8,086,609	8,086,609	4,357,069
Self Insurance – 2002	4,357,069	3,572,198	3,184,832	4,744,435
Long-Term Disability – 2001	2,386,411	368,595	368,595	2,386,411
Long-Term Disability – 2002	2,386,411	907,248	325,896	2,967,763
Group Health – 2001	1,895,365	11,561,798	10,765,730	2,691,433
Group Health – 2002	2,691,433	9,530,149	9,777,265	2,444,317

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.

TMPA is excluded from this report because it is a separate entity, which is governed by a separate board of directors. 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, 2002 are as follows:

Description	Garland			Total
	Garland Housing Finance Corporation	Health Facilities Development Corporation	Garland Economic Development Corporation	
Capital assets, net of depreciation	\$ 8,751,725	141,100	-	8,892,825
Other assets	7,748,808	188,863	107,560	8,045,231
Total assets	16,500,533	329,963	107,560	16,938,056
Due to primary government	30,912	-	-	30,912
Other liabilities	815,162	-	-	815,162
Total liabilities	846,074	-	-	846,074
Amounts invested in capital assets				
net of related debt	8,751,725	141,100	-	8,892,825
Restricted net assets	2,929,191	-	-	2,929,191
Unrestricted net assets	3,973,543	188,863	107,560	4,269,966
Total net assets	15,654,459	329,963	107,560	16,091,982
Depreciation	468,662	-	-	468,662
Other expenses	4,296,981	3,335	2,960	4,303,276
Program revenues	5,185,777	25,430	14,266	5,225,473
Other revenues	192,805	2,671	-	195,476
Change in net assets	612,939	24,766	11,306	649,011
Beginning net assets	15,041,520	305,197	96,254	15,442,971
Ending net assets	\$ 15,654,459	329,963	107,560	16,091,982

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, 2002, is as follows:

Series	Garland			Total
	Garland Housing Finance Corporation	Health Facilities Development Corporation	Garland Economic Development Corporation	
1984	\$ -	-	9,500,000	9,500,000
1985	-	-	800,000	800,000
1994	2,270,000	-	-	2,270,000
1995	-	-	4,150,000	4,150,000
1997	-	25,060,782	-	25,060,782
1998	12,439,573	-	-	12,439,573
2000	11,523,404	-	-	11,523,404
2002	19,814,780	-	-	19,814,780
	\$ 46,047,757	25,060,782	14,450,000	85,558,539

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

L. Landfill Closure And Postclosure Care Cost

As of September 30, 2002, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill and transfer station is \$7,182,616, \$24,909,258 and \$21,171 respectively. The \$5,486,299 reported in the General Long-Term Debt Account Group 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, 0.84% use of the Raney landfill, 100.00% of the closure cost for the transfer station, less expenditures to date of \$1,919,010, and less \$131,801 for the landfill closure cost liability carried in the Landfill Closure Fund which is a Special Revenue Fund. The City will recognize the remaining estimated closure and postclosure care costs of \$24,839,536 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. The landfill closure cost liability of \$131,801 reported for the Landfill Closure Fund represents the amount expected to be paid from available resources to close the landfill. Expenditures to date of \$1,919,010 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 \$77,280 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.

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 which 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.

GARLAND

City of Garland, Texas
Nonmajor Governmental Funds
Balance Sheet
September 30, 2002

Special Revenue Funds

	CDBG	Housing Assistance Pgm.	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair
Assets:						
Cash and cash equivalents	-	\$ 540,201	\$ 144,534	-	\$ 1,168,582	\$ 233,069
Investments	-	2,885,663	768,326	-	6,242,100	1,243,320
Receivables:						
Accrued interest	-	\$ 31,268	14,708	-	82,900	34,218
Assessments	-	-	-	-	-	336,627
Other	-	-	3,577	\$ 10,000	-	129
Due from other governments	\$ 253,789	90,008	839,552	-	-	-
Due from affiliates	-	-	30,912	-	-	-
Prepaid items	-	736,382	-	-	-	-
Total Assets	\$ 253,789	\$ 4,283,522	\$ 1,801,609	\$ 10,000	7,493,582	\$ 1,847,363

LIABILITIES

Current liabilities:						
Accounts payable	\$ 72,421	\$ 631,394	\$ 105,088	\$ 3,739	\$ 142,140	\$ 603,608
Due to other funds	279,031	-	339,100	465,895	-	-
Escrow payable	-	-	-	-	-	-
Deferred revenues	-	3,652,128	30,912	-	5,176,420	336,628
Due to other govts.	-	-	-	-	-	-
Landfill closure costs	-	-	-	-	-	-
Compensated Absences	-	-	551	-	-	-
Retainage Payable	-	-	-	-	-	-
Tax Note Payable	-	-	-	-	-	-
Total Liabilities	351,452	4,283,522	475,651	469,634	5,318,560	940,236

FUND BALANCES

Reserved for:						
Capital Projects Funds	-	-	-	-	-	-
Unreserved, reported in:						
Special Revenue Funds	(97,663)	-	1,325,958	(459,634)	2,175,022	907,127
Total fund balances	(97,663)	-	1,325,958	(459,634)	2,175,022	907,127
Total Liabilities and Fund Balances	\$ 253,789	\$ 4,283,522	\$ 1,801,609	\$ 10,000	\$ 7,493,582	\$ 1,847,363

