



City of Duncanville, Texas

Comprehensive
Annual Financial
Report

Fiscal Year Ended September 30, 2003

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF DUNCANVILLE, TEXAS

FOR

FISCAL YEAR ENDED

SEPTEMBER 30, 2003

PREPARED BY:

CITY OF DUNCANVILLE

FINANCE DEPARTMENT

CITY OF DUNCANVILLE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

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INTRODUCTORY SECTION



City of Duncanville

Kent Cagle

City Manager

January 23, 2004

The Honorable Mayor and Members of the City Council
City of Duncanville
Duncanville, Texas

The Finance Department and City Manager's Office is pleased to submit the Comprehensive Annual Financial Report for the City of Duncanville, Texas for the fiscal year ended September 30, 2003.

This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented 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 organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

This report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, a listing of the principal officials and an organizational chart of the City. The financial section includes a Management and Discussion Analysis (MD&A), basic financial statements and combining and individual fund statements and schedules, as well as the independent auditors' report on the basic financial statements. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with. The City of Duncanville's MD&A can be found immediately following the report of the independent auditors. The statistical section includes financial and demographic information, usually presented on a multi-year basis that is relevant to a financial statement reader.

The financial section described above is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations, as applicable.

CITY PROFILE

Location

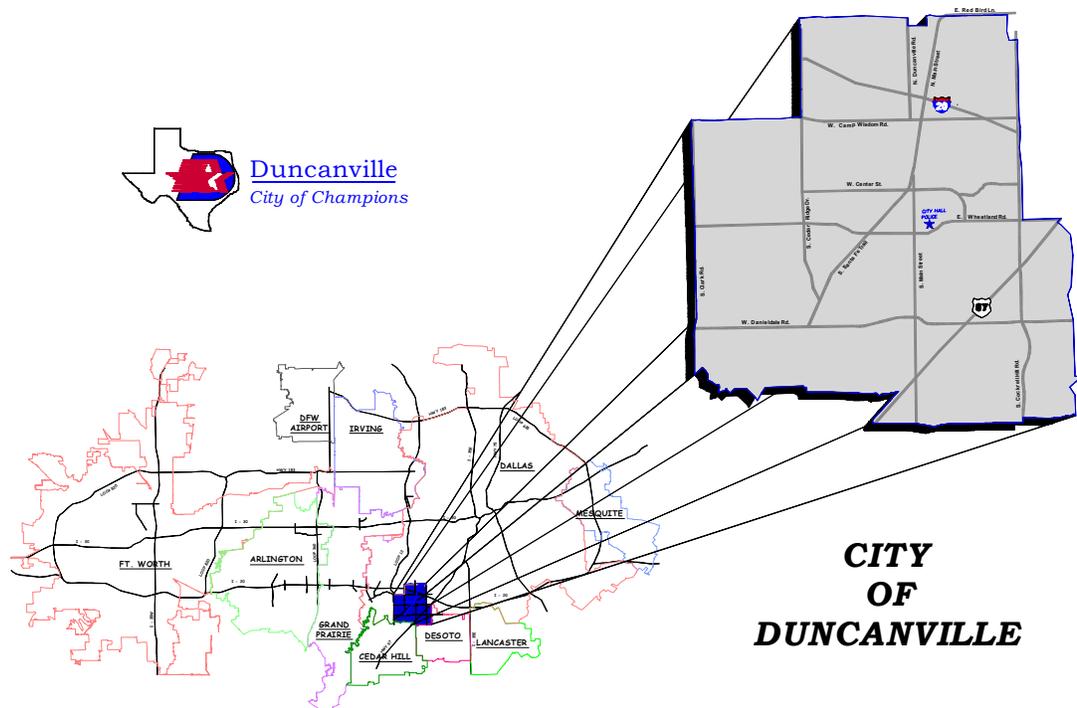
Located in the Greater Southwest portion of Dallas County, the City of Duncanville is situated approximately 20 minutes from Fort Worth and just minutes from downtown Dallas. With I-20 on its northern border and Hwy-67 bordering its east, the City covers approximately 12 square miles and is easily accessible from major interstate and highway systems in North Texas, including I-35 the NAFTA Corridor. The 2000 census population for the City was 36,081, while the estimated 2003 population is 36,402.

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 1949, and first adopted its Home Rule Charter May 5, 1962. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers who enact local laws, determine policies and adopt the annual budget. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the other terms of the four Councilmembers expiring in odd-numbered years. The City Manager, appointed by City Council, is the chief administrative officer for the City and is responsible for the daily management of the City. The basic financial statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria no other governmental organizations are included in this report.

Services Provided

The City provides to its citizens those services that have proven to be necessary and meaningful and which the City can provide at the least cost. Major services provided under general government and enterprise functions are: public safety (police and fire protection), emergency ambulance services, highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, library services, public improvements, planning and zoning, and general administrative services. Also complimenting the City's own reputation as the "City of Champions," the world-class Dr. Pepper® Star Center rests in the heart of the community symbolizing the winning tradition of the Dallas Stars Hockey Team. The 95,000 square foot double rink complex offers skating lessons, hockey lessons and open ice skating year round.

Economic Development projects either started or completed in the year 2003 accounted for approximately \$38 million in new construction. The effects of HB 2912 are expected to greatly curtail economic development unless the legislature amends to exempt land-locked cities like Duncanville, with very little land available for new businesses to locate facilities thus creating "primary jobs". Internal services of the City, accounted for on a cost reimbursement basis, are the risk management services, and the employee health and disability coverage.



Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis. Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures (items over \$5,000 and having a useful life of three or more years) are monitored and controlled item by item. Revenue budgets are reviewed monthly.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City Charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by line item, and are distributed monthly to City departmental and divisional management and to others upon request. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriation budget approved by the City Council. Budgetary control is maintained by the use of an automated general ledger system that compares actual expenditures to the legally adopted appropriation in each line-item account.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Regional Economy

The Dallas-Fort Worth Metroplex (DFW) has not been immune from the national and international economic slow down. The Dallas/Fort Worth Metroplex leads the Texas economy with the following percentages: 3.5% of Texas land area; 25% of Texas population; 35% of Texas population growth; 29% of Texas employment; 33% of sales & use tax; 29% of retail sales; 30% of personal income; and 29% of property tax base. On the positive side, finance, insurance and real estate continue to hold their own. DFW is well diversified and continues to be a prime destination for corporate relocations.

Duncanville's Position in the Region

Duncanville continues to struggle with the challenge of providing first class services that are funded by a tax base that is 75% residential. The City has experienced a three year decline in sales tax revenues due to the loss of major retailers such as K-Mart, Circuit City, Wal-Mart and Payless Cashways. It is expected that 2004 will continue the trend of losses, but improvements should begin to occur again in 2005.

The City has adjusted to this reduced revenue stream by cutting jobs, reducing services and reducing the level of compensation increases that employees had come to expect. The tax rate of \$0.718 per \$100 of valuation is relatively high due to the residential nature of the community, but the rate has not increased since the 1994 Fiscal Year. It is not expected that the rate will increase in future years.

On a brighter note, Duncanville is still home to a diversified group of manufacturing and distribution firms and continues to be the choice for place of business for many well-known leading businesses. Major manufacturing industries within the City produce corrugated storage and filing boxes, commercial bakery products, fabricated sheet-metal products, plastic illuminated signs and cabinets, doors and door mill products, frozen foods, and cosmetics. Three major industrial development parks, Duncanville Industrial Corporation, Redbird Industrial Park, and Mountain Creek Business Park are located in the vicinity of Duncanville.

In addition, the following reflects past, present, and anticipated progress of the flurry of economic development activity in the city of Duncanville.

- The area remains the distribution and financial center of the Southwest, while the growth of high tech industries, service industries, trade, and corporate headquarters have provided a strong, stable, and diverse local economy.
- Duncanville boasts a strong industrial community that includes companies like Texwood Industries, the second largest cabinet maker in the United States.
- Duncanville is also proud to say that the **Dr Pepper StarCenter** (a 95,000 foot double ice rink facility) which opened in 2000 is doing extremely well and continues to bring people near and far into the community.
- The community will soon benefit from the addition of an **Upscale Senior Living Complex** to be constructed by Windriver Management Corporation called Champions Cove. This upscale, gated community will provide individuals 55 and older with all of the amenities they need to truly enjoy life. Windriver Management Corporation broke ground on December 23, 2003 and the complex will open in 2004.
- **Pappas Restaurants** will open one of their famous **Pappadeaux Seafood Kitchen** restaurants in January 2004. Pappas Restaurants plan to open a second concept on that same site after the seafood kitchen is complete.
- In 2003, **Holiday Inn** opened a new hotel in Duncanville and **Hilton** broke ground on a six-story, 150 room, 93,000 square foot **Hotel and Conference Center** at the corner of Main Street and I-20. This new facility will provide businesses and guests with access to 14,000 square feet of conference room and meeting space. Duncanville is currently recruiting quality full-service restaurants that will compliment the Hilton Garden Inn Hotel.
- Two major highways cross through Duncanville's corporate limits allowing the City to enjoy the convenience of nearby D/FW International Airport and Love Field Airport to meet commercial passenger air transportation needs.
- Main Station, which will include 22,000 square feet of office, retail, and residential space on Main and Center Street in Duncanville opened in December 2003.
- Two residential subdivisions broke ground in 2003 and will add over 400 homes when completed. These are the first new subdivisions in over 15 years.
- In September of 2003, voters, by a 2 to 1 margin, approved the sale of beer and wine in Duncanville. Increased sales taxes and new retail construction will be seen as a result of the vote.

Future projects include:

- Plans to develop **major retail, restaurant and conference center hubs** along Main Street. The hubs will serve as the ideal location for a variety of businesses including specialty stores, business services companies, full service restaurants, clothing stores, book stores, and more.
- Development of a new shopping center to include a large-box retail anchor store.

Also, as part of Duncanville's comprehensive economic development plan, the 4B Board established four grant programs specifically designed to encourage redevelopment of maturing business corridors by providing financial resources to small business owners for exterior property improvements. The four grant programs are a Paint Grant, Landscape Participation Grant, Signage Update Grant and an Interest Rate Buy Down Grant.

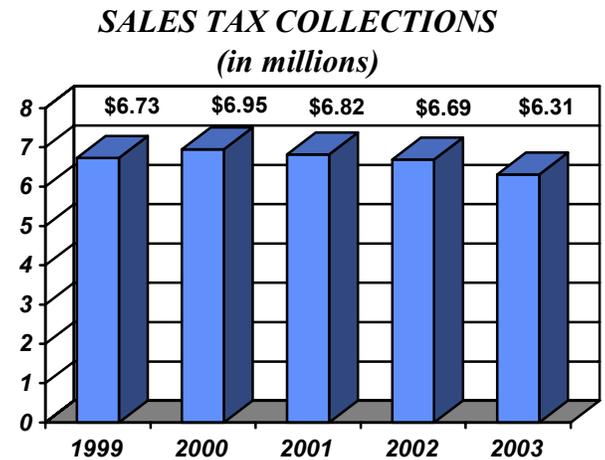
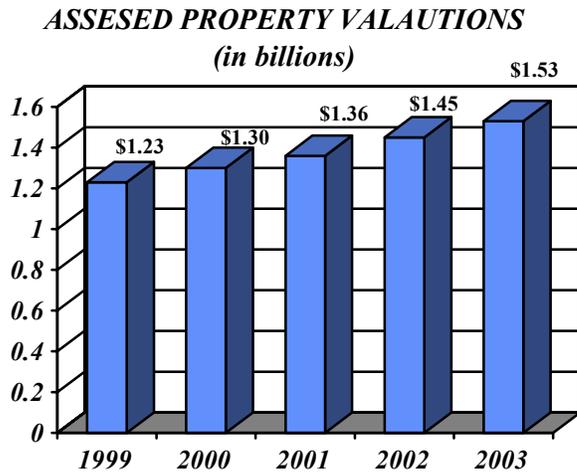
Duncanville continues to house one of the state's top rated school districts that continue to support residential property values. The City also benefits from an affluent workforce with Duncanville's median household effective buying income of \$51,654 comparing favorably to \$46,458 for DFW and \$37,129 for Texas.

The long-range economic outlook for Duncanville is very promising. The City continues to grow more aggressively with economic development initiatives targeting quality businesses that will bring unique products and services to this ever-growing community. The City's citizens and business community are committed to managed growth and maintaining the level of economic prosperity and the quality of life Duncanville currently enjoys.

In addition, the following non-economic major initiatives are in place, contributing to the overall health of the City:

- Constructing new service roads along I-20, which will begin in December 2003.
- Continuing aggressive Code Enforcement, resolving violations.
- Pushing a more aggressive program of delinquent tax foreclosures when necessary.
- Promoting another year of aggressive apartment inspection program (third year).
- Maintaining an aggressive water and sewer line rehab program.
- Improving access to Highway 67.

Economic Signs . . .



Future Economic Outlook

Duncanville has suffered several years of difficult economic times, but the future appears bright. New retail projects that are just opening or under construction will help replace the losses of the past three years. Property values continue to increase and indicate that Duncanville is still top choice for existing home purchases. The recent vote that allowed beer and wine sales is spurring commercial activity that has not been seen in over twenty years. Duncanville remains an attractive, well maintained city with a solid infrastructure that is well deserving of its moniker of “City of Champions”.

Cash Management

The City awards its depository contract through official bidding procedures for a two-year period with an option to extend the contract for an additional two years. The current depository contract with Bank One Texas, N.A. expires January 31, 2006.

The City has a services-only contract, where a minimum amount of cash is held in checking accounts to meet the City's operational needs.

Cash temporarily idle during the year was invested in demand deposits, Texpool, LOGIC, Federated Investors, and U.S. Treasury issues. Interest income from all sources was \$280,422 for FY 2002-03, compared to \$395,589 in fiscal year 2001-02.

It is the City's policy that all demand deposits and time deposits are secured by pledged collateral with a market value equal to no less than 100% of the deposits less an amount insured by the FDIC. Evidence of the pledged collateral is maintained by the Finance Department and a third party financial institution. Collateral is reviewed monthly to assure the market value of the securities pledged equals or exceeds the related bank balances.

A Finance Committee consisting of three members of the City Council meets periodically with the City Manager and Finance Director to determine general investment strategies, monitor results, and to review quarterly and annual investment reports. Monthly reports are reviewed by the Finance Director.

These reports summarize recent market conditions, economic developments, anticipated investment conditions and investment strategies employed. They also describe the portfolio in terms of investment securities, maturities, risk characteristics, compare the investment return with budgetary expectations and suggest improvements that might be made in the investment program.