Special Revenue Funds						Capital Projects Funds			Total
Landfill Closure	NETLS	Police Training	Substandard		Library Contributions	Parks	Streets and Drainage	Building	Other Governmental Funds
			Perimeter Road	Narcotic Seizure					
\$ 53,966	\$ 500	\$ 273,199	\$ 183,641	\$ 317,639	\$ 8,338	\$ 1,000,909	\$ 2,516,552	\$ 4,229,456	\$ 10,670,586
288,760			980,763	107,098	44,844	5,347,684	13,443,858	25,001,598	56,354,014
3,714	-	-	29,151	1,364	476	64,772	140,929	289,486	692,986
-	-	-	-	-	-	-	-	-	336,627
-	-	-	-	-	-	-	-	-	13,706
-	\$ 576,118	93,312	-	-	-	-	-	-	1,852,779
-	-	-	-	-	-	-	-	-	30,912
-	-	-	-	-	-	-	-	-	736,382
<u>\$ 346,440</u>	<u>\$ 576,618</u>	<u>\$ 366,511</u>	<u>\$ 1,193,555</u>	<u>\$ 426,101</u>	<u>\$ 53,658</u>	<u>\$ 6,413,365</u>	<u>\$ 16,101,339</u>	<u>\$ 29,520,540</u>	<u>\$ 70,687,992</u>
\$ 26,015	\$ 32,997	\$ 100,823	-	\$ 2,362	-	\$ 744,490	\$ 1,569,250	\$ 2,368,396	\$ 6,402,723
-	543,621	37,535	-	-	-	-	-	802,582	2,467,764
-	-	-	321,646	264,520	-	-	-	-	586,166
-	-	228,604	-	-	-	-	1,617,064	-	11,041,756
1,935	-	-	-	-	-	184,447	490,461	469,368	1,146,211
131,801	-	-	-	-	-	-	-	-	131,801
-	-	-	-	-	-	-	-	-	551
-	-	-	-	-	-	406,079	218,278	830,188	1,454,545
-	-	-	-	-	-	-	2,800,000	-	2,800,000
<u>159,751</u>	<u>576,618</u>	<u>366,962</u>	<u>321,646</u>	<u>266,882</u>	<u>-</u>	<u>1,335,016</u>	<u>6,695,053</u>	<u>4,470,534</u>	<u>26,031,517</u>
-	-	-	-	-	-	5,078,349	9,406,286	25,050,006	39,534,641
186,689	-	(451)	871,909	159,219	53,658	-	-	-	5,121,834
186,689	-	(451)	871,909	159,219	53,658	5,078,349	9,406,286	25,050,006	44,656,475
<u>\$ 346,440</u>	<u>\$ 576,618</u>	<u>\$ 366,511</u>	<u>\$ 1,193,555</u>	<u>\$ 426,101</u>	<u>\$ 53,658</u>	<u>\$ 6,413,365</u>	<u>\$ 16,101,339</u>	<u>\$ 29,520,540</u>	<u>\$ 70,687,992</u>

City of Garland, Texas
Nonmajor Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
September 30, 2002

	Special Revenue Funds					
	CDBG	Housing Assistance Pgm.	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair
REVENUES:						
Taxes	-	-	-	\$ 458,478	-	-
Earnings on investments	-	\$ 168,021	\$ 44,782	-	\$ 386,787	\$ 80,433
Intergovernmental	\$ 2,423,865	8,433,620	1,491,179	-	-	-
Assessments	-	-	-	-	-	97,505
Impact Fees	-	-	-	-	1,946,127	-
Contributions	-	1,195	-	-	-	-
Program income	88,541	-	653,431	-	-	-
Special event income	-	-	-	927,277	-	-
Awards	-	-	-	-	-	-
Miscellaneous and other	-	544,573	272,574	6,058	-	242,096
Total Revenues	2,512,406	9,147,409	2,461,966	1,391,813	2,332,914	420,034
EXPENDITURES:						
Current:						
Operations	1,379,448	9,131,893	2,920,894	1,314,728	14,481	10,030,985
Capital outlay	1,230,621	15,516	14,288	-	-	39,412
Total Expenditures	2,610,069	9,147,409	2,935,182	1,314,728	14,481	10,070,397
Excess (deficiency) of revenues over (under) expenditures	(97,663)	-	(473,216)	77,085	2,318,433	(9,650,363)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	243,544	-	-	8,591,401
Transfers out	-	-	-	(2,688)	(1,946,127)	(1,512,128)
Other financing sources	-	-	-	-	-	-
Total other financing sources (uses)	-	-	243,544	(2,688)	(1,946,127)	7,079,273
Net change in fund balances	(97,663)	-	(229,672)	74,397	372,306	(2,571,090)
Fund balances - beginning	-	-	1,555,630	(534,031)	1,802,716	3,478,217
Fund balances - ending	\$ (97,663)	\$ -	\$ 1,325,958	\$ (459,634)	\$ 2,175,022	\$ 907,127

Special Revenue Funds						Capital Projects Funds			Total Other Governmental Funds
Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Parks	Streets and Drainage	Building	
-	-	-	-	-	-	-	-	-	\$ 458,478
\$ 33,059	-	\$ 5,335	\$ 114,040	\$ 10,531	\$ 2,433	\$ 324,025	\$ 771,884	\$ 1,317,225	3,258,555
-	\$ 1,545,726	601,370	-	-	-	-	-	-	14,495,760
-	-	-	-	-	-	-	36,836	-	134,341
-	-	-	640,741	-	1,896	-	-	-	1,946,127
-	113,376	-	-	-	-	-	1,677,870	-	2,321,702
-	-	-	-	-	-	-	-	-	855,348
-	-	-	-	116,161	-	-	-	-	927,277
-	34	49,647	-	3,116	-	-	668,771	-	1,786,869
33,059	1,659,136	656,352	754,781	129,808	4,329	324,025	3,155,361	1,317,225	26,300,618
-	1,632,822	303,060	-	147,560	-	-	-	-	26,875,871
-	26,314	353,743	-	48,243	71	3,608,291	14,052,373	18,305,840	37,694,712
-	1,659,136	656,803	-	195,803	71	3,608,291	14,052,373	18,305,840	64,570,583
33,059	-	(451)	754,781	(65,995)	4,258	(3,284,266)	(10,897,012)	(16,988,615)	(38,269,965)
-	-	-	-	-	-	-	1,410,000	965,000	11,209,945
-	-	-	(2,053,873)	-	-	-	(1,220,000)	(1,640,000)	(8,374,816)
-	-	-	-	-	-	-	650,809	13,114,191	13,765,000
-	-	-	(2,053,873)	-	-	-	840,809	12,439,191	16,600,129
33,059	-	(451)	(1,299,092)	(65,995)	4,258	(3,284,266)	(10,056,203)	(4,549,424)	(21,669,836)
153,630	-	-	2,171,001	225,214	49,400	8,362,615	19,462,489	29,599,430	66,326,311
186,689	-	(451)	871,909	159,219	53,658	5,078,349	9,406,286	25,050,006	44,656,475

GARLAND

**City of Garland, Texas
Debt Service Fund
Budgetary Comparison Schedule
September 30, 2002**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
General property taxes	\$ 23,004,929	23,004,929	23,075,275	70,346
Earnings on investments	490,000	415,000	402,568	(12,432)
Miscellaneous and other	-	-	41,508	41,508
Total Revenues	<u>23,494,929</u>	<u>23,419,929</u>	<u>23,519,351</u>	<u>99,422</u>
Expenditures:				
Principal retirement	14,606,500	14,606,500	14,606,500	-
Interest	8,248,132	8,248,132	8,004,673	243,459
Tri City Academy	74,061	74,061	74,061	-
Issuer Contribution	243,458	243,458	243,458	-
Fiscal charges and other	332,746	332,746	343,646	(10,900)
Total Expenditures	<u>23,504,897</u>	<u>23,504,897</u>	<u>23,272,338</u>	<u>232,559</u>
Excess (deficiency) of revenues over expenditures	<u>(9,968)</u>	<u>(84,968)</u>	<u>247,013</u>	<u>331,981</u>
Other financing sources:				
Proceeds of general obligation refunding bonds	-	-	8,027,772	8,027,772
Payment to general obligation refunded bond escrow agent	-	-	(8,027,772)	(8,027,772)
Operating transfers in	4,000,000	4,000,000	4,000,000	-
Total other financing sources	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>-</u>
Deficiency of revenues and other financing sources over expenditures	3,990,032	3,915,032	4,247,013	331,981
Fund balance, beginning of year	<u>299,996</u>	<u>299,996</u>	<u>299,996</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,290,028</u>	<u>4,215,028</u>	<u>4,547,009</u>	<u>331,981</u>

City of Garland, Texas
Hotel/Motel And Infrastructure Repair Funds
Budgetary Comparison Schedules
September 30, 2002

	<u>Hotel/Motel Tax</u>			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Occupancy taxes	\$ 520,550	461,080	458,478	(2,602)
Earnings on investments	-	-	-	-
Assessments	-	-	-	-
Contributions	-	-	-	-
Special event income	750,000	960,155	927,277	(32,878)
Miscellaneous and other	5,000	5,000	6,058	1,058
Total revenues	<u>1,275,550</u>	<u>1,426,235</u>	<u>1,391,813</u>	<u>(34,422)</u>
Expenditures:				
Current:				
Operations	1,012,189	1,371,988	1,314,728	57,260
Capital	-	-	-	-
Total expenditures	<u>1,012,189</u>	<u>1,371,988</u>	<u>1,314,728</u>	<u>57,260</u>
Excess (deficiency) of revenues over expenditures	<u>263,361</u>	<u>54,247</u>	<u>77,085</u>	<u>22,838</u>
Other financing sources:				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(2,688)	(2,688)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(2,688)</u>	<u>(2,688)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	263,361	54,247	74,397	20,150
Fund balances (deficit), beginning of year	(534,031)	(534,031)	(534,031)	-
Fund balances (deficit), end of year	<u>\$ (270,670)</u>	<u>(479,784)</u>	<u>(459,634)</u>	<u>20,150</u>

Infrastructure Repair				Total Special Revenue		
Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
-	-	-	-	461,080	458,478	(2,602)
240,000	125,000	80,433	(44,567)	125,000	80,433	(44,567)
-	-	97,505	97,505	-	97,505	97,505
-	-	-	-	-	-	-
-	-	-	-	960,155	927,277	(32,878)
65,000	130,000	242,096	112,096	135,000	248,154	113,154
305,000	255,000	420,034	165,034	1,681,235	1,811,847	130,612
8,754,940	11,057,838	10,030,988	1,026,850	12,429,826	11,345,716	1,084,110
49,500	114,802	39,409	75,393	114,802	39,409	75,393
8,804,440	11,172,640	10,070,397	1,102,243	12,544,628	11,385,125	1,159,503
(8,499,440)	(10,917,640)	(9,650,363)	1,267,277	(10,863,393)	(9,573,278)	1,290,115
8,591,401	8,591,401	8,591,401	-	8,591,401	8,591,401	-
(116,961)	(1,548,608)	(1,512,128)	36,480	(1,548,608)	(1,514,816)	33,792
8,474,440	7,042,793	7,079,273	36,480	7,042,793	7,076,585	33,792
(25,000)	(3,874,847)	(2,571,090)	1,303,757	(3,820,600)	(2,496,693)	1,323,907
3,478,217	3,478,217	3,478,217	-	2,944,186	2,944,186	-
3,453,217	(396,630)	907,127	1,303,757	(876,414)	447,493	1,323,907

**City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Assets
September 30, 2202**

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
ASSETS						
Current assets:						
<i>Unrestricted</i>						
Cash and cash equivalents	-	\$ 16,571	\$ 113,039	\$ 32,749	\$ 184,355	\$ 346,714
Investments	-	88,457	603,547	175,331	977,422	1,844,757
Receivable net of allowance	\$ 153,533	-	278,525	-	1,232,586	1,664,644
Accrued interest	(1,736)	937	5,777	2,206	10,145	17,329
Due from other funds					10,005	10,005
<i>Restricted assets</i>						
<i>Construction funds:</i>						
Cash and cash equivalents	52,756	-	-	-	25,729	78,485
Investments	282,078	-	-	-	137,521	419,599
Accrued interest	5,892	-	-	-	1,840	7,732
Total current assets	492,523	105,965	1,000,888	210,286	2,579,603	4,389,265
Capital Assets						
Land	5,436,845	1,538,974	-	-	298,936	7,274,755
System	3,431,201	956,383	2,401,333	163,077	9,385,340	16,337,334
Construction in progress	12,716,626	-	-	-	171,606	12,888,232
Less accumulated depreciation	(1,814,749)	(387,434)	(1,339,465)	(96,580)	(6,388,031)	(10,026,259)
Net capital assets	19,769,923	2,107,923	1,061,868	66,497	3,467,851	26,474,062
Total assets	20,262,446	2,213,888	2,062,756	276,783	6,047,454	30,863,327
LIABILITIES						
Current Liabilities:						
<i>Payable from current assets</i>						
Accounts payable	147,630	-	133,240	16,542	276,961	574,373
Accrued interest payable:						
General obligation bonds	3,641	-	-	-	903	4,544
Certificates of obligation	68,217	-	-	-	11,946	80,163
General obligation bonds	23,241	-	-	-	55,672	78,913
Certificates of obligation	332,737	-	-	-	318,160	650,897
Due to other funds	2,710,135	-	-	-	387,774	3,097,909
Compensated absences	80,437	-	23,563	-	163,650	267,650
Total payable from current assets	3,366,038	-	156,803	16,542	1,215,066	4,754,449
<i>Payable from restricted assets:</i>						
Accounts payable	25,849	-	-	-	4,563	30,412
Due to other governments	34,352	-	-	-	29,785	64,137
Total payable from restricted assets	60,201	-	-	-	34,348	94,549
Total current liabilities	3,426,239	-	156,803	16,542	1,249,414	4,848,998
Long-term Liabilities						
Certificates of obligation	9,470,684	-	-	-	1,565,857	11,036,541
General obligation bonds	570,667	-	-	-	-	570,667
Unamortized bond issue cost	-	-	-	-	(20,267)	(20,267)
Total long-term liabilities	10,041,351	-	-	-	1,545,590	11,586,941
Total Liabilities	13,467,590	-	156,803	16,542	2,795,004	16,435,939
NET ASSETS						
Invested in capital assets, net of related debt	9,300,736	2,107,923	1,061,868	66,497	1,515,313	14,052,337
Unrestricted	(2,505,880)	105,965	844,085	193,744	1,737,137	375,051
Total net assets	\$ 6,794,856	\$ 2,213,888	\$ 1,905,953	\$ 260,241	\$ 3,252,450	\$ 14,427,388