All safekeeping arrangements are in accordance with a safekeeping agreement approved by the City Manager which clearly defines the procedural steps for gaining access to pledged collateral on deposits should the City of Duncanville determine that the City's funds are in jeopardy. The safekeeping institution, or Custodian, is the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral. The safekeeping agreement is a three-party contract between the City, the depository bank and the Federal Reserve Bank as custodian.

All investments transacted by the City are purchased using the delivery versus payment method. That is, funds are not wired or paid until verification has been made that the correct security has been received by the Custodian. The security is held in the name of the City or held on behalf of the City. The Custodian's records must assure the notation of the City's ownership or explicit claim on the securities. The original copy of all safekeeping statements is delivered to the City.

All collateral is subject to inspection and audit by the Finance Director or the City's independent auditors.

Risk Management

In July, 1989, the City adopted a self-insurance program through the Arthur Gallagher Co. for workers' compensation, property and all of the City's liability coverage. The retention levels for the City and the corresponding policy limits are as follows: \$75,000/\$10,000,000 for workers' compensation; \$25,000/\$30,871,912 for property and \$50,000/\$1,000,000 for liability claims. In FY 95-96, Texas Municipal League Intergovernmental Risk Pool replaced Arthur Gallagher Company.

The risk management program has been implemented in order to minimize or eliminate any harm to the financial position of the City, any physical injury to employees or potential destruction of property by providing proper insurance coverage, safety training and safety assessment.

Employee Health Plan

The City maintains an employee health plan for employees and dependents, which is self-insured by the City. Revenues are recognized from payroll deductions and from City contributions. The City utilizes a preferred provider organization for its primary health care option and actively solicits input from its employees regarding benefit levels and cost containment strategies.

OTHER INFORMATION

Independent Audit

The City Charter requires an independent audit of the City's financial records each year by qualified certified public accountants selected by the City Council. This requirement has been complied with and the independent auditors' report has been included in this report.

GFOA 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 Duncanville for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the staff has our sincere appreciation for the contributions made in the preparation of this report and specifically Philip Varghese, Assistant Finance Director.

We would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,



Kent Cagle
City Manager



Frank Trando
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Duncanville,
Texas

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

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



A handwritten signature in black ink, appearing to read "Edward Henry".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

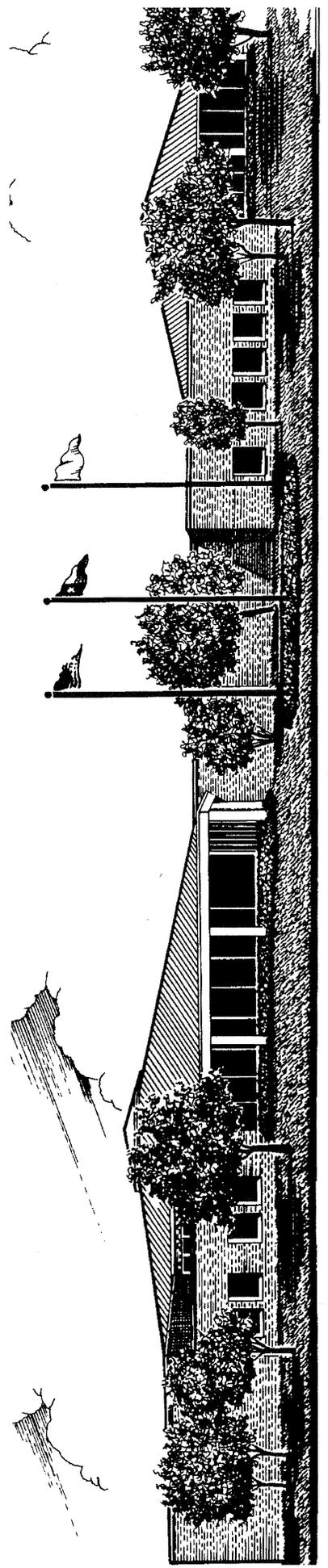
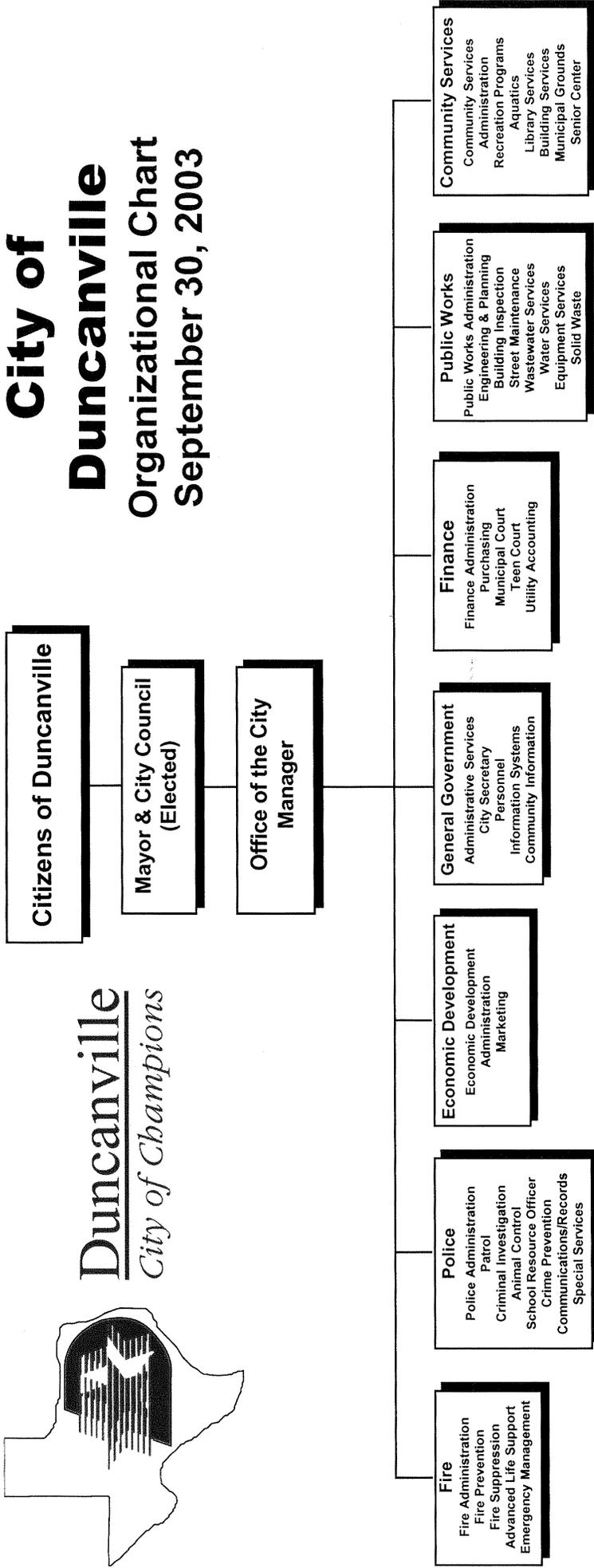


Duncanville
City of Champions

City of Duncanville

Organizational Chart

September 30, 2003



**CITY OF DUNCANVILLE
CITY COUNCIL**

Glenn Repp, Mayor

Grady Smithey, Mayor Pro Tem

Dorothy Burton, Council Member

David Green, Council Member

Scott Cannon, Council Member

Marilyn Massey, Council Member

Jim Pyeatt, Council Member



ADMINISTRATIVE OFFICIALS

Kent Cagle, City Manager

Frank Trando, Director of Finance

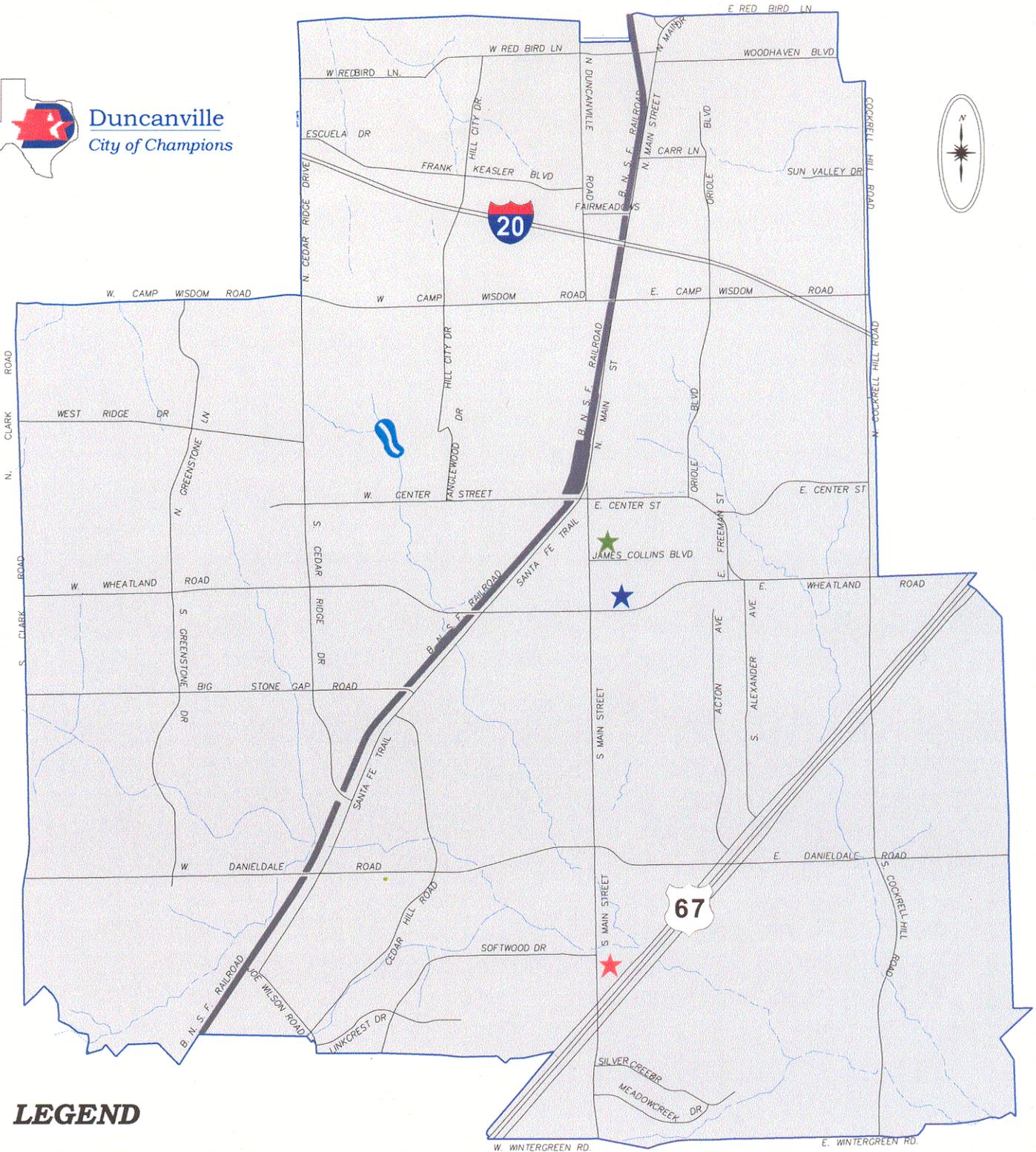
Philip Varghese, Assistant Finance Director

Jeanne Fralicks, Director of Administration/ City Secretary

Gregg Weaver, Personnel Administrator



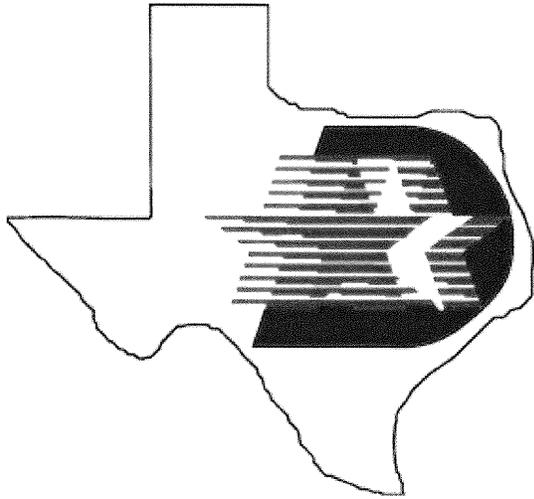
Duncanville
City of Champions



LEGEND

-  CITY HALL
-  LIBRARY/
COMMUNITY CENTER
-  STAR CENTER
-  INTERSTATE HIGHWAYS
-  UNITED STATE
HIGHWAYS
-  B.N.S.F. RAILROAD

CITY OF DUNCANVILLE



Duncanville
City of Champions

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Duncanville, Texas

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund and aggregate remaining fund information of the City of Duncanville, Texas (the "City"), as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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. 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 opinion.

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

As described in Note 1, the City has implemented the new financial reporting model, as required by the provisions of 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*, as of September 30, 2003.

Management's Discussion and Analysis and the Required Supplementary Information on page 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of City management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund financial statements and schedules 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 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 and statistical sections 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.

Deloitte & Touche LLP

January 23, 2004

**MANAGEMENT'S
DISCUSSION AND
ANALYSIS**

City of Duncanville, Texas

Management's Discussion and Analysis for the Fiscal Year Ended September 30, 2003

As management of the City of Duncanville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the financial statements which follow this section. The City implemented Governmental Accounting Standards Board ("GASB") Statement No. 34 for the first time this year, therefore, this discussion and analysis does not include comparative data for prior years in presenting government-wide information.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$48 million (net assets). Of this amount, \$7.3 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2.1 million this fiscal year with almost all of the increase attributable to activities which receive taxes and other nonexchange revenues (governmental activities).
- As of the close of the current fiscal year, the City of Duncanville's governmental funds reported combined ending fund balances of \$11.5 million, an increase of \$2.5 million from the prior year. Of this amount, \$10.8 million is unreserved and available for spending subject to the City's self-imposed limitations by management for intended use.
- At year-end, the undesignated and unreserved fund balance for the General Fund was \$4.7 million. This represents over 24% of expenditures and transfers out which exceeds the 16.7% required by the City's adopted fund balance policy. On a current financial resources basis, total fund balance for the General Fund increased over \$297 thousand which was \$765 thousand more than budgeted due to higher than anticipated revenues and expenditure savings.
- The City's net bonded debt increased by over \$6.5 million during this current fiscal year. The key factor in this increase was the refunding of other obligations for Joe Pool Lake by issuance of Tax and Waterworks and Sewer System Surplus Revenue Refunding Bonds for \$4,265,000. Also, \$4,246,914.50 Tax and Waterworks and Sewer System Surplus Revenue Certificates of obligation were issued in the current fiscal year to finance street and drainage improvements, and for constructing, improving and equipping park facilities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Duncanville's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic 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. One of the most important questions asked about the City's finances is, "Is the City of Duncanville in a better financial position at the end of this fiscal year compared to last year?" The government-wide financial statements report information about the City as a whole and about its activities in a way that helps to answer this question. Other non-financial factors should be taken into consideration, such as changes in the City's property tax base and the condition of the City's streets to assess the overall health or financial condition of the City.

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 City's net assets changed during the fiscal year. All changes in net assets are reported when 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 the 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 the functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include most of the City's basic services such as police, fire, public works, code compliance, library, parks and recreation, and community services as well as general government activities. The business-type activities of the City include water and sewer, and solid waste services.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Duncanville Community and Economic Development Corporation (DCEDC) as a component unit. The DCEDC is organized exclusively for the purposes of benefiting and accomplishing public purposes of and to act on behalf of, the City, and the specific purposes for which the Corporation is organized.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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 statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains thirteen 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, Debt Service, and Street Construction funds, all of which are to be considered major funds. Data from the other ten funds are combined into a single, aggregated presentation. Individual fund data for 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, Debt Service and Hotel Tax Special Revenue funds. A budgetary comparison statement has been provided for the General fund as part of the basic financial statements.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility (water and sewer), and solid waste 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 its group health insurance and general liability insurance programs. Both of these programs are predominantly governmental activities; however as they benefit both governmental and business-like activities, current year results have been allocated by function in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility and Solid Waste funds since both are considered to be major funds of the City. Conversely, both of 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.

Notes to the Basic 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 can be found immediately following the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information immediately follows the notes to the basic financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Included as well are schedules of revenues and expenditures for the general fund. In addition, a schedule of operating revenues and expenses for the Utility and Solid Waste funds is included.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Duncanville, assets exceeded liabilities by \$48.2 million as of September 30, 2003.

With the first year implementation of GASB Statement 34, the City is not presenting comparable columns in the various comparisons and analyses for the prior year.

City of Duncanville's Net Assets

	Governmental Activities FY2003	Business-Type Activities FY2003	Total
Current and other assets	\$ 14,549,889	\$ 4,978,620	\$ 19,528,509
Capital assets	<u>35,429,713</u>	<u>24,886,772</u>	<u>60,316,485</u>
 Total assets	 <u>49,979,602</u>	 <u>29,865,392</u>	 <u>79,844,994</u>
 Current liabilities	 1,509,257	 706,291	 2,215,548
Noncurrent liabilities	<u>24,723,788</u>	<u>4,660,478</u>	<u>29,384,266</u>
 Total liabilities	 <u>26,233,045</u>	 <u>5,366,769</u>	 <u>31,599,814</u>
 Invested in capital assets, net of related debt	 17,756,803	 22,428,266	 40,185,069
Restricted net assets	692,896		692,896
Unrestricted net assets	<u>5,296,858</u>	<u>2,070,357</u>	<u>7,367,215</u>
 Total net assets	 <u>\$ 23,746,557</u>	 <u>\$ 24,498,623</u>	 <u>\$ 48,245,180</u>

The largest portion of the City's net assets (86.7%) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for 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 (1.4%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$5,717,382 may be used to meet the government's ongoing obligation to citizens and creditors.

Analysis of the City's Operations—The following table provides a summary of the City's operations for the year ended September 30, 2003. The City first implemented GASB Statement 34 in 2003, therefore comparative data is not presented.

City of Duncanville's Changes in Net Assets

	Governmental Activities 2003	Business-Type Activities 2003	Total
Revenues:			
Program revenues:			
Charges for services	\$ 3,159,686	\$ 11,775,008	\$ 14,934,694
Operating grants and contributions	234,511	-	234,511
Capital grants and contributions	335,000	106,462	441,462
General revenues:			
Ad valorem taxes	11,055,022	-	11,055,022
Gross receipts taxes	2,056,464	-	2,056,464
Sales taxes	4,749,336	-	4,749,336
Hotel taxes	162,145	-	162,145
Investment income	213,641	66,781	280,422
Rentals and other	708,872	15,810	724,682
Total revenues	<u>22,674,677</u>	<u>11,964,061</u>	<u>34,638,738</u>
Expenses:			
General government	1,805,370	-	1,805,370
Finance	942,631	-	942,631
Community services	3,236,439	-	3,236,439
Police	6,113,841	-	6,113,841
Public works	3,595,016	-	3,595,016
Fire	4,664,195	-	4,664,195
Interest and fiscal charges	873,138	213,136	1,086,274
Water and sewer	-	9,315,253	9,315,253
Solid waste	-	1,725,261	1,725,261
Total expenses	<u>21,230,630</u>	<u>11,253,650</u>	<u>32,484,280</u>
Increase in net assets before transfers	1,444,047	710,411	2,154,458
Transfers	<u>935,228</u>	<u>(935,228)</u>	<u>-</u>
Increase/ (decrease) in net assets	2,379,275	(224,817)	2,154,458
Net assets—October 1, 2002	<u>21,367,282</u>	<u>24,723,440</u>	<u>46,090,722</u>
Net assets—September 30, 2003	<u>\$ 23,746,557</u>	<u>\$ 24,498,623</u>	<u>\$ 48,245,180</u>

Financial Analysis of the City's Funds

Governmental funds including General Fund budgetary highlights. The focus of the City of Duncanville's governmental funds is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,561,597. Approximately 93.1% of this total amount (\$10,766,657) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available to pay for new spending because it has already been committed to pay for prepaid expenses of \$39,165 and debt service of \$755,775. The fund balance for all governmental funds increased by \$2,496,315 over the previous fiscal year.

In the General Fund, the original budget projected a \$391,154 decrease in fund balance this fiscal year. This was changed to a decrease of \$468,067 with the final amended budget. Differences between the original and final amended budget were relatively minor. The environment in which this budget came together was one of declining local and national economic conditions but by having conservative increases in planned expenditures for providing City services, there was no increase in the property tax rate. Due to higher than projected actual revenue from sales taxes (\$287,877), fines and forfeitures (\$90,557) and other revenue sources, as well as personal service savings in nearly all expenditure functions except Police, fund balance increased in the General Fund by \$296,542, a positive variance with the final amended budget of \$764,609.

The Debt Service fund had a decrease in fund balance of \$273,852 for the fiscal year ended September 30, 2003, which was as planned in order to take advantage of the beginning fund balance of \$1,029,627. The Street Construction capital project fund had an increase in fund balance of \$1,504,276, which was as a result of receipt of bond proceeds of \$2,944,655 during the fiscal year, a major portion of which was not spent as of the end of the fiscal year.

Proprietary funds. The City's proprietary fund statements provide detail on the City's individual business-like activities and additionally report the financial results of the internal service funds which have been consolidated in the government-wide statements.

The Utility enterprise fund recorded a \$182,628 decrease in net assets and the Solid Waste fund net assets decreased by \$42,189 during this fiscal year. There have been no rate increases since 1995 by the City for water and sewer services but the City introduced a new "inverted block" rate structure in FY 2002-03, which was meant to be revenue neutral based on same consumption. However, the City's expenses for purchases of treated water from the Dallas water utilities and wastewater treatment from the Trinity River Authority have increased over the previous fiscal year. These increases combined with the lower sales of water due to higher rainfall resulted in the decrease in net assets in the Utility Fund. There were no rate increases for solid waste services also during the year. However, our collection contract with Duncan Disposal and our landfill contract with Waste Management both have annual escalation clauses based on the local Consumer Price Index. Both of these factors resulted in a decrease in net assets in the Solid Waste fund for this fiscal year.

Capital Assets

During the fiscal year, the City completed a physical inventory and revaluation of the Parks and Recreation Department infrastructure assets, water and sewer distribution lines and also land under city streets and alleys (Right-of-way). Also, water rights in Joe Pool Lake, an intangible asset was recorded as a governmental fixed asset in prior fiscal years. However, as part of the implementation of GASB 34 this asset was reclassified to the Utility Enterprise Fund under business-type activities. The result of this inventory and revaluation of the cost or estimated cost of these capital assets had a significant impact on the reported amount of the City's capital assets compared to prior year reports. Overall, the reported amount of governmental activities capital assets increased by over \$17 million before accumulated depreciation and the business-type capital assets, before accumulated depreciation, increased by nearly \$4.9 million. The notes to the basic financial statements present more detail on these restatements.

Governmental Accounting Standards Board (GASB) Statement 34 allows governments to implement infrastructure reporting for major networks and subsystems in phases prior to fiscal year ending after June 15, 2006. Accordingly, we have completed an inventory and reported in our financial statements for this fiscal year the Parks and Recreation Department infrastructure assets and only the additions for the current fiscal year to other infrastructure assets like streets, drainage and alleys.

At the end of fiscal year 2003, the City had over \$60 million invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreation facilities, and water and sewer lines. This amount represents a net increase of \$3.7 million or 6.5 percent over the restated amounts for the prior fiscal year.

City of Duncanville's Capital Assets
(Net of Depreciation, in Thousands)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
		As restated		As restated		
Land	\$ 18,920	\$ 18,956	\$ 89	\$ 89	\$ 19,009	\$ 19,045
Investment in						
joint venture	1,382	649			1,382	649
Construction in						
progress	1,822	750	190	748	2,012	1,498
Buildings	4,976	5,112	2,802	2,667	7,778	7,779
Infrastructure	3,511	2,241	17,153	16,128	20,664	18,369
Improvements	1,453	1,651	29	-	1,482	1,651
Equipment	3,366	3,581	494	499	3,860	4,080
Water rights	-	-	4,130	4,226	4,130	4,226
Totals	<u>\$ 35,430</u>	<u>\$ 32,940</u>	<u>\$ 24,887</u>	<u>\$ 24,357</u>	<u>\$ 60,317</u>	<u>\$ 57,297</u>

Major capital asset events during the current fiscal year include the following:

- Nearly \$2.3 million was expended for streets and alley projects including various projects that are not completed.
- Improvements are in progress for the parks and recreation system totaling \$211,624.
- Current year outlays for the water and sewer system were \$1.9 million and \$1.5 million of infrastructure was put into service.
- Drainage projects completed and in progress were in excess of \$607 thousand.
- Vehicle replacements during the year were over \$310 thousand including a mini excavator, a dump truck and a bucket truck.
- Telephone system was replaced at a cost of \$74,061.

Debt Administration

At year-end, the City had \$25.7 million in bonded debt outstanding. The entire amount comprised of bonded debt backed by the full faith and credit of the City.

City of Duncanville's Outstanding Debt
General Obligation Bonds and Certificates of obligation (in Thousands)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
General obligation	\$ 15,777	\$ 17,720	\$ -	\$ -	\$ 15,777	\$ 17,720
Certificates of obligation	5,842	1,450	-	-	5,842	1,450
Tax and Water/Wastewater						
Surplus Revenue bonds	<u>-</u>	<u>-</u>	<u>4,100</u>	<u>-</u>	<u>4,100</u>	<u>-</u>
Totals	<u>\$ 21,619</u>	<u>\$ 19,170</u>	<u>\$ 4,100</u>	<u>\$ -</u>	<u>\$ 25,719</u>	<u>\$ 19,170</u>

During the fiscal year, there were the following debt issuances: \$4,246,914.50 of combination tax and waterworks and sewer system surplus revenue certificates of obligation for street and drainage improvements and constructing, improving and equipping park facilities. In addition, \$5,435,000 of general obligation bonds were issued to advance refund Series 1995 general obligation bonds, and \$4,265,000 of combination tax and waterworks and sewer system surplus revenue bonds were issued to prepay and discharge the City's pecuniary obligation to the Trinity River Authority (TRA) for the 7.04% of the construction costs allocated to conservation storage space in Joe Pool Lake. These advance refundings were undertaken to reduce total debt service payments and produced economic gains totaling \$6.03 and \$1.59 million respectively.

The City's general obligation bonds have been assigned the rating of "A2" by Moody's Investors Service and "A+" by the Standard & Poor's Ratings Group for these most recent issues. Several of the City's bonds are insured thus holding a Triple A credit rating from both agencies.

Additional information on the City's long-term bonded debt can be found in the footnotes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

Providing quality government services funded by a tax base that is 75% residential is a daunting challenge and there are few short-term prospects available to improve the distribution of the tax base. However, City management maintains an optimistic outlook despite the recent economic slowdown being experienced nationally as well as locally.

In the 2003-04 budget, General Fund revenues and transfers in are budgeted to decrease by 2.7% from the FY 2002-03 actual revenues with general property taxes making up about 48.2% of the total. Ad valorem tax revenue is determined by two major factors: the total assessed property value established by the Dallas Central Appraisal District and the tax rate set by City Council. Certified assessed valuations increased 3.5% over the preceding year while the City tax rate was set at the same rate for the sixth year in a row, \$.7180 per \$100 of assessed valuation. Despite no increase in the tax rate for the eleventh year in a row, an additional \$377 thousand in property tax revenue is estimated for FY 2003-04 due to the increase in assessed property values.

Although the Metroplex and the Texas economy appear to be improving, we continue to suffer the consequences of a strange bifurcated local economy where property values continue to increase but sales taxes are showing a steady decline. Decreased consumer spending, higher unemployment and a slowdown in regional growth have all impacted the City budget for the upcoming fiscal year. Sales tax receipts are not projected to grow due to the slowing economy and

this revenue source comprises 22% of General Fund revenues and transfers in. This revenue source is the most volatile and subject to decline if the economic slowdown continues. A decrease in the amount of interest income could also be a factor if investment yield rates remain low in the marketplace.

As a result of the potential impact in revenue, the City has made a concerted effort to limit appropriations to only those city services truly necessary and has reduced some services like street maintenance and closed the swimming pool. The City has added no new major programs or initiatives to the fiscal year 2004 budget. Step increases in the City's pay plan and continued implementation of the market-driven pay plan resulted in budgeted personal services for the General Fund to increase in FY 03-04 by over \$297 thousand over the prior fiscal year actual expenditures. Ten positions or five per cent of the workforce from the General Fund was eliminated. Overall the expenditures and transfers out budget decreased by a total of \$239 thousand or 1.25% from last year. Fund balance is projected to increase by only \$875 in fiscal year 2004.

Contacting the City's Financial Management

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Assistant Director of Finance, at P. O. Box 380280, Duncanville, Texas 75138-0280, call (972)780-4997 or e-mail at pvarghese@ci.duncanville.tx.us.