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
September 30, 2002

	<u>Business-Type Activities - Enterprise Funds</u>					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
OPERATING REVENUES						
Charges for services	\$2,086,288	\$5,499	\$3,027,510	\$569,396	\$12,002,268	\$17,690,961
Other	53,974	-	9,697	-	15,385	79,056
Total Operating Revenues	<u>2,140,262</u>	<u>5,499</u>	<u>3,037,207</u>	<u>569,396</u>	<u>12,017,653</u>	<u>17,770,017</u>
OPERATING EXPENSES:						
Salaries and benefits	1,618,858	-	1,219,104	109,211	3,847,591	6,794,764
Landfill fees	-	-	-	-	3,925,756	3,925,756
Maintenance, repairs, and supplies	607,564	-	1,271,978	438,940	3,176,053	5,494,535
Contractual services	32,300	-	-	-	-	32,300
Bad debt expense	-	-	38,200	-	183,584	221,784
Insurance and other expenses	-	-	-	-	274,819	274,819
General and administrative	161,917	1,529	189,071	24,710	411,352	788,579
Total Operating expenses before depreciation	<u>2,420,639</u>	<u>1,529</u>	<u>2,718,353</u>	<u>572,861</u>	<u>11,819,155</u>	<u>17,532,537</u>
Depreciation	138,034	38,743	169,088	14,732	730,954	1,091,551
Total Operating Income (Loss)	<u>(418,411)</u>	<u>(34,773)</u>	<u>149,766</u>	<u>(18,197)</u>	<u>(532,456)</u>	<u>(854,071)</u>
NONOPERATING REVENUES (EXPENSES)						
Earnings from investments:						
Current operations	-	4,741	30,130	11,035	74,498	120,404
Construction fund	10,686	-	-	-	12,682	23,368
Total earnings on investments	<u>10,686</u>	<u>4,741</u>	<u>30,130</u>	<u>11,035</u>	<u>87,180</u>	<u>143,772</u>
Interest expense:						
Certificates of obligation	(529,967)	-	-	-	(112,255)	(642,222)
General obligation bonds	(29,175)	-	-	-	(9,267)	(38,442)
Total interest expense	<u>(559,142)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(121,522)</u>	<u>(680,664)</u>
Income (loss) before operating transfers	<u>(966,867)</u>	<u>(30,032)</u>	<u>179,896</u>	<u>(7,162)</u>	<u>(566,798)</u>	<u>(1,390,963)</u>
OPERATING TRANSFERS						
Transfers in	109,606	-	-	-	-	109,606
Transfers out	(48,377)	-	(30,907)	-	(156,346)	(235,630)
Net nonoperating revenues (expenses)	<u>61,229</u>	<u>-</u>	<u>(30,907)</u>	<u>-</u>	<u>(156,346)</u>	<u>(126,024)</u>
NET INCOME (LOSS)	<u>(905,638)</u>	<u>(30,032)</u>	<u>148,989</u>	<u>(7,162)</u>	<u>(723,144)</u>	<u>(1,516,987)</u>
Net assets, beginning of year	7,700,494	2,243,920	1,756,964	267,403	3,975,594	15,944,375
Net assets, end of year	<u>\$6,794,856</u>	<u>\$2,213,888</u>	<u>\$1,905,953</u>	<u>\$260,241</u>	<u>\$3,252,450</u>	<u>\$14,427,388</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
September 30, 2002