BASIC FINANCIAL STATEMENTS

CITY OF DUNCANVILLE, TEXAS

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Cash and investments	\$ 10,647,036	\$ 989,803	\$ 11,636,839	\$ 1,413,591
Receivables (net of allowance for uncollectibles)	3,593,797	1,763,543	5,357,340	282,527
Accrued interest	91,130	3,876	95,006	7,421
Prepaid items	39,165	295	39,460	1,000
Restricted cash and investments		2,157,431	2,157,431	1,584,000
Internal balances	64,118	(64,118)	-	
Capital assets:				
Land, construction in progress and investment in joint venture	22,123,585	279,306	22,402,891	2,868,495
Other capital assets (net of depreciation)	13,306,128	24,607,466	37,913,594	13,841,941
Bond issue costs & deferred charges	114,643	127,790	242,433	
Total Assets	49,979,602	29,865,392	79,844,994	19,998,975
LIABILITIES:				
Accounts payable	649,683	637,808	1,287,491	5,146
Contracts payable	125,504		125,504	
Accrued liabilities	671,191	40,127	711,318	104,254
Accrued interest payable	62,879	28,356	91,235	
Deferred revenue	422,139		422,139	
Customer performance and escrow deposits	53,376	515,937	569,313	1,584,000
Long-term liabilities:				
Due within one year:				
Bonds and certificates of obligation payable	2,185,000	115,000	2,300,000	515,000
Compensated absences	133,300		133,300	
Due in more than one year:				
Bonds and certificates of obligation payable	19,434,222	3,985,000	23,419,222	11,625,000
Compensated absences	2,495,751	44,541	2,540,292	
Total Liabilities	26,233,045	5,366,769	31,599,814	13,833,400
NET ASSETS:				
Invested in capital assets, net of related debt	17,756,803	22,428,266	40,185,069	4,467,588
Restricted for:				
Debt service	692,896		692,896	
Economic development				1,697,987
Unrestricted	5,296,858	2,070,357	7,367,215	
Total Net Assets	\$ 23,746,557	\$ 24,498,623	\$ 48,245,180	\$ 6,165,575

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2003

PROGRAM ACTIVITIES	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,805,370	\$ 67,732	\$	
Finance	942,631			
Community services	3,236,439	298,989	57,257	
Police	6,113,841	1,296,280	59,668	
Public works	3,595,016	968,481	34,378	335,000
Fire	4,664,195	528,204	83,208	
Interest and fiscal charges	873,138			
Total governmental activities	<u>21,230,630</u>	<u>3,159,686</u>	<u>234,511</u>	<u>335,000</u>
Business-type activities:				
Water	4,993,910	5,490,481		106,462
Sewer	4,321,343	4,469,011		
Solid waste	1,725,261	1,815,516		
Interest and fiscal charges	213,136			
Total business-type activities	<u>11,253,650</u>	<u>11,775,008</u>	<u>-</u>	<u>106,462</u>
Total government	\$ <u>32,484,280</u>	\$ <u>14,934,694</u>	\$ <u>234,511</u>	\$ <u>441,462</u>
Component unit:				
DCEDC	\$ <u>2,094,675</u>	\$	\$	\$

General revenues:
Taxes:
 Ad valorem
 Sales
 Franchise
 Hotel occupancy
Earnings on investments
Rentals and miscellaneous
Transfers
 Total general revenues and transfers
Change in net assets
Net assets-beginning
Net assets-ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Governmental activities	Business-Type Activities	Total	Component Unit
\$ (1,737,638)		\$ (1,737,638)	
(942,631)		(942,631)	
(2,880,193)		(2,880,193)	
(4,757,893)		(4,757,893)	
(2,257,157)		(2,257,157)	
(4,052,783)		(4,052,783)	
(873,138)		(873,138)	
<u>(17,501,433)</u>		<u>(17,501,433)</u>	
	603,033	603,033	
	147,668	147,668	
	90,255	90,255	
	<u>(213,136)</u>	<u>(213,136)</u>	
	627,820	627,820	
<u>(17,501,433)</u>	<u>627,820</u>	<u>(16,873,613)</u>	
			\$ <u>(2,094,675)</u>
11,055,022		11,055,022	
4,749,336		4,749,336	1,579,112
2,056,464		2,056,464	
162,145		162,145	
213,641	66,781	280,422	31,098
708,872	15,810	724,682	986,212
935,228	(935,228)	-	
<u>19,880,708</u>	<u>(852,637)</u>	<u>19,028,071</u>	<u>2,596,422</u>
2,379,275	(224,817)	2,154,458	501,747
21,367,282	24,723,440	46,090,722	5,663,828
<u>\$ 23,746,557</u>	<u>\$ 24,498,623</u>	<u>\$ 48,245,180</u>	<u>\$ 6,165,575</u>

CITY OF DUNCANVILLE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	General	Debt Service	Street Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and investments	\$ 3,192,862	\$ 747,569	\$ 2,580,800	\$ 3,584,787	\$ 10,106,018
Receivables -					
Property taxes (net of allowance of \$482,692)	261,209	122,415			383,624
Trade accounts (net of allowance of \$567,104)	692,039			127,633	819,672
Other taxes	2,184,286			58,251	2,242,537
Assessments			74,645		74,645
Intergovernmental	65,668			7,651	73,319
Accrued interest and other	23,610	8,205	2,495	56,820	91,130
Prepaid items	38,001			1,164	39,165
Total assets	\$ <u>6,457,675</u>	\$ <u>878,189</u>	\$ <u>2,657,940</u>	\$ <u>3,836,306</u>	\$ <u>13,830,110</u>
LIABILITIES, EQUITY & OTHER CREDITS					
LIABILITIES:					
Accounts payable	\$ 476,008	\$	\$	\$ 146,879	622,887
Customer performance and escrow deposits	53,376				53,376
Contracts payable			1,883	123,621	125,504
Accrued liabilities	365,912			775	366,687
Deferred revenue	873,724	122,414	74,645	29,276	1,100,059
Total liabilities	<u>1,769,020</u>	<u>122,414</u>	<u>76,528</u>	<u>300,551</u>	<u>2,268,513</u>
EQUITY & OTHER CREDITS:					
Fund balances-					
Reserved for prepaid items	38,001			1,164	39,165
Reserved for debt service		755,775			755,775
Unreserved, reported in:					
General fund	4,650,654				4,650,654
Special revenue funds				634,501	634,501
Capital project funds			2,581,412	2,900,090	5,481,502
Total equity & other credits	<u>4,688,655</u>	<u>755,775</u>	<u>2,581,412</u>	<u>3,535,755</u>	<u>11,561,597</u>
Total liabilities, equity & other credits	\$ <u>6,457,675</u>	\$ <u>878,189</u>	\$ <u>2,657,940</u>	\$ <u>3,836,306</u>	\$ <u>13,830,110</u>

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003

Total fund balance- total governmental funds		\$	11,561,597
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.			35,429,713
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			1,100,059
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.			(62,879)
Internal service funds are used by management to charge the cost of certain activities, such as health, liability and workers comp insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets (net of amount allocated to business-type activities of \$64,118)			309,491
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.			
General obligation bonds payable	(15,777,554)		
Certificates of obligation	(5,841,668)		
Less issuance costs (to be amortized as interest expense)	114,643		
Compensated absences	(2,629,051)		
Arbitrage rebate	(35,655)		
Unearned revenue	(422,139)		
			<u>(24,591,424)</u>
Net assets of governmental activities		\$	<u>23,746,557</u>

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	General	Debt Service	Street Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes-					
Ad valorem	\$ 8,796,528	\$ 2,258,494	\$	\$	\$ 11,055,022
Sales	4,749,336				4,749,336
Franchise	2,056,464				2,056,464
Hotel				162,145	162,145
Licenses, permits and fees	1,069,501			410,681	1,480,182
Fines and forfeitures	698,657			42,273	740,930
Intergovernmental	308,467			686,191	994,658
Investment income	95,350	25,669	36,961	51,258	209,238
Rental and other	703,989	1,298	3,376	204,490	913,153
Total revenues	<u>18,478,292</u>	<u>2,285,461</u>	<u>40,337</u>	<u>1,557,038</u>	<u>22,361,128</u>
EXPENDITURES:					
Current-					
General government	1,139,841			132,630	1,272,471
Finance	947,288				947,288
Community services	2,776,118			130,019	2,906,137
Police	6,216,588			110,866	6,327,454
Public works	3,307,461			29,835	3,337,296
Fire	4,161,790			64,017	4,225,807
Non-departmental	444,438				444,438
Special purposes - promotional				34,671	34,671
Debt service-					
Principal retirement		2,135,000			2,135,000
Interest and fiscal charges		684,555	94,306	43,366	822,227
Capital outlay			1,386,410	1,150,039	2,536,449
Total expenditures	<u>18,993,524</u>	<u>2,819,555</u>	<u>1,480,716</u>	<u>1,695,443</u>	<u>24,989,238</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(515,232)</u>	<u>(534,094)</u>	<u>(1,440,379)</u>	<u>(138,405)</u>	<u>(2,628,110)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from refunding bonds		5,435,000			5,435,000
Payment to refunded bond escrow agent		(5,392,718)			(5,392,718)
Bond proceeds		13,751	2,944,655	1,288,509	4,246,915
Transfers in	897,592	204,209		69,964	1,171,765
Transfers out	(85,818)			(250,719)	(336,537)
Total other financing sources (uses)	<u>811,774</u>	<u>260,242</u>	<u>2,944,655</u>	<u>1,107,754</u>	<u>5,124,425</u>
Net change in fund balances	296,542	(273,852)	1,504,276	969,349	2,496,315
FUND BALANCES, beginning of year	<u>4,392,113</u>	<u>1,029,627</u>	<u>1,077,136</u>	<u>2,566,406</u>	<u>9,065,282</u>
FUND BALANCES, end of year	\$ <u>4,688,655</u>	\$ <u>755,775</u>	\$ <u>2,581,412</u>	\$ <u>3,535,755</u>	\$ <u>11,561,597</u>

The accompanying notes are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2003

Net change in fund balances- total governmental funds	\$	2,496,315
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		3,393,573
The net effect of various transactions involving capital assets (ie., sales, trade ins, and contributions) is to increase net assets.		260,545
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(1,163,965)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the 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. The details of this amount are as follows:		
Debt issued:		
Issuance of general obligation bonds and certificates of obligations	(9,681,915)	
Principal repayments:		
General obligation and CO debt	2,135,000	
Principal refunding:		
General obligation debt	5,392,718	
Deferred charges	<u>114,643</u>	(2,039,554)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		181,770
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(488,298)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources: therefore, accrued interest expense is not reported as expenditures in governmental funds.		38,313
Loss on refunding and accretion of interest on capital appreciation bonds is not reported as expenditures in governmental funds since it does not require the use of current financial resources		(294,877)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities (net of amount allocated to business-type activities of \$64,118).		<u>(4,547)</u>
Change in net assets of governmental activities	\$	<u>2,379,275</u>

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes-	\$	\$	\$	\$
Ad valorem	8,752,550	8,789,300	8,796,528	7,228
Sales	4,974,232	4,461,459	4,749,336	287,877
Franchise	1,908,710	2,030,642	2,056,464	25,822
Licenses, Permits and fees	1,091,254	1,017,386	1,069,501	52,115
Fines and forfeitures	607,972	608,100	698,657	90,557
Intergovernmental	273,905	273,905	308,467	34,562
Investment income	90,000	90,000	95,350	5,350
Rental and other	464,504	690,672	703,989	13,317
	<u>18,163,127</u>	<u>17,961,464</u>	<u>18,478,292</u>	<u>516,828</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
General government	1,139,171	1,165,938	1,139,841	26,097
Finance	1,022,187	961,337	947,288	14,049
Community services	3,143,261	2,916,235	2,776,118	140,117
Police	6,246,539	6,180,058	6,216,588	(36,530)
Public works	3,554,763	3,399,637	3,307,461	92,176
Fire	4,138,925	4,191,112	4,161,790	29,322
Non-departmental	120,334	428,181	444,438	(16,257)
	<u>19,365,180</u>	<u>19,242,498</u>	<u>18,993,524</u>	<u>248,974</u>
TOTAL EXPENDITURES				
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(1,202,053)</u>	<u>(1,281,034)</u>	<u>(515,232)</u>	<u>765,802</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	807,899	892,967	897,592	4,625
Transfers out	<u>-</u>	<u>(80,000)</u>	<u>(85,818)</u>	<u>(5,818)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>807,899</u>	<u>812,967</u>	<u>811,774</u>	<u>(1,193)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(394,154)</u>	<u>(468,067)</u>	296,542	<u>764,609</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>4,392,113</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 4,688,655</u>	

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2003

<u>ASSETS</u>	Utility Fund	Solid Waste Fund	Total	Governmental Activities- Internal Service Funds
Current assets:				
Cash and investments	\$ 879,033	\$ 110,770	\$ 989,803	\$ 541,018
Receivables-				
Customers (net of allowance of \$439,675)	496,599	135,417	632,016	
Unbilled	996,254	135,273	1,131,527	
Accrued interest and other	3,876		3,876	
Prepaid items	295		295	
Total current assets	<u>2,376,057</u>	<u>381,460</u>	<u>2,757,517</u>	<u>541,018</u>
Noncurrent assets:				
Restricted assets-				
Customer deposits	515,937		515,937	
Cash and investments for construction	1,641,494		1,641,494	
Capital assets-				
Land and construction-in-progress	279,306		279,306	
Water rights, net	4,130,031		4,130,031	
Buildings and improvements, net	2,830,135		2,830,135	
Distribution lines and Equipment, net	17,631,561	15,739	17,647,300	
Bond issue costs	127,790		127,790	
Total noncurrent assets	<u>27,156,254</u>	<u>15,739</u>	<u>27,171,993</u>	<u>-</u>
Total assets	<u>29,532,311</u>	<u>397,199</u>	<u>29,929,510</u>	<u>541,018</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	455,771	182,037	637,808	26,796
Accrued liabilities	28,691	1,436	30,127	268,849
Accrued interest payable	28,356		28,356	
Landfill closure payable		10,000	10,000	
Total current liabilities	<u>512,818</u>	<u>193,473</u>	<u>706,291</u>	<u>295,645</u>
Noncurrent liabilities:				
Payable from restricted assets				
Customer deposits	515,937		515,937	
Due within one year-				
Bonds payable	115,000		115,000	
Due in more than one year-				
Accrued compensated absences	43,553	988	44,541	
Bonds payable	3,985,000		3,985,000	
Total noncurrent liabilities	<u>4,659,490</u>	<u>988</u>	<u>4,660,478</u>	<u>-</u>
Total Liabilities	<u>5,172,308</u>	<u>194,461</u>	<u>5,366,769</u>	<u>295,645</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	22,412,527	15,739	22,428,266	
Unrestricted	1,947,476	186,999	2,134,475	245,373
Total net assets	<u>24,360,003</u>	<u>202,738</u>	<u>24,562,741</u>	<u>245,373</u>
Reconciliation to government-wide statement of net assets:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			(64,118)	
Net assets of business-type activities			<u>24,498,623</u>	