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	\$ 1,932,755	5,499	3,049,555	569,396	12,038,409	17,595,614
Cash paid to suppliers	(791,559)	(1,529)	(1,456,899)	(571,527)	(7,971,665)	(10,793,179)
Cash paid to employees for services	(1,579,161)	-	(1,211,390)	-	(3,835,591)	(6,626,142)
Other operating revenues	53,974	-	9,697	-	15,385	79,056
Net cash provided by (used for) operating activities	(383,991)	3,970	390,963	(2,131)	246,538	255,349
Cash flows from noncapital financing activities:						
Due to other funds (increases)	1,267,799	-	-	-	387,774	1,655,573
Due to other governments (decreases)	-	-	-	-	17,378	17,378
Transfers in	109,606	-	-	-	-	109,606
Transfers out	(48,377)	-	(30,907)	-	(156,346)	(235,630)
Net cash provided by (used for) noncapital financing activities	1,329,028	-	(30,907)	-	248,806	1,546,927
Cash flows from financing activities:						
Proceeds from sale of:						
Certificates of obligation	180,000	-	-	-	-	180,000
Acquisition and construction of capital assets	(2,018,939)	-	(221,795)	(34,074)	(371,967)	(2,646,775)
Principal paid on:						
Certificates of obligation	(311,823)	-	-	-	(474,440)	(786,263)
General obligation bonds	(22,067)	-	-	-	(17,367)	(39,434)
Interest paid on:						
Certificates of obligation	(528,526)	-	-	-	(110,896)	(639,422)
General obligation bonds	(29,218)	-	-	-	(8,915)	(38,133)
Net cash provided by (used for) financing activities	\$ (2,730,573)	-	(221,795)	(34,074)	(983,585)	(3,970,027)
Cash flows from investing activities:						
Purchase of investment securities	\$ (841,473)	(292,375)	(2,077,470)	(547,150)	(3,460,411)	(7,218,879)
Proceeds from the sale and maturities of investment securities	2,180,741	278,685	1,898,811	552,673	3,679,867	8,590,777
Interest received on investments	28,778	4,717	30,128	11,057	90,208	164,888
Net cash provided by (used for) investing activities	1,368,046	(8,973)	(148,531)	16,580	309,664	1,536,786
Net increase (decrease) in cash and cash equivalents	(417,490)	(5,003)	(10,270)	(19,625)	(178,577)	(630,965)
Cash and cash equivalents at beginning of year	470,246	21,574	123,309	52,374	388,661	1,056,164
Cash and cash equivalents at end of the year	\$ 52,756	16,571	113,039	32,749	210,084	425,199
Reconciliation of operating income to						
Net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (418,411)	(34,773)	149,766	(18,197)	(532,456)	(854,071)
Adjustments:						
Depreciation Expense	138,034	38,743	169,088	14,732	730,954	1,091,551
Provision for uncollectible accounts	-	-	-	-	22,519	22,519
Change in assets and liabilities	-	-	-	-	-	-
(Increase) decrease in accounts receivable	(153,533)	-	34,563	-	36,141	(82,829)
Increase (decrease) in accounts payable	28,352	-	36,400	1,334	(11,065)	55,021
Increase (decrease) in compensated absences	21,567	-	1,146	-	445	23,158
Total adjustments	34,420	38,743	241,197	16,066	778,994	1,109,420
Net cash provided by (used for) operating activities	\$ (383,991)	3,970	390,963	(2,131)	246,538	255,349

GARLAND

**City of Garland, Texas
Internal Service Funds
Statement of Net Assets
September 30, 2002**

	Group Health	Self Insurance	LTD Insurance	Print Shop
ASSETS				
Current assets:				
<i>Unrestricted</i>				
Cash and cash equivalents	\$ 89,062	\$ 611,383	\$ 108,065	\$ 26,034
Investments	476,050	3,266,221	576,816	138,928
Accrued interest	512	20,327	5,834	1,644
Due from other funds	-	-	-	-
Inventories	-	-	-	-
<i>Restricted assets</i>				
<i>Construction funds:</i>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Accrued interest	-	-	-	-
Total construction funds	-	-	-	-
Total current assets	565,624	3,897,931	690,715	166,606
Capital assets				
Land				
System	-	47,631	-	313,175
Construction in progress	-	-	-	-
Less accumulated depreciation	-	(42,602)	-	(290,582)
Net capital assets	-	5,029	-	22,593
Total assets	565,624	3,902,960	690,715	189,199
LIABILITIES				
Current Liabilities:				
<i>Payable from current assets</i>				
Accounts payable	516,862	122,462	-	31,752
Accrued interest	-	-	-	-
Customer deposits	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Compensated absences	-	38,329	-	15,098
Insurance claims payable	2,444,317	4,744,435	2,967,763	-
<i>Payable from restricted assets</i>				
Certificates of obligation	-	-	-	-
Total Current Liabilities	2,961,179	4,905,226	2,967,763	46,850
Long-term Liabilities:				
Certificates of obligation	-	-	-	-
Total Liabilities	2,961,179	4,905,226	2,967,763	46,850
NET ASSETS				
Invested in capital assets, net of related debt	-	5,029	-	22,593
Unrestricted	(2,395,555)	(1,007,295)	(2,277,048)	119,756
Total net assets (liabilities)	\$ (2,395,555)	\$ (1,002,266)	\$ (2,277,048)	\$ 142,349

Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
\$ 200	\$ 688,644	\$ 784,619	\$ 92,960	\$ -	\$ 1,115,595	\$ 3,516,562
-	3,678,785	4,190,884	496,624	-	5,937,161	18,761,469
59	29,209	45,342	5,216	-	62,705	170,848
415,000	-	97,998	-	-	4,579	517,577
432,109	-	-	-	3,010,375	-	3,442,484
4,989	-	408,324	-	1,766	-	415,079
26,402	-	2,180,998	-	8,968	-	2,216,368
284	-	22,857	-	149	-	23,290
31,675	-	2,612,179	-	10,883	-	2,654,737
879,043	4,396,638	7,731,022	594,800	3,021,258	7,120,040	29,063,677
2,097,339	17,048,764	15,872,960	334,292	172,335	510,740	36,397,236
2,694	-	89,562	-	616	1,820	94,692
(841,673)	(10,485,402)	(10,596,293)	(288,641)	(47,549)	(333,870)	(22,926,612)
1,258,360	6,563,362	5,366,229	45,651	125,402	178,690	13,565,316
2,137,403	10,960,000	13,097,251	640,451	3,146,660	7,298,730	42,628,993
159,136	66,455	555,881	299,692	133,684	305,495	2,191,419
4,752	-	21,605	-	431	506	27,294
-	-	-	-	-	5,685,578	5,685,578
904,349	-	-	-	55,927	639,492	1,599,768
2,694	-	13,446	-	289	1,820	18,249
-	-	-	-	2,928,937	-	2,928,937
88,299	-	200,095	89,564	9,682	137,432	578,499
-	-	-	-	-	-	10,156,515
135,088	-	492,286	-	2,384	5,000	634,758
1,294,318	66,455	1,283,313	389,256	3,131,334	6,775,323	23,821,017
622,598	-	2,372,651	-	69,152	85,000	3,149,401
1,916,916	66,455	3,655,964	389,256	3,200,486	6,860,323	26,970,418
500,674	6,563,362	2,501,292	45,651	53,866	88,690	9,781,157
(280,187)	4,330,183	6,939,995	205,544	(107,692)	349,717	5,877,418
\$ 220,487	\$ 10,893,545	\$ 9,441,287	\$ 251,195	\$ (53,826)	\$ 438,407	\$ 15,658,575

City of Garland, Texas
Internal Service Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
September 30, 2002