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Utility Fund	Solid Waste Fund	Total	Governmental Activities- Internal Service Funds
OPERATING REVENUES				
Water	\$ 5,420,091	\$	\$ 5,420,091	\$
Sewer	4,324,003		4,324,003	
Solid waste		1,815,516	1,815,516	
Penalties	65,072		65,072	
Premiums and other	150,326		150,326	2,188,431
Total operating revenues	<u>9,959,492</u>	<u>1,815,516</u>	<u>11,775,008</u>	<u>2,188,431</u>
OPERATING EXPENSES				
Water services	3,971,461		3,971,461	
Sewer	3,427,016		3,427,016	
Solid waste		1,717,340	1,717,340	
Claims and provision			-	1,754,217
Administrative and fiscal	968,209		968,209	607,282
Depreciation & amortization	888,724	3,646	892,370	
Total operating expenses	<u>9,255,410</u>	<u>1,720,986</u>	<u>10,976,396</u>	<u>2,361,499</u>
OPERATING INCOME (LOSS)	<u>704,082</u>	<u>94,530</u>	<u>798,612</u>	<u>(173,068)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	66,234	547	66,781	4,403
Interest and fiscal charges	(213,136)		(213,136)	
Other	15,810		15,810	
Total non-operating revenues (expenses)	<u>(131,092)</u>	<u>547</u>	<u>(130,545)</u>	<u>4,403</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS				
Capital contributions	572,990	95,077	668,067	(168,665)
Transfers in	106,462		106,462	
Transfers out	33,311		33,311	100,000
CHANGE IN NET ASSETS	<u>(835,548)</u>	<u>(132,991)</u>	<u>(968,539)</u>	<u>(68,665)</u>
TOTAL NET ASSETS -BEGINNING, AS RESTATED	<u>24,482,788</u>	<u>240,652</u>		<u>314,038</u>
TOTAL NET ASSETS-ENDING	\$ <u>24,360,003</u>	\$ <u>202,738</u>		\$ <u>245,373</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			<u>(64,118)</u>	
Change in net assets of business-type activities			\$ <u>(224,817)</u>	

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED SEPTEMBER 30, 2003

	Utility Fund	Solid Waste Fund	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 9,956,995	\$ 1,827,199	\$ 11,784,194	\$ 504,780
Payments to suppliers	(6,688,699)	(1,629,453)	(8,318,152)	(2,402,354)
Payments to employees	(1,571,092)	(69,186)	(1,640,278)	
Internal activity-receipts from other funds			-	1,429,498
Other receipts	150,326		150,326	254,385
Net cash provided by (used in) operating activities	<u>1,847,530</u>	<u>128,560</u>	<u>1,976,090</u>	<u>(213,691)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in from other funds	33,311			
Transfers to other funds	(835,548)	(132,991)	(968,539)	100,000
Net cash used in noncapital financing activities	<u>(802,237)</u>	<u>(132,991)</u>	<u>(968,539)</u>	<u>100,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(1,300,107)		(1,300,107)	
Proceeds from sale of bonds	4,327,256		4,327,256	
Principal paid on bond maturities	(165,000)		(165,000)	
Refunding on bonds	(4,128,924)		(4,128,924)	
Interest paid on bond obligations and fiscal charges	(177,066)		(177,066)	
Bond issuance costs paid	(136,077)		(136,077)	
Net cash used in capital and related financing activities	<u>(1,579,918)</u>	<u>-</u>	<u>(1,443,841)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	83,019	547	83,566	4,403
Net cash provided by investing activities	<u>83,019</u>	<u>547</u>	<u>83,566</u>	<u>4,403</u>
NET (DECREASE) IN CASH AND INVESTMENTS	(451,606)	(3,884)	(455,490)	(109,288)
CASH AND INVESTMENTS, beginning of year	<u>3,488,070</u>	<u>114,654</u>	<u>3,602,724</u>	<u>650,306</u>
CASH AND INVESTMENTS, end of year	<u>\$ 3,036,464</u>	<u>\$ 110,770</u>	<u>\$ 3,147,234</u>	<u>\$ 541,018</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income	\$ 704,082	\$ 94,530	\$ 798,612	\$ (173,068)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities-				
Depreciation	792,677	3,646	796,323	
Amortization of water rights	96,047		96,047	
Change in assets and liabilities:				
Accounts receivable	134,745	11,683	146,428	232
Accrued compensated absences	13,869	(7,373)	6,496	
Due to other funds	-	-	-	
Prepaid items	366,474		366,474	
Accounts payable and accrued liabilities	(273,448)	26,074	(247,374)	(40,855)
Customer deposits	13,084		13,084	
Total adjustments	<u>1,143,448</u>	<u>34,030</u>	<u>1,177,478</u>	<u>(40,623)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 1,847,530	\$ 128,560	\$ 1,976,090	\$ (213,691)
NONCASH CAPITAL ACTIVITIES:				
Contribution of capital assets from developers	\$ 106,462	\$ -	\$ 106,462	\$ -
Total noncash capital activities	<u>\$ 106,462</u>	<u>\$ -</u>	<u>\$ 106,462</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

City of Duncanville, Texas

**Notes to Basic Financial Statements
September 30, 2003**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Duncanville, Texas (the "City") was incorporated on August 2, 1947. It has been a home rule charter city since May 5, 1962, pursuant to Article XI, Section 5 of the State Constitution. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: community services, police, fire and public works.

The financial statements of the City have been prepared to conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. The more significant accounting and reporting policies and practices used by the City are described below:

Reporting Entity—The City is a municipal corporation governed by an elected mayor and six-member Council. Five (5) Council Members are elected from single-member districts with the Mayor and one (1) Council Member elected at large. As required by GAAP, these financial statements present the City (the primary government) and its component unit the Duncanville Community and Economic Development Corporation ("DCEDC"), entities for which the City is considered to be financially accountable.

The DCEDC was incorporated on April 28, 1995 as a nonprofit industrial development corporation under the Development Corporation Act of 1979 ("Act"). The DCEDC operates under a seven- (7) member Board of Directors appointed by the City Council. Each of the directors should be a resident of the City. No more than four (4) members can be members of the City Council, officials of the City, or City employees. The Corporation is organized exclusively for the purposes of benefiting and accomplishing public purposes of and to act on behalf of, the City, and the specific purposes for which the Corporation is organized. This includes the construction, renovation and operation of municipal buildings, the acquisition and improvement of parks as well as for the promotion and expansion of manufacturing and industrial facilities, and other economic development purposes. As required by GAAP, those entities that do not either (1) provide services entirely or almost entirely for the City or (2) have the same or substantially the same board as the City, are required to be presented "discretely" or in a separate column as part of the City's reporting entity, but not part of the primary government. Based on the above criteria, the component unit (DCEDC) has been discretely presented in the accompanying financial statements. Separate financial statements are not issued for the DCEDC.

Government-Wide 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 reporting entity. These 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 effect of interfund activity has been removed from these statements. Governmental activities, which are partially supported by taxes and intergovernmental revenues, are reported separately from

Notes to Basic Financial Statements

September 30, 2003

business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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 of Duncanville is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. This statement also demonstrates the degree to which the direct expenses of a given activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements—Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All non-major funds are aggregated and presented in a single column. 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 of Duncanville, like other local governments, uses fund accounting to aid financial management and demonstrate legal compliance.

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

The City of Duncanville maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, and Street Construction funds, which are considered to be major funds. A budgetary comparison statement has also been provided for the General fund. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds are maintained for enterprise and internal service operations of the City. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Utility and the Solid Waste funds are considered to be major enterprise funds and the Drainage fees fund is presented in a separate column as the only non-major fund. 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 its health claims and general liability operations. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Both 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.

Measurement Focus and Basis of Accounting—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of

Notes to Basic Financial Statements

September 30, 2003

related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) are reported on the statement of net assets.

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the fiscal year-end except investment income which is recorded as earned. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, accrued interest on long-term debt, as well as expenditures related to compensated absences are recorded only when the payment is due.

Those revenues susceptible to accrual in governmental funds are ad valorem taxes, franchise taxes, sales taxes, interest earned, certain charges for services and intergovernmental revenues, if such revenues are both measurable and available as previously defined. Licenses and permits and municipal court fines are recognized when payment is received. The deferred revenues account is utilized in governmental funds to record earned amounts which are unavailable to liquidate liabilities of the current period (i.e., not collectible within 60 days).

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, drainage utility and other proprietary operations are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

The City of Duncanville reports the following major governmental funds:

- The General fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Debt Service fund accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest. The resources for this fund are generated by a tax levy based upon property values. Payments for principal and interest are made from this fund for the general obligation bonds, certificates of obligation bonds, and contractual obligation debt when due through-out the year.
- The Street construction fund is a capital project fund that is used to account for the construction of major thoroughfares and petition paving projects.

The City of Duncanville reports the following major proprietary funds:

- The Utility enterprise fund is used to account for the rendering of water and sewer services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operation, maintenance, debt service, and billing and collecting.
- The Solid Waste enterprise fund is used to account for the rendering of sanitation services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operation, maintenance, debt service, and billing and collecting.

Encumbrances—An encumbrance system is maintained in governmental funds to account for

Notes to Basic Financial Statements

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commitments resulting from approved purchase orders, contracts, or other forms of legal commitments. Under the City's budgetary process, appropriations lapse at fiscal year-end. Encumbrances do not constitute expenditures or liabilities. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying financial statements.

Pooled Cash and Investments—Cash balances of all City funds are pooled into one bank account in order to maximize investment opportunities. Negative balances, if applicable, incurred in pooled cash at year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund.

Investments purchased with pooled cash are classified as pooled cash and investments in the accompanying balance sheet and statement of net assets. Earnings from these investments are allocated monthly to each fund based on each fund's relative month-end cash and investment balance. Investments are recorded at cost, and at fiscal year-end investments with maturity greater than one year are reflected at fair value on the accompanying balance sheet and statement of net assets.

The relationship of an individual fund to the pooled cash and investments account is essentially that of a demand deposit account. Individual funds can withdraw cash from the account as needed, and therefore all equity which the fund has in the pooled cash and investments account is highly liquid. For the purpose of the accompanying statement of cash flows, the City has chosen to reconcile to "pooled cash and investments," as all investments of the funds are regarded as cash equivalents.

Interfund Receivables and Payables—Short-term amounts owed between funds are classified as "Due to/from other funds" in the fund financial statements. On the government-wide statement of net assets, payables and receivables within governmental and business-type activities are eliminated and balances between these activities are reported on a single line entitled "internal balances".

Prepaid Items—Payments made to vendors for services that will benefit periods beyond September 30, 2003, are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for on the consumption basis in governmental funds.

Capital Assets—Capital assets, which include land, buildings, infrastructure, improvements, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. 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. Interest has not been capitalized for business-type activity assets during the construction period as such amounts are not material.

Assets capitalized have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	25 to 50 years
Infrastructure/improvements	15 to 50 years
Equipment	5 to 20 years
Water rights	50 years

Estimated Claims Payable—Property, general liability, and workers' compensation insurance coverage is accounted for in the Comprehensive Self Insurance Fund, an internal service fund. At year-end, the estimated settlement value of claims reported and of claims incurred but not reported in excess of liability insurance limits is classified as estimated claims payable. Group health insurance is accounted for in the Employee Benefits Trust Fund, an internal service fund.

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At year-end, an estimate of unpaid claims that were incurred prior to September 30, 2003, is accrued based on past claims experience.

Accrued Compensated Absences—City employees earn vacation and sick leave based on length of service. Full-time employees earn vacation leave as outlined below:

Hire	6.66 hours per month	Maximum 160 hours balance
4 yrs of continuous employment	10.0 hours per month	Maximum 240 hours balance
9 yrs of continuous employment	13.32 hours per month	Maximum 320 hours balance

Employees reaching the maximum vacation hour balance shall cease to accrue time until the balance has been reduced below the maximum. Full-time employees receive 32 hours of Bonus Vacation if the employee uses no sick leave during his/her anniversary year. Full-time employees receive 16 hours of Bonus Vacation if the employee uses eight (8) or less hours of sick leave during his/her anniversary year. Full-time employees using more than eight (8) hours of sick leave during his/her anniversary year are not eligible to receive bonus vacation. Any employee leaving the City in good standing is paid for accumulated vacation leave at their current pay rate. Sick leave may be accumulated from year to year, but only civil service employees are eligible to receive payment (for up to 90 days accumulation) upon retirement or termination. Accordingly, no liability has been recorded for the accumulated sick leave of non-civil service employees. The measurement of the liability for compensated absences was determined by applying a vesting method approach to accumulated vacation and sick leave balances at fiscal year-end and includes additional salary related payments for Social Security, Medicare and retirement contributions, in accordance with GASB Statement No. 16, Accounting for Compensated Absences. No liability is recorded in the fund statements of governmental funds as payment of this liability will not be made with expendable available financial resources. In the government-wide financial statements and proprietary fund statements, the liability for employees with over 20 years of service is recorded as a current liability as these employees are eligible for retirement regardless of their age.

Long-Term Debt—In the government-wide financial statements, and the fund level proprietary financial statements, long-term debt 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 if material in amount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs as expenditures, during the current period. The face amount of debt issued is recorded as other financing sources. Issuance costs are reported as expenditures in the funds receiving the bond proceeds.

Implementation of New Accounting Principles—In fiscal year 2003, the City has implemented GASB Statement No. 34 (“GASB 34”), *Basic Financial Statements—Management’s Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37 (“GASB 37”), *Basic Financial Statements—and 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 (“GASB 38”), *Certain Financial Statement Note Disclosures*.

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

As 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 is in the process of implementing the infrastructure requirements. The City has completed an inventory and valuation of Parks

Notes to Basic Financial Statements
September 30, 2003

and recreation department infrastructure assets which are recorded in the statement of net assets as of September 30, 2003. The City has opted to defer implementing the reporting requirements for the remainder of the infrastructure assets to the following fiscal years. As a result of implementing GASB 34, the previously reported governmental fund balances reconcile to net assets of the governmental activities as of October 1, 2002 as follows:

	Governmental
Fund balance of governmental funds—September 30, 2002	\$ 8,567,794
Drainage fees special revenue fund reclassified from enterprise fund	497,488
Net capital assets	32,939,560
Long-term liabilities	(21,346,556)
Accrued interest payable	(101,192)
Deferred revenue	496,150
Internal service fund net assets	<u>314,038</u>
Net assets—October 1, 2002 governmental activities	<u>\$ 21,367,282</u>

As part of the implementation of GASB 34, the City reevaluated the presentation of the Joe Pool lake water rights asset and the related liability. The asset and liability which were previously recorded as general fixed asset and general long term debt are now recorded as an asset and liability of the Utility fund, an enterprise fund. In addition, the City reevaluated the reporting of the Drainage Fee fund. This fund, which was previously reported as an enterprise fund is now reported as a special revenue fund. The following is a reconciliation of the enterprise funds ending fund balances as of September 30, 2002 to the beginning net assets as of October 1, 2002:

	Utility Fund	Solid Waste Fund	Drainage Fee Fund	Total Enterprise
Fund balance—as originally reported	\$ 24,323,378	\$ 240,652	\$ 497,488	\$ 25,061,518
Water rights asset reclassification	4,226,083	-	-	\$ 4,226,083
Water rights payable reclassification	(4,066,673)	-	-	\$ (4,066,673)
Drainage fee reclassified to special revenue fund	<u>-</u>	<u>-</u>	<u>(497,488)</u>	<u>(497,488)</u>
Net assets—as restated, October 1, 2002	<u>\$ 24,482,788</u>	<u>\$ 240,652</u>	<u>\$ -</u>	<u>\$ 24,723,440</u>

As a result of implementing GASB 34, the previously reported DCEDC fund balances reconcile to net assets of the governmental activities as of October 1, 2002 as follows:

	DCEDC
Fund balance of governmental funds—September 30, 2002	\$ 2,021,030
Net capital assets	16,378,992
Long-term liabilities	(12,630,000)
Accrued interest payable	<u>(106,194)</u>
Net assets—October 1, 2002 governmental activities	<u>\$ 5,663,828</u>

Notes to Basic Financial Statements
September 30, 2003

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that combines cash of the various funds in order to maximize investment opportunities. State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of the state of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's and DCEDC's demand deposits were fully collateralized at September 30, 2003, with collateral required by the state statutes. At year-end, the carrying amount of the City's deposits was (\$576,282) and that of DCEDC was \$2,051,725. The bank balances of City and DCEDC were \$1,855,101. Of the bank balance, \$100,000 was covered by Federal Depository Insurance and the remainder by collateral, with a value of \$2,691,862. The collateral is held by the Federal Reserve Bank of Dallas in the City's name under a joint safekeeping agreement with Bank One Texas, N.A.

State statutes, city bond ordinances and city resolutions authorize the City's and DCEDC's investments. Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the state of Texas or its agencies, (3) other obligations, the principal on which are unconditionally guaranteed by the state of Texas or the United States or their respective agencies, (4) collateralized certificates of deposit, (5) eligible local government investment pools which are continuously rated no lower than "AAA" or an equivalent rating by at least one nationally recognized rating service and (6) repurchase agreements, reverse repurchase agreements, bankers acceptances, and commercial paper to the extent that they are contained in the portfolios of approved public funds investment pools in which the City invests. All investments held at September 30, 2003 are categorized in columns 1, 2, 3, as specified by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements* ("GASB No. 3"), which gives an indication of the level of collateral risk assumed by the City at year-end. Category 1 includes investments that are insured or registered, or securities held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

Notes to Basic Financial Statements
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The City's investments at September 30, 2003, are:

<u>Description</u>	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government Backed Securities	1	\$2,600,000	\$2,625,730
Local Government Investment Cooperative ("Logic")	N/A	3,837,397	3,837,397
Money Market Mutual Funds (Federated Investors)	N/A	434,036	434,036
Texpool	N/A	7,499,419	7,499,419
Total Investments		<u>\$14,370,852</u>	<u>\$14,396,582</u>

As of September 30, 2003, the DCEDC's investments are as follows:

<u>Description</u>	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government Backed Securities	1	\$400,000	\$403,959
Local Government Investment Cooperative ("Logic")	N/A	394,628	394,628
Money Market Mutual Funds (Federated Investors)	N/A	62,976	62,976
Texpool	N/A	88,262	88,262
Total Investments		<u>\$945,866</u>	<u>\$949,825</u>

All investments of the City during the year were in U.S. Treasury Bills, Treasury Notes, agency issues, local government investment pools or money market accounts that are held by the City's agent in the City's name. In accordance with GASB No. 3, the U.S. government securities and agencies have been classified as Category 1 investments according to the aforementioned criteria. Investment pools are organized for public funds investments under state law through the Public Funds Investment Act ("Investment Act") and invest primarily in U.S. government securities, agency issues and repurchase agreements. These pools are required by law to have advisory boards with oversight responsibilities, to be continuously rated by a nationally recognized rating service and to have annual audits by independent auditors. Money market mutual funds are SEC regulated investments with a dollar weighted average stated maturity of 90 days or less that must maintain a \$1 share value. Investment pools and money market mutual funds have not been assigned a risk category since the City is not issued securities, and since they are operated in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940, and the City's positions in the pools are the same as the value of pool shares. The value of investments made by the City with maturities of greater than one year have been reported at fair value at year-end in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Those investments purchased with maturities of one year or less from the date of the purchase are reported at amortized cost.

The Investment Act governs items, such as investment strategies and policies, training for investment officers, reporting requirements and types of investments allowed. The City has adopted an investment policy in compliance with the Investment Act.

3. AD VALOREM TAXES

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraised value less applicable exemptions authorized by

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the City Council. Appraised values are established by the Dallas Central Appraisal District at 100% of estimated market value. The assessed value for the tax roll of January 1, 2001, upon which the 2003 fiscal year levy was based, was \$1,426,262,857.

Taxes are due on October 1, immediately following the January 1 lien date and are delinquent after the following January 31. Penalty and interest is charged at 7% on delinquent taxes beginning February 1, and increases each month to 18% on July 1, additional interest accrues at the rate of 1% each month. As of July 1, 20% collection costs may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2003, were 98.7% of the tax levy and total tax collections were 101.0% of the current tax levy.

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 three years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set 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.

The City Charter does not provide for a debt limit; therefore, no computation of legal debt margin can be made. However, at September 30, 2003, the City had a tax margin of \$1.782 for every \$100 of valuation based upon a maximum ad valorem tax rate of \$2.50 for every \$100 of valuation imposed by Texas Constitutional law.

4. RECEIVABLES

Receivables at September 30, 2003 for the government's individual major and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Street Construction	Utility Fund	Solid Waste Fund	Non-Major Funds	Total
Receivables:							
Accounts	\$ 1,259,143	\$ -	\$ -	\$ 1,932,528	\$ 270,690	\$ 127,633	\$ 3,589,994
Ad valorem taxes	633,928	232,388	-	-	-	-	866,316
Other taxes	2,184,286	-	-	-	-	58,251	2,242,537
Assessments	-	-	74,645	-	-	-	74,645
Intergovernmental	<u>65,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,651</u>	<u>73,319</u>
Gross receivables	4,143,025	232,388	74,645	1,932,528	270,690	193,535	6,846,811
Less allowance for uncollectibles	<u>(939,823)</u>	<u>(109,973)</u>	<u>-</u>	<u>(439,675)</u>	<u>-</u>	<u>-</u>	<u>(1,489,471)</u>
Net total receivables	<u>\$ 3,203,202</u>	<u>\$ 122,415</u>	<u>\$ 74,645</u>	<u>\$ 1,492,853</u>	<u>\$ 270,690</u>	<u>\$ 193,535</u>	<u>\$ 5,357,340</u>

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Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenues reported in the governmental funds were as follows:

General fund—ambulance accounts receivable	\$ 594,622
General fund—ad valorem taxes receivable	275,032
General fund—unearned recreation reservations	4,070
Debt service-ad valorem taxes receivable	122,414
Non-major governmental fund-Grants fund—year-end grants	29,276
Non-major governmental fund-capital projects—assessments receivable	<u>74,645</u>
Total deferred revenues for governmental funds	<u>\$ 1,100,059</u>

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5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2003:

	Beginning Balance, As Originally Reported	Restatement	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Governmental activities:						
Capital assets—not being depreciated:						
Land	\$ 1,346,100	\$ 17,610,443	\$ 18,956,543		\$ 36,200	\$ 18,920,343
Investment in joint venture	648,906		648,906	732,624		1,381,530
Construction in progress	<u>-</u>	<u>749,488</u>	<u>749,488</u>	<u>1,072,224</u>	<u>-</u>	<u>1,821,712</u>
Total capital assets— not being depreciated	<u>1,995,006</u>	<u>18,359,931</u>	<u>20,354,937</u>	<u>1,804,848</u>	<u>36,200</u>	<u>22,123,585</u>
Capital assets—being depreciated:						
Buildings	6,780,151		6,780,151			6,780,151
Infrastructure	-	3,124,538	3,124,538	1,283,476		4,408,014
Improvements	2,080,626		2,080,626	6,475		2,087,101
Equipment	8,189,189		8,189,189	633,774	318,467	8,504,496
Water rights	<u>4,802,361</u>	<u>(4,802,361)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets— being depreciated	<u>21,852,327</u>	<u>(1,677,823)</u>	<u>20,174,504</u>	<u>1,923,725</u>	<u>318,467</u>	<u>21,779,762</u>
Less accumulated depreciation for:						
Buildings	-	1,668,151	1,668,151	135,603		1,803,754
Infrastructure	-	883,640	883,640	12,835		896,475
Improvements	-	429,709	429,709	204,848		634,557
Equipment	-	4,608,381	4,608,381	810,679	280,212	5,138,848
Water rights	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>-</u>	<u>7,589,881</u>	<u>7,589,881</u>	<u>1,163,965</u>	<u>280,212</u>	<u>8,473,634</u>
Total capital assets—being depreciated—net	<u>21,852,327</u>	<u>(9,267,704)</u>	<u>12,584,623</u>	<u>759,760</u>	<u>38,255</u>	<u>13,306,128</u>
Governmental activities capital assets—net	<u>\$ 23,847,333</u>	<u>\$ 9,092,227</u>	<u>\$ 32,939,560</u>	<u>\$ 2,564,608</u>	<u>\$ 74,455</u>	<u>\$ 35,429,713</u>

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	Beginning Balance, As Originally Reported	Restatement	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Business-like activities:						
Capital assets—not being depreciated:						
Land	\$ 89,194	\$ -	\$ 89,194			\$ 89,194
Construction in progress	<u>747,512</u>	<u>-</u>	<u>747,512</u>	<u>190,112</u>	<u>747,512</u>	<u>190,112</u>
Total capital assets—not being depreciated	<u>836,706</u>	<u>-</u>	<u>836,706</u>	<u>190,112</u>	<u>747,512</u>	<u>279,306</u>
Capital assets—being depreciated:						
Buildings	4,242,916	-	4,242,916	228,512	7,700	4,463,728
Infrastructure	27,291,451		27,291,451	1,584,261		28,875,712
Investment in water rights		4,802,361	4,802,361			4,802,361
Improvements	-		-	29,130		29,130
Equipment	<u>1,291,990</u>	<u>-</u>	<u>1,291,990</u>	<u>111,114</u>	<u>63,178</u>	<u>1,339,926</u>
Total capital assets—being depreciated	<u>32,826,357</u>	<u>4,802,361</u>	<u>37,628,718</u>	<u>1,953,017</u>	<u>70,878</u>	<u>39,510,857</u>
Less accumulated depreciation for:						
Buildings	1,576,254	-	1,576,254	86,038		1,662,292
Infrastructure	11,163,364		11,163,364	559,261		11,722,625
Investment in water rights		576,283	576,283	96,047		672,330
Improvements	-	-	-	431		431
Equipment	<u>792,760</u>	<u>-</u>	<u>792,760</u>	<u>116,131</u>	<u>63,178</u>	<u>845,713</u>
Total accumulated depreciation	<u>13,532,378</u>	<u>576,283</u>	<u>14,108,661</u>	<u>857,908</u>	<u>63,178</u>	<u>14,903,391</u>
Total capital assets—being depreciated, net	<u>19,293,979</u>	<u>4,226,078</u>	<u>23,520,057</u>	<u>1,095,109</u>	<u>7,700</u>	<u>24,607,466</u>
Business-like activities capital assets—net	<u>\$ 20,130,685</u>	<u>\$ 4,226,078</u>	<u>\$ 24,356,763</u>	<u>\$ 1,285,221</u>	<u>\$ 755,212</u>	<u>\$ 24,886,772</u>

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

Governmental activities:		Business-like activities:	
General government	\$ 217,056	Water and sewer	\$ 854,261
Finance	1,992	Solid waste	<u>3,647</u>
Community services	447,484		
Police	140,102	Total business-like activities	<u>\$ 857,908</u>
Public works	96,828		
Fire	<u>260,503</u>		
 Total governmental activities	 <u>\$ 1,163,965</u>		

Discretely presented component unit

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

	Beginning Balance, As Originally Reported	Restatement	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Capital assets—not being depreciated:						
Land	<u>2,332,295</u>	<u>-</u>	<u>2,332,295</u>	<u>536,200</u>	<u>-</u>	<u>2,868,495</u>
Total capital assets—not being depreciated	<u>2,332,295</u>	<u>-</u>	<u>2,332,295</u>	<u>536,200</u>	<u>-</u>	<u>2,868,495</u>
Capital assets—being depreciated:						
Buildings	14,674,094	-	14,674,094			14,674,094
Equipment	<u>48,692</u>	<u>-</u>	<u>48,692</u>	<u>98,760</u>	<u>-</u>	<u>147,452</u>
Total capital assets—being depreciated	<u>14,722,786</u>	<u>-</u>	<u>14,722,786</u>	<u>98,760</u>	<u>-</u>	<u>14,821,546</u>
Less accumulated depreciation for:						
Buildings	-	666,188	666,188	293,426		959,614
Equipment	<u>-</u>	<u>9,901</u>	<u>9,901</u>	<u>10,090</u>	<u>-</u>	<u>19,991</u>
Total accumulated depreciation	<u>-</u>	<u>676,089</u>	<u>676,089</u>	<u>303,516</u>	<u>-</u>	<u>979,605</u>
Total capital assets—being depreciated, net	<u>14,722,786</u>	<u>(676,089)</u>	<u>14,046,697</u>	<u>(204,756)</u>	<u>-</u>	<u>13,841,941</u>
 Capital assets—net	 <u>\$ 17,055,081</u>	 <u>\$ (676,089)</u>	 <u>\$ 16,378,992</u>	 <u>\$ 331,444</u>	 <u>\$ -</u>	 <u>\$ 16,710,436</u>

Notes to Basic Financial Statements
September 30, 2003

The City has active construction projects as of September 30, 2003. Total accumulated commitments for ongoing capital projects are composed of the following:

Governmental activities:	
Drainage fees Fund	\$ 54,336
Street Construction Fund	2,523,356
Drainage Construction Fund	52,755
Parks Construction Fund	1,058,341
Capital Improvements Fund	<u>90,658</u>
Total governmental activities	<u>\$ 3,779,446</u>
Business-type activities:	
Utility Fund	<u>\$ 1,299,023</u>
Total business-type activities	<u>\$ 1,299,023</u>

6. TRANSFERS

Transfers were as follows for the fiscal year ended September 30, 2003:

Fund	Transfers In	Transfers Out
General	\$ 897,592	\$ 85,818
Debt service	204,209	-
Non-major governmental funds	69,964	250,719
Utility	33,311	835,548
Solid Waste Fund	-	132,991
Internal Service Fund-Medical Self Insurance	<u>100,000</u>	<u>-</u>
	<u>\$ 1,305,076</u>	<u>\$ 1,305,076</u>

Notes to Basic Financial Statements
September 30, 2003

The transfers were for the following purposes:

Transfer from Fund Purpose	Transfer to Fund	Amount
General fund:		
Matching funds for grant	Grant fund	\$ 5,818
Health insurance claims funding	Medical self insurance	80,000
Non-major governmental funds:		
Hotel Tax—indirect cost charge	General	9,310
Drainage Fee fund-General obligation debt allocation	Debt service	204,209
Grant Fund- utility fund portion of grant	Utility fund	33,311
Asset forfeiture fund-matching funds for grant	Grant fund	3,889
Utility fund:		
Nonoperating administrative and overhead charge	General	708,789
Payments in lieu of taxes	General	90,949
Health insurance claims funding	Medical self insurance	20,000
Gain/ loss on sale of fixed assets	Fleet Replacement Fund	15,810
Solid waste fund:		
Alley repairs funds paid by citizens	Capital Improvements	44,447
Nonoperating administrative and overhead charge	General	<u>88,544</u>
	Total	<u>\$ 1,305,076</u>

7. BUDGETARY COMPLIANCE

Budgets are legally adopted at the fund level of control for the General, Debt Service, and certain other non-major special revenue funds on a basis consistent with GAAP on the modified accrual basis of accounting. However, budgetary comparison statements are presented only for the General Fund, which presents actual expenditures on a basis consistent with the legally adopted budget as amended. Capital project funds are budgeted over the life of the projects and not on an annual basis. Expenditures in the Police department exceeded the amended budget adopted by the City Council by \$36,530 due to additional overtime work as assigned. Non-departmental expenditures exceeded the amended budget adopted by the City Council by \$16,257 due to contractual services expenditures being greater than budgeted. Transfers out exceeded the amended budget adopted by the City Council by \$5,818 due to matching funds for grant expenditures.