	Group Health	Self Insurance	LTD Insurance	Print Shop
OPERATING REVENUES				
Charges for services	-	-	-	\$ 355,541
Premiums	\$ 10,365,314	\$ 7,272,309	\$ 391,274	-
Other	429,434	24,729	-	39,559
Total Operating Revenues	10,794,748	7,297,038	391,274	395,100
OPERATING EXPENSES:				
Salaries and benefits	-	515,075	-	181,638
Maintenance, repairs, and supplies	-	173,882	-	314,271
Premiums	1,563,841	812,981	-	-
Claims	9,777,265	3,184,832	325,896	-
Insurance claims payable - increase (decrease)	(247,116)	387,366	581,352	-
Administrative services	418,404	102,088	-	-
Bad Debt Expense	-	-	-	-
General and administrative	-	-	-	-
Total Operating expenses before depreciation	11,512,394	5,176,224	907,248	495,909
Operating income (loss) before depreciation	(717,646)	2,120,814	(515,974)	(100,809)
Depreciation	-	1,277	-	7,607
Total Operating Income (Loss)	(717,646)	2,119,537	(515,974)	(108,416)
NONOPERATING REVENUES (EXPENSES)				
Earnings from investments:				
Current operations	19,295	75,106	31,085	8,276
Construction fund	-	-	-	-
Interest expense	-	-	-	-
Total earnings on investments	19,295	75,106	31,085	8,276
Income (loss) before operating transfers	(698,351)	2,194,643	(484,889)	(100,140)
OPERATING TRANSFERS				
Transfers in	3,560,843	-	-	-
Transfers out	-	(10,750)	-	(5,375)
Net nonoperating revenues (expenses)	3,560,843	(10,750)	-	(5,375)
NET INCOME (LOSS)	2,862,492	2,183,893	(484,889)	(105,515)
Net assets (liabilities), beginning of year	(5,258,047)	(3,186,159)	(1,792,159)	247,864
Net assets (liabilities), end of year	\$ (2,395,555)	\$ (1,002,266)	\$ (2,277,048)	\$ 142,349

Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service
\$ 6,331,133	\$ 2,894,589	\$ 9,415,486	\$ 3,991,946	\$ 156,667	\$ 7,788,946	\$ 30,934,308
-	-	-	-	-	-	18,028,897
6,289	58,470	49,440	68	-	99,941	707,930
6,337,422	2,953,059	9,464,926	3,992,014	156,667	7,888,887	49,671,135
1,906,910	-	3,875,283	1,508,393	324,419	3,487,765	11,799,483
4,227,446	-	2,800,445	2,118,687	371,801	3,552,747	13,559,279
-	-	-	-	-	-	2,376,822
-	-	-	-	-	-	13,287,993
-	-	-	-	-	-	721,602
-	-	-	-	-	-	520,492
-	-	-	-	-	371,094	371,094
-	-	396,892	174,996	84,590	340,081	996,559
6,134,356	-	7,072,620	3,802,076	780,810	7,751,687	43,633,324
203,066	2,953,059	2,392,306	189,938	(624,143)	137,200	6,037,811
114,358	2,369,316	2,149,657	24,502	13,026	69,886	4,749,629
88,708	583,743	242,649	165,436	(637,169)	67,314	1,288,182
-	197,400	219,143	20,670	6,207	308,925	886,107
1,446	-	107,886	-	2,223	-	111,555
(42,895)	-	(33,032)	-	(3,735)	(4,121)	(83,783)
(41,449)	197,400	293,997	20,670	4,695	304,804	913,879
47,259	781,143	536,646	186,106	(632,474)	372,118	2,202,061
-	61,839	-	-	-	-	3,622,682
(55,095)	-	(72,564)	(53,751)	(9,407)	(110,190)	(317,132)
(55,095)	61,839	(72,564)	(53,751)	(9,407)	(110,190)	3,305,550
(7,836)	842,982	464,082	132,355	(641,881)	261,928	5,507,611
228,323	10,050,563	8,977,205	118,840	588,055	176,479	10,150,964
\$ 220,487	\$ 10,893,545	\$ 9,441,287	\$ 251,195	\$ (53,826)	\$ 438,407	\$ 15,658,575

City of Garland, Texas
Internal Service Funds
Statement of Cash Flows
September 30, 2002

	Group	Self	LTD	Print
	Health	Insurance	Insurance	Shop
Cash flows from operating activities:				
Cash received from customers	\$ 10,794,748	7,297,038	391,274	395,100
Cash received from customer deposits	-	-	-	-
Cash paid to suppliers	(11,462,054)	(5,661,296)	(325,896)	(305,678)
Cash paid to employees for services	-	(508,936)	-	(179,231)
Net cash provided by (used for) operating activities	(667,306)	1,126,806	65,378	(89,809)
Cash flows from noncapital financing activities:				
Due from other funds (decreases)	-	-	-	-
Due to other funds (increases)	(2,347,208)	-	-	-
Advances from other funds (decreases)	-	-	-	-
Due to other governments (decreases)	-	-	-	-
Transfers in	3,560,843	-	-	-
Transfers out	-	(10,750)	-	(5,375)
Net cash provided by (used for) noncapital financing activities	1,213,635	(10,750)	-	(5,375)
Cash flows from financing activities:				
Proceeds from sale of:				
Certificates of obligation	-	-	-	-
Acquisition and construction of capital assets	-	-	-	(24,988)
Principal paid on:				
Certificates of obligation	-	-	-	-
Interest paid on:				
Certificates of obligation	-	-	-	-
Proceeds from the sale of fixed assets	-	-	-	-
Net cash provided by (used for) financing activities	\$ -	-	-	(24,988)
Cash flows from investing activities:				
Purchase of investment securities	\$ (1,965,646)	(11,450,814)	(1,935,821)	(414,475)
Proceeds from the sale and maturities of investment securities	1,489,596	10,268,481	1,815,755	489,529
Interest received on investments	18,783	73,427	30,405	9,187
Net cash provided by (used for) investing activities	(457,267)	(1,108,906)	(89,661)	84,241
Net increase (decrease) in cash and cash equivalents	89,062	7,150	(24,283)	(35,931)
Cash and cash equivalents at beginning of year	-	604,233	132,348	61,965
Cash and cash equivalents at end of the year	\$ 89,062	611,383	108,065	26,034
Reconciliation of operating income to				
Net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (717,646)	2,119,537	(515,974)	(108,416)
Adjustments:				
Depreciation Expense	-	1,277	-	7,607
Gain on sale of fixed assets	-	-	-	-
Provision for uncollectible accounts	-	-	-	-
Change in assets and liabilities				
(Increase) decrease in inventory	-	-	-	-
(Increase) decrease in accounts receivable	-	-	-	-
Increase (decrease) in accounts payable	297,456	(1,387,513)	-	8,593
Increase (decrease) in customer deposits	-	-	-	-
Increase (decrease) in compensated absences	-	6,139	-	2,407
Increase (decrease) in insurance claims payable	(247,116)	387,366	581,352	-
Total adjustments	50,340	(992,731)	581,352	18,607
Net cash provided by (used for) operating activities	\$ (667,306)	1,126,806	65,378	(89,809)