8. LONG-TERM DEBT

Various types of long-term debt have been issued by the City for the acquisition and construction of major capital facilities and equipment as follows:

- General obligation bonds are issued pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. General obligation bonds are also issued to refund prior debt issues. The current year debt issuance included \$5,435,000 to advance refund prior debt issues. The City intends to retire this debt, plus interest, from ad valorem taxes.
- Certificate of obligation debt is similar to general obligation bonds in their usage and retirement but do not require voter authorization and are not used for refunding debt. Included in the October 2003 bond sale was \$4,246,914.50 of combination tax and waterworks and sewer system surplus revenue certificates of obligation for street and drainage improvements and constructing, improving and equipping park facilities.

Notes to Basic Financial Statements
September 30, 2003

Long-term bonded debt at September 30, 2003, includes the following individual issues:

Governmental Activities	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
General Obligation Bonds:				
Series 1998 refunding and improvements	4.25-5.00	2/15/2013	\$ 9,635,000	\$ 1,060,000
Series 2001 refunding	4.40-4.70	8/15/2011	2,147,554	-
Series 2002 refunding	2.25-2.50	8/15/2006	<u>3,995,000</u>	<u>1,125,000</u>
			<u>15,777,554</u>	<u>2,185,000</u>
Certificate of Obligation Bonds:				
Series 1999 Tax and Waterworks and Sewer System Surplus Revenue	4.00-4.30	2/15/2008	1,450,000	-
Series 2002 Tax and Waterworks and Sewer System Surplus Revenue	4.55-5.00	2/15/2012	<u>4,391,668</u>	<u>-</u>
			<u>5,841,668</u>	<u>-</u>
Total governmental activities long-term bonded debt			<u>\$ 21,619,222</u>	<u>\$ 2,185,000</u>
Business-Like Activities	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
Water and Sewer Revenue Bonds:				
Series 2002 Tax and Waterworks and Sewer System Surplus Revenue refunding bonds	3.25-4.55	2/15/2020	\$ <u>4,100,000</u>	\$ <u>115,000</u>
Total business-like activities long-term debt			<u>4,100,000</u>	<u>115,000</u>
Net long-term bonded debt			<u>\$ 25,719,222</u>	<u>\$ 2,300,000</u>

Notes to Basic Financial Statements
September 30, 2003

DCEDC	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
Sales tax revenue bonds:				
Series 1998	4.10-5.00	2/15/2020	\$ 4,395,000	\$ 320,000
Series 2000 Taxable	7.50-8.20	8/15/2025	<u>7,745,000</u>	<u>195,000</u>
Total DCEDC			<u>\$ 12,140,000</u>	<u>\$ 515,000</u>

Annual debt service requirements to maturity for long-term bonded debt are as follows:

Year Ending September 30	Governmental Activities		Business-Type Activities		DCEDC	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 2,185,000	\$ 583,129	\$ 115,000	\$ 158,487	\$ 515,000	\$ 834,212
2005	2,255,000	509,260	120,000	154,668	545,000	805,508
2006	2,320,000	443,071	125,000	150,687	575,000	775,002
2007	2,455,000	342,313	130,000	146,543	610,000	742,678
2008	2,595,000	245,163	235,000	140,611	655,000	707,900
2009-2013	7,936,383	2,413,798	1,300,000	573,335	3,130,000	2,996,030
2014-2018	1,559,969	1,089,866	1,585,000	287,531	1,880,000	2,217,530
2019-2023	-	-	490,000	16,972	2,775,000	1,315,280
2024-2025	-	-	-	-	<u>1,455,000</u>	<u>181,220</u>
Total	\$ 21,306,352	<u>\$ 5,626,600</u>	<u>\$ 4,100,000</u>	<u>\$ 1,628,834</u>	<u>\$ 12,140,000</u>	<u>\$ 10,575,360</u>
Accreted Interest	<u>312,870</u>					
Total	<u>\$ 21,619,222</u>					

Notes to Basic Financial Statements
September 30, 2003

Advance Refundings—In October 2002, the City issued \$5,435,000 in general obligation bonds, which was used to advance refund Series 1995 general obligation bonds. The refunding provided resources to purchase direct obligations of the U.S. Government that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the debt being refunded. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the carrying amount of the old debt by \$57,718. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$338,114 and resulted in an economic gain of \$318,840.

In April 1975, the Trinity River Authority (TRA) entered into separate but identical contracts with the City, the Midlothian Water District and the cities of Grand Prairie and Cedar Hill for the sale of water from Joe Pool Lake based on conservation yield of the Lake. The City's portion of the contractual liability due the TRA for 7.04% of yield of conservation storage space under the contract between the TRA and the United States Corps of Engineers originally amounted to approximately \$4,802,361 and bore interest at the rate of 5.683%. Payments to the TRA under the contract commenced when water is diverted from the Joe Pool Lake or ten years from the date of completion of construction of the reservoir in 1986. The City is not currently taking any of its allotted 7.04% of water storage rights in Joe Pool Lake, but has been paying 100% of its annual requirement due TRA under the contract. The City's contract with the TRA was amended in FY 2002-03 to allow for the prepayment of its 7.04% of the yield of conservation storage space at an agreed amount of \$4,128,923.91 as of January 9, 2003. This liability and the related asset were reclassified from general long term debt and general fixed assets to the Utility fund as part of the GASB 34 implementation (see note 1). During FY 2002-03, the City issued \$4,265,000 in combination Tax and Waterworks and Sewer system surplus revenue refunding bonds, Series 2002, which was used to prepay and discharge the City's pecuniary obligation to TRA for the 7.04% of the construction costs allocated to conservation storage space in Joe Pool Lake. Following the issuance of the bonds, the City's obligation to make annual payments to TRA for its allotted share of the yield conservation space in Joe Pool Lake is fully paid and discharged and the City is no longer obligated to make the above described annual payments to the TRA for such purposes. The reacquisition price exceeded the carrying amount of the old debt by \$62,251. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$5,691,655 and resulted in an economic gain of \$1,273,642.

Notes to Basic Financial Statements
September 30, 2003

Long-term liability activity for the year ended September 30, 2003, was as follows:

	Beginning Balance as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 17,720,148	\$ 5,527,406	\$ 7,470,000	\$ 15,777,554	\$ 2,185,000
Certificates of obligation	<u>1,450,000</u>	<u>4,391,668</u>	<u> </u>	<u>5,841,668</u>	<u>-</u>
Total bonds payable	19,170,148	9,919,074	7,470,000	21,619,222	2,185,000
Accrued compensated absences	2,049,743	657,177	77,869	2,629,051	133,300
Arbitrage rebate liability	<u>126,665</u>	<u>-</u>	<u>91,010</u>	<u>35,655</u>	<u>-</u>
Total governmental activities	<u>21,346,556</u>	<u>10,576,251</u>	<u>7,638,879</u>	<u>24,283,928</u>	<u>2,318,300</u>
Business-like activities:					
Bonds payable:					
Series 2002 Tax and Waterworks and Sewer system Surplus Revenue refunding bonds	<u>-</u>	<u>4,265,000</u>	<u>165,000</u>	<u>4,100,000</u>	<u>115,000</u>
Total bonds payable	<u>-</u>	<u>4,265,000</u>	<u>165,000</u>	<u>4,100,000</u>	<u>115,000</u>
Other obligations (water rights)	4,066,673		4,066,673		-
Accrued compensated absences	<u>38,045</u>	<u>7,256</u>	<u>760</u>	<u>44,541</u>	<u>-</u>
Total business-like activities	<u>4,104,718</u>	<u>4,272,256</u>	<u>4,232,433</u>	<u>4,144,541</u>	<u>115,000</u>
Total long-term liabilities	<u>\$ 25,451,274</u>	<u>\$ 14,848,507</u>	<u>\$ 11,871,312</u>	<u>\$ 28,428,469</u>	<u>\$ 2,433,300</u>
DCEDC:					
Bonds payable:					
Revenue bonds-Sales tax	<u>12,630,000</u>	<u>-</u>	<u>490,000</u>	<u>12,140,000</u>	<u>515,000</u>
Total long-term liabilities	<u>\$ 12,630,000</u>	<u>\$ -</u>	<u>\$ 490,000</u>	<u>\$ 12,140,000</u>	<u>\$ 515,000</u>

Notes to Basic Financial Statements
September 30, 2003

9. RETIREMENT PLAN

Plan Description—The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (“TMRS”), one of 758 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P.O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677.

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 can grant as often as annually 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.

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.

Plan provisions for the City were as follows:

Deposit rate	7%
Matching ratio (city to employee)	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: 5 years/age 60, 20 years/any age.

Contributions—Under the state law governing TMRS, the City is required to contribute at an actuarially determined rate; the current rate is 13.80%. 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 the 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. Contributions are made monthly by both the employees and the City. 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 (i.e., December 31, 2002, valuation is effective for rates beginning January 2004).

Notes to Basic Financial Statements
September 30, 2003

Annual Pension Cost—For fiscal year 2003, the City’s annual pension cost of \$1,472,371 was equal to the City’s required and actual contributions. The required contribution was determined as part of the December 31, 2002, actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment and (d) no inflation rate adjustment. The actuarial value of assets is amortized cost. The City’s unfunded actuarial accrued liability is being amortized over a 25-year open period as a level percentage of payroll.

Three-Year Trend Information for the City of Duncanville

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2003	\$ 1,472,371.00	100 %	\$ -
9/30/2002	1,421,692.00	100 %	-
9/30/2001	1,318,625.00	100 %	-

Required supplementary information for the analysis of funding progress for the past three years is presented immediately following the Notes to the Basic Financial Statements.

10. REGIONAL SYSTEMS FOR WATER SUPPLY AND WASTEWATER TREATMENT

A. City of Dallas Water Purchase Agreement - In 1979, the City entered into a thirty-year agreement to purchase treated water from the City of Dallas. The rate during fiscal 2003 was \$0.3105 per 1,000 gallons plus an annual demand charge of \$136,612 for each million gallons per day as established by the rate of flow controller setting (currently 12.5 million gallons at \$1,707,650 annually).

B. Trinity River Authority Sewage Disposal Agreement - The City, along with the cities of Cedar Hill, Desoto, Ferris and Lancaster, is a member of the Trinity River Authority of Texas Ten Mile Creek Regional Wastewater System ("the System"). Under the contract dated December 1, 1983, the System provides for and operates a regional wastewater treatment plant and conveyance facility for the benefit of the parties. The City is required to deliver all of its wastewater from within the Ten-Mile Creek basin to the System's conveyance system for treatment. The City is then charged monthly, based upon the percentage of its flow to the total flow received by the System and the System's cost of operation and maintenance, including debt service on bonds issued to construct the System. The contract will remain in force and effect until all bonds have been paid in full and thereafter for a period of fifty years from the date of the contract.

Additionally, the City is a member of the Trinity River Authority of Texas Regional Wastewater System (the "Regional System") through a contract with the Authority dated June 27, 1984. The contract will remain in force and effect until all bonds have been paid in full and thereafter for a period of fifty years from the date of the contract. The City's wastewater is treated by the Regional System at its Ten Mile Creek Regional Plant and its Central Regional Plant. The City of Dallas Central Plant treats the northeastern portion of the City’s wastewater. The City's payments to the Regional System have been deemed to be an operation and maintenance expense of the City's waterworks and sewer system and are payable monthly. The City's payments are based upon its percentage of the total of all contracting parties in the Regional System applied to total operation and maintenance expenses of the Regional System, including debt service. The Regional System is obligated to treat all of the City's sewage flow.

C. Lakeview Regional Water Supply Contract - The City and the Cities of Grand Prairie and Cedar Hill entered into a contract with TRA, dated February 27, 1985 and in effect for the useful life of the project, whereby TRA would sell

Notes to Basic Financial Statements
September 30, 2003

its revenue bonds and construct and operate a water treatment plant, transmission and storage facilities necessary to supply treated water to the cities from Joe Pool Lake. Water intake facilities were financed and constructed in 1986 but the treatment plant and transportation facilities have not been constructed. There are no current plans to construct the treatment plant and transportation facilities for the City necessary to use the raw water from Joe Pool Lake. Under the contract, the City is required to pay its proportionate share (based on a percentage of water usage) of maintenance and operation costs. The City's current payments under the contract, which include debt service on bonds issued by TRA to construct the intake facilities and other costs associated with the facility, are approximately \$95,000 per year.