						Total Internal
Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Service Funds
6,337,422	2,896,589	9,464,926	3,992,014	14,555	8,126,740	49,710,406
-	-	-	-	-	326,139	326,139
(4,687,280)	26,265	(3,087,818)	(2,452,360)	(586,356)	(4,212,603)	(32,755,076)
(1,917,467)	-	(3,843,135)	(1,501,724)	(327,450)	(3,487,743)	(11,765,686)
(267,325)	2,922,854	2,533,973	37,930	(899,251)	752,533	5,515,783
-	-	79,880	-	-	-	79,880
587,671	-	-	-	55,927	639,492	(1,064,118)
-	-	(539,000)	-	846,515	-	307,515
1,587	-	5,642	-	289	822	8,340
-	61,839	-	-	-	-	3,622,682
(55,095)	-	(72,564)	(53,751)	(9,407)	(110,190)	(317,132)
534,163	61,839	(526,042)	(53,751)	893,324	530,124	2,637,167
-	-	480,000	-	-	-	480,000
(92,996)	(1,818,878)	(1,572,395)	-	(61,414)	(35,510)	(3,606,181)
(126,751)	-	(347,260)	-	(719)	(5,000)	(479,730)
(47,002)	-	(53,778)	-	(4,756)	(4,145)	(109,681)
-	56,470	-	-	-	-	56,470
(266,749)	(1,762,408)	(1,493,433)	-	(66,889)	(44,655)	(3,659,122)
(86,568)	(12,949,902)	(21,269,100)	(1,608,557)	(26,902)	(20,340,725)	(72,048,510)
83,157	11,564,282	20,111,708	1,564,340	75,684	18,676,702	66,139,234
1,676	186,927	322,668	21,757	8,952	298,380	972,162
(1,735)	(1,198,693)	(834,724)	(22,460)	57,734	(1,365,643)	(4,937,114)
(1,646)	23,592	(320,226)	(38,281)	(15,082)	(127,641)	(443,286)
6,835	665,052	1,513,169	131,241	16,848	1,243,236	4,374,927
5,189	688,644	1,192,943	92,960	1,766	1,115,595	3,931,641
88,708	583,743	242,649	165,436	(637,169)	67,314	1,288,182
114,358	2,369,316	2,149,657	24,502	13,026	69,886	4,749,629
-	(56,470)	-	-	-	-	(56,470)
-	-	-	-	-	371,094	371,094
(137,166)	-	-	-	(142,112)	-	(279,278)
-	-	-	-	-	(133,241)	(133,241)
(322,668)	26,265	109,519	(158,677)	(129,965)	51,319	(1,505,671)
-	-	-	-	-	326,139	326,139
(10,557)	-	32,148	6,669	(3,031)	22	33,797
-	-	-	-	-	-	721,602
(356,033)	2,339,111	2,291,324	(127,506)	(262,082)	685,219	4,227,601
(267,325)	2,922,854	2,533,973	37,930	(899,251)	752,533	5,515,783

GARLAND

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
1993	71,064,170	7,572,633	29,753,658	6,866,164	6,984,651	1,023,089	2,017,746	9,377,836	7,468,393
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

(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**

<u>Fiscal Year</u>	<u>Total (1)</u>	<u>Taxes</u>	<u>Franchise Fees</u>	<u>Service Charges</u>	<u>Licenses and Permits</u>	<u>Earnings on Investments</u>	<u>Inter-governmental</u>	<u>Intra-governmental (2)</u>	<u>Fines and Forfeits</u>	<u>Rents and Consessions</u>
1993	56,037,824	31,054,592	4,583,506	5,039,463	975,353	809,214	39,159	11,149,170	1,850,090	537,277
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

(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)
1993	33,618,404	33,068,324	98.36%	321,249	33,389,573	99.32%	1,319,370	3.92%
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%

(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
1993	4,574,244,179	1,038,177,190	5,612,421,369
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

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	
1993	4,574,244,179	1,038,177,190	5,612,421,369	.5990	33,618,404	.3423	.2567	100
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

Source: City of Garland, Texas - Tax Office

Unaudited

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	
	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation
1993	.5990	100	1.3936	83.22	.17682	7.10	.2070	7.10
1994	.6191	100	1.3784	83.22	.20883	7.29	.20696	7.29
1995	.6336	100	1.4428	83.22	.20883	7.29	.19959	7.29
1996	.6336	100	1.4428	83.22	.21640	7.29	.194092	7.29
1997	.6336	100	1.4872	83.22	.20100	7.29	.185800	7.29
1998	.6336	100	1.5445	83.22	.20317	7.29	.179900	7.29
1999	.6336	100	1.5445	83.22	.19720	7.29	.179900	7.29
2000	.6136	100	1.4784	83.22	.19600	7.29	.19600	7.29
2001	.6336	100	1.4053	83.22	.19600	7.29	.2540	7.29
2002	.6411	100	1.4717	83.22	.19600	7.29	.2540	7.29

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 6

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
.0494	7.10	1.3885	0.18	1.5096	3.17	1.4576	2.61
.05206	7.29	1.41813	0.18	1.5698	3.17	1.4600	2.61
.05206	7.29	1.41813	0.18	1.5698	3.17	1.5000	2.61
.05206	7.29	1.46053	0.18	1.5698	3.17	1.5000	2.61
.05000	7.29	1.46050	0.18	1.6000	3.17	1.5300	2.61
.05000	7.29	1.46053	0.18	1.6257	3.17	1.5800	2.61
.05000	7.29	1.4605	0.18	1.6257	3.17	1.5800	2.61
.05000	7.29	1.4605	0.18	1.6486	3.17	1.5800	2.61
.05000	7.29	1.5475	0.18	1.6683	3.17	1.5800	2.61
.06000	7.29	1.5475	0.18	1.7993	3.17	1.5800	2.61

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
1993	5,612,421,369	133,756,628	18,551,943	6,392,391	108,812,294	1.94%	186,526	583.36
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

(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 2002**

Name of Taxpayer	Nature of Property	2001 Assessed Valuation	Percent of Total Assessed Valuation (1)
Sears Roebuck & Company	Warehouse, Service Center	\$ 127,777,540	1.49%
Eckerd Corporation	Warehouse, Retail	74,907,020	0.87%
Verizon	Public Utility	61,330,240	0.71%
Fleming Foods of Texas	Warehouse	60,984,620	0.71%
Kraft Corporation	Warehouse, Food Processing	51,760,600	0.60%
Walmart	Retail	49,900,890	0.58%
Valspar/Engineered Polymer	Paint Manufacturer	47,558,993	0.55%
Raytheon E-Systems	Electronics/Defense Contractor	38,729,440	0.45%
Ingersoll Rand Co	Drilling Equipment Manufacturer	34,254,750	0.40%
Tom Thumb/Randalls Food	Grocery Store/Warehouse	29,306,850	0.34%
		<u>\$ 576,510,943</u>	6.70%

(1) Total Taxable Value October 1, 2001 - \$8,603,969,895

Source: City of Garland, Texas - Tax Office

Unaudited

Table 9**CITY OF GARLAND, TEXAS****Delinquent Taxes Receivable - by Fund
Fiscal Year 2002**

	<u>Total</u>	<u>Funds</u>	
		<u>General</u>	<u>Debt Service</u>
Taxes, by year of levy:			
1995 and prior	\$ 378,644	\$ 223,505	\$ 155,139
1996	45,354	26,771	18,583
1997	51,360	30,317	21,043
1998	121,057	71,457	49,600
1999	129,918	76,688	53,230
2000	280,092	165,332	114,760
2001	<u>770,768</u>	<u>449,644</u>	<u>321,124</u>
Total delinquent taxes	1,777,193	1,043,714	733,479
Less estimated uncollectible taxes	<u>(721,522)</u>	<u>(420,916)</u>	<u>(300,606)</u>
Net taxes receivable	<u>\$1,055,671</u>	<u>\$622,798</u>	<u>\$432,873</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, 2002, 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, 2002**

<u>Taxing Jurisdiction</u>	<u>Total Funded Debt</u>	<u>Estimated Percent Applicable</u>	<u>Overlapping Funded Debt</u>
City of Garland	\$ 166,786,040	100.00%	\$ 166,786,040
Garland Independent School District	254,228,129	83.22%	211,568,649
Dallas County	264,192,395	7.29%	19,259,626
Dallas Independent School District	360,109,255	0.18%	648,197
Richardson Independent School District	243,173,180	3.17%	7,708,590
Mesquite Independent School District	320,166,791	2.61%	<u>8,356,353</u>
Total estimated overlapping bonded debt			\$ <u><u>414,327,455</u></u>
Ratio overlapping debt to 100% assessed valuation			<u><u>4.87%</u></u>
Per capita overlapping bonded debt			\$ <u><u>1,920</u></u>

Source: First Southwest Co.

Unaudited

Table 12

CITY OF GARLAND, TEXAS

**Ratio of General Obligation Debt Service to Total General Governmental Expenditure:
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
1993	9,377,836	7,468,393	16,846,229	54,217,941	71,064,170	23.71%
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%

(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

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)
1993	194,360,289	144,840,533	49,519,756	6,892,392	7.18	13,212,739	4,695,129	9,018,272	20,297,675
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

(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	
1993	5,606,803,156	630	66,074,877	30	6,670,911	(c)
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)

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)
1993	186,526	(d)	30.2	12.9	41,566	6.3%
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%

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, 2002**

Date of incorporation	1891
Form of government	Council - Manager
Area	57 square miles
Miles of streets	662.91
Number of street lights	11228
Fire Protection:	
Number of stations	9
Number of firemen and officers (exclusive of volunteers)	241
Police Protection:	
Number of stations	1
Number of sworn police officers	291
Municipal water department:	
Number of accounts	64,118
Average daily consumption	28,598,570 gallons
Miles of water mains	1076
Municipal electric department:	
Number of accounts	66,456
Average daily usage	5,340,425 KWH
Miles of lines	799.38
Municipal wastewater department:	
Number of accounts	63,629
Miles of sewer mains	977
Building permits issued:	
Residential (single-family)	1079
Industrial/Commercial	314
Multi-family	26
Other	2371
Recreation and culture:	
Number of parks	68 parks comprising 2,698 Acres
Number of libraries	5
Number of volumes	446,775 volumes in all formats

Unaudited

Table 17

CITY OF GARLAND, TEXAS

**Schedule of Insurance in Force
September 30, 2002**

<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.	CLP3001240	10/1/2001	10/1/2002	Blanket Real/Personal Property	All Risk / \$100,000 ded. per occ	\$321,961,200
North River Insurance Co.	5440000095	11/6/1999	10/1/2002	Excess Liability Package Policy (includes, GL, AL, Law Enforcement, Public Officials, Emp. Benefits, & Worker's Comp.	\$500,000 SIR	\$9,500,000
American Manufacturer	3SE727532	10/1/1999	10/1/2002	Public Officials/Tax Collector Bond	-0- Deductible	\$750,000
Kemper	3F78773703	10/1/1999	10/1/2002	Public Employees Dishonesty	\$10,000 Deductible	\$1,000,000
Travelers Insurance Co.	303D325-2	10/1/2001	10/1/2002	Boiler/Machinery/Transformers	Combined physical damage. Deductible varies by location and equipment	\$30,000,000
St.Paul	EMA6610467	3/1/1999	3/1/2002	Medical Professional Liability	-0- Deductible	\$3,000,000
TIG Insurance Co.	T7003751503403	10/1/2001	10/1/2002	Special Events Liability	\$250 Deductible prop. dmg	\$5,000,000
TIG Insurance Co.	KLB0003802632603	10/1/2001	10/1/2002	Special Events Excess Liability	Excess over underlying special events	\$1,000,000
Indemnity Insurance Co. of North America	S00520184	9/28/2001	9/28/2002	Non-Owned Aircraft Liability	-0- Deductible	\$1,000,000
Continental Casualty	SR-83091552	12/10/2001	12/10/2002	Travel Accident	n/a	\$100,000

Unaudited