D. Summit Regional Water Storage Project - The City and the City of Cedar Hill entered into a contract with TRA, dated February 26, 1986 and in effect for the useful life of the project, whereby TRA would sell its revenue bonds and construct and operate an 8 million gallon water storage reservoir, delivery facilities and pump stations. Under the contract, the City is required to pay its proportionate share (58.77%) of the debt service on bonds issued by TRA for the project and maintenance and operation costs, and is obligated to pay its proportionate share regardless of whether the City actually makes use of the system. The City's current payments under the contract, which include debt service on bonds issued by TRA to construct the facilities and maintenance and operation costs associated with the facility, are approximately \$285,000 per year.

E. Dallas Wastewater Treatment Contract - The City entered into a contract with the City of Dallas, Dated July 27, 1984, with a term of 30 years, for the City of Dallas to transport and treat wastewater from an area in the northeastern part of the City. Under the contract, the City is required to pay a transportation charge (based on cost of service) and a treatment charge (at the same rate as Dallas is charged by TRA for treatment of the wastewater). The City's current payments under the contract are approximately \$200,234 per year.

11. SELF-INSURANCE

The City has established a medical self-insurance plan for City employees and their covered dependents. The City self-insures its employees and their dependents for injury, dental care and hospitalization up to \$60,000 per plan year. A third-party insurance company coinsures with the City for individual claims in excess of \$60,000 up to a lifetime maximum of \$1,000,000. Aggregate claims in excess of \$1,069,219 are also coinsured up to a maximum of \$1,000,000 per claim. All claims and maximums are calculated for a plan year ending each May 31. Settled claims have not exceeded the aggregate coverage in any of the past three fiscal years. Insurance coverage has not been reduced for this year from the prior year.

The City established a comprehensive self-insurance plan for workers' compensation, property and casualty, and general liability coverages. The self-insurance plan encompasses workers' compensation benefits, fire, law enforcement, auto fleet, computer hardware and software, other property, public officials' liability and general liability coverages. A third-party insurance company coinsures with the City for individual claim retention levels and corresponding policy limits as follows: \$75,000/\$10,000,000 for workers' compensation; \$25,000/\$30,871,912 for real and personal property; and \$50,000/\$1,000,000 for liability claims. All claims and maximums are calculated for a plan year ending each June 30. Settled claims have not exceeded the aggregate policy limits in any of the past three fiscal years. Insurance coverage for this year is the same as that for the prior year.

The claims liabilities of \$152,400 and \$116,449 reported in the medical self-insurance fund and comprehensive self-insurance fund, respectively, are based on the requirements of GASB 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the funds' claims liability amount in fiscal years 2002 and 2003 were:

Notes to Basic Financial Statements
September 30, 2003

financial statements and the amount of the loss can be reasonably estimated. Changes in the funds' claims liability amount in fiscal years 2002 and 2003 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
Medical Self-Insurance Fund				
2002	\$85,896	\$1,376,900	(\$1,337,648)	\$125,148
2003	125,148	1,622,420	(1,595,168)	152,400
Comprehensive Self-Insurance Fund				
2002	\$62,596	\$332,389	(\$222,629)	\$172,356
2003	172,356	131,797	(187,704)	116,449

Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount, which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on City experience since the inception of the program.

Premium payments are reported as quasi-external interfund transactions; accordingly, they are treated as operating revenues of the Self-Insurance Internal Service Funds and operating expenditures/expenses of the participating funds.

12. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the City makes postretirement health care benefits available to all employees who retire from the City and their dependents. These benefits are provided to the retired employee under the same plan as active employees in accordance with State law. The retiree pays premiums for the retiree and dependents monthly. During fiscal year ended 2003, \$ 204,548 in claims were paid on retirees covered under the plan.

13. CONTINGENT LIABILITIES

Pending Litigation—Various lawsuits pending against the City involve claims relating to general liability, automobile liability, workers' compensation, civil rights action and various contractual matters. In the opinion of the City's management, the outcome of the pending litigation will not have a material adverse effect on the City's financial position or operations.

Arbitrage Rebate Requirement—The Tax Reform Act of 1986 imposes a rebate requirement with respect to certain bonds issued by the City. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds and (b) any income earned on the excess described in (a) is required to be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from federal taxation. Regulations implementing the rebate requirement were released by the Internal Revenue Service on May 12, 1989.

Grant Audit—The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, will not be significant to the City's financial statements.

14. REGIONAL DISPATCH CENTER

The City entered into an annually renewable Interlocal Cooperation agreement with the Cities of Desoto and Cedar Hill (“participating cities”) on August 10, 1999 to establish a Regional Public Safety Dispatch and Alarm Monitoring Facility. The Center provides police, fire and emergency medical service communications to participating cities. The Center’s Management Committee is comprised of each of the participating cities’ City Manager or their designee. During the fiscal year 2003, the City contributed \$699,207 to the operations of the Center, which is accounted for in the general fund. The City has a one-third (1/3) share in the equity of the Center, which qualifies as a joint venture and is accounted for in the government-wide statement of net assets. The value of the City’s share in the equity of the facility as of September 30, 2003 is \$1,046,507. The financial statements of the Center can be obtained by contacting: City of Desoto Finance Department, 211 E. Pleasant Run Rd., Desoto, TX 75115.

15. REGIONAL ANIMAL CONTROL SHELTER

The City entered into an annually renewable Interlocal Cooperation agreement with the Cities of Desoto and Cedar Hill on September 3, 1991 to establish a Regional Animal Control Shelter facility (“facility”). The facility’s Management Committee is comprised of each of the participating cities’ City Manager or their designee. During the fiscal year 2003, the City contributed \$116,036 to the operations of the Center, which is accounted for in the general fund. The City has a one-third (1/3) share in the equity of the facility, which qualifies as a joint venture and is accounted for in the government-wide statement of net assets. The value of the City’s share in the equity of the facility as of September 30, 2003 is \$335,023. The financial statements of the facility can be obtained by contacting: City of Cedar Hill Finance Department, P.O. Box 96, Cedar Hill, TX 75106-0096.

16. D.I.S.D. TECHNOLOGY CENTER

The City entered into a seven (7) year operating lease as lessor with the Duncanville Independent School District (D.I.S.D) on April 22, 2002 for a City building to be used by the D.I.S.D. as a Technology Center. The monthly rent amount is \$7,000, but the D.I.S.D. would receive rent credit for any permanent improvements and fixtures costing over \$500. As at September 30, 2003, the D.I.S.D. has expended \$492,496 on improvements and fixtures, which is recorded in the government-wide statement of net assets. The net outstanding rent credit as of September 30, 2003 of \$422,139 is recorded as deferred revenue in the statement of net assets.

17. STAR CENTER

The DCEDC entered into a twenty five (25) year operating lease as lessor with the Dallas Stars on January 31, 2000 for a DCEDC constructed two story community-style recreational ice skating facility consisting of two ice surfaces, locker room facilities, concession area, meeting rooms and retail store, comprising approximately 96,000 square feet. The base annual rental amount is seven hundred and ninety two thousand dollars (\$792,000), which will increase by one thousand dollars (\$1,000) per month every other year.

City of Duncanville, Texas

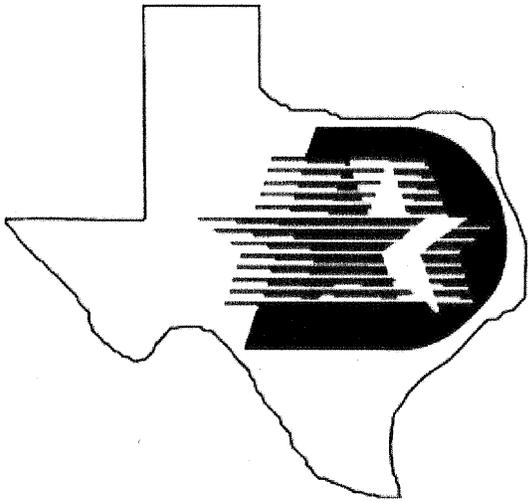
Required Supplementary Information Texas Municipal Retirement System (TMRS) - Analysis of Funding Progress Last Three Fiscal Years

As of 12/31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Covered Payroll
2000	\$ 36,066,544	\$ 41,424,862	\$ 5,358,318	87.1 %	\$ 10,120,246	52.9 %
2001	39,784,800	45,922,967	6,138,167	86.6 %	10,638,058	57.7 %
2002	40,096,818	47,065,054	6,968,236	85.2 %	10,989,239	63.4 %

Source: Texas Municipal Retirement System Comprehensive Annual Financial Reports.

NOTES:

Trend data presented is based on the fiscal year of the Texas Municipal Retirement System, which ends December 31.



Duncanville
City of Champions

**COMBINING &
INDIVIDUAL FUND
STATEMENTS &
SCHEDULES**

Combining and Individual Fund

Statements and Schedules



Duncanville
City of Champions

CITY OF DUNCANVILLE, TEXAS

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE-REVENUES
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PROPERTY TAXES:				
Current taxes	\$ 8,572,550	\$ 8,572,550	\$ 8,523,923	\$ (48,627)
Prior rolls	100,000	136,750	168,703	31,953
Penalties and interest	80,000	80,000	103,902	23,902
Total	<u>8,752,550</u>	<u>8,789,300</u>	<u>8,796,528</u>	<u>7,228</u>
SALES TAXES:				
General	3,316,155	2,974,306	3,166,224	191,918
Property tax relief	1,658,077	1,487,153	1,583,112	95,959
Total	<u>4,974,232</u>	<u>4,461,459</u>	<u>4,749,336</u>	<u>287,877</u>
FRANCHISE TAXES:				
TXU Electric	1,156,000	1,200,000	1,246,184	46,184
TXU Gas	158,110	255,540	283,991	28,451
Telephone	397,000	397,000	355,513	(41,487)
Charter Cable Television	197,600	178,102	170,776	(7,326)
Total	<u>1,908,710</u>	<u>2,030,642</u>	<u>2,056,464</u>	<u>25,822</u>
Total taxes	<u>15,635,492</u>	<u>15,281,401</u>	<u>15,602,328</u>	<u>320,927</u>
LICENSES, PERMITS AND FEES:				
Building permits	304,600	304,600	301,560	(3,040)
Zoning and special use permits	2,000	12,000	16,375	4,375
Electrical permits	9,960	9,960	10,655	695
Plumbing permits	5,000	7,500	7,828	328
Alarm permits	-	-	3,360	3,360
Solicitor licenses	50	50	50	-
9-1-1 service fee	275,000	275,000	275,166	166
Emergency medical service	421,144	336,526	381,424	44,898
Sign permits	12,000	12,000	14,139	2,139
Health food inspection fees	58,000	58,000	55,734	(2,266)
False alarm fees	3,500	1,750	3,210	1,460
Total	<u>1,091,254</u>	<u>1,017,386</u>	<u>1,069,501</u>	<u>52,115</u>
MUNICIPAL COURT AND LIBRARY:				
Municipal court	592,972	593,100	677,533	84,433
Library	15,000	15,000	21,124	6,124
Total	<u>607,972</u>	<u>608,100</u>	<u>698,657</u>	<u>90,557</u>
INTERGOVERNMENTAL				
	<u>273,905</u>	<u>273,905</u>	<u>308,467</u>	<u>34,562</u>
INTEREST				
	<u>90,000</u>	<u>90,000</u>	<u>95,350</u>	<u>5,350</u>
RECREATION:				
Swimming pools	25,754	25,753	24,401	(1,352)
Recreation fees	200,000	149,500	167,658	18,158
Park concessions	4,733	4,733	4,319	(414)
Total	<u>230,487</u>	<u>179,986</u>	<u>196,378</u>	<u>16,392</u>
OTHER SALES AND SERVICES:				
Sale of fixed assets/ auction proceeds	26,500	208,500	219,354	10,854
DCEDC Cost allocation	71,612	78,900	78,900	-
Miscellaneous	89,505	118,455	137,468	19,013
Rentals	46,400	104,831	71,889	(32,942)
Total	<u>234,017</u>	<u>510,686</u>	<u>507,611</u>	<u>(3,075)</u>
Total revenues	<u>\$ 18,163,127</u>	<u>\$ 17,961,464</u>	<u>\$ 18,478,292</u>	<u>\$ 516,828</u>

CITY OF DUNCANVILLE, TEXAS

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE-EXPENDITURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

(Continued on following page)

	<u>Salaries and Benefits</u>	<u>Supplies</u>	<u>Other Services</u>
DEPARTMENTS:			
General government-			
Mayor and council	\$	\$ 3,013	\$ 148,336
City manager	222,209	36	5,597
City secretary	108,706	26,527	21,204
Personnel services	165,312	852	27,530
Data processing	87,847	65,844	122,311
Community information office	73,362	35,200	25,955
Total	<u>657,436</u>	<u>131,472</u>	<u>350,933</u>
Finance-			
Administration	363,168	10,697	89,330
Municipal court	195,687	8,209	146,775
Purchasing	82,423	2,274	1,041
Teen court	43,842	1,797	2,045
Total	<u>685,120</u>	<u>22,977</u>	<u>239,191</u>
Community services -			
Administration	139,477	526	22,647
Recreation programming	278,499	14,423	15,889
Aquatics	37,019	8,608	11,897
Athletic programming	97,666	26,412	77,572
Park grounds maintenance	361,129	54,022	288,103
Library services	470,991	7,311	32,718
Building services	214,224	24,926	250,465
Senior center	76,867	2,304	13,312
Total	<u>1,675,872</u>	<u>138,532</u>	<u>712,603</u>
Police-			
Administration	289,825	11,585	90,536
Patrol	2,788,453	61,537	26,787
Criminal investigation	931,343	7,303	58,101
Animal control	107,611	886	127,914
Crime prevention	83,962	3,500	3,767
Records	128,513	1,999	708,050
School Resource officers	411,320	1,309	2,963
Special services	306,466	23,701	32,429
Total	<u>5,047,493</u>	<u>111,820</u>	<u>1,050,547</u>

Maintenance	Capital	Total Expenditures	Original Budget	Final Budget	Variance with Final Budget Positive (Negative)
\$	\$	\$	\$	\$	\$
		151,349	184,175	165,794	14,445
		227,842	223,412	239,968	12,126
		156,437	134,941	156,962	525
		193,694	207,843	201,520	7,826
		276,002	251,689	264,357	(11,645)
		134,517	137,111	137,337	2,820
<u>-</u>	<u>-</u>	<u>1,139,841</u>	<u>1,139,171</u>	<u>1,165,938</u>	<u>26,097</u>
		463,195	468,056	469,596	6,401
		350,671	376,941	350,758	87
		85,738	124,337	89,808	4,070
		47,684	52,853	51,175	3,491
<u>-</u>	<u>-</u>	<u>947,288</u>	<u>1,022,187</u>	<u>961,337</u>	<u>14,049</u>
		162,650	189,981	163,394	744
		308,811	339,451	329,734	20,923
1,275	4,282	63,081	96,221	94,611	31,530
		201,650	208,889	216,815	15,165
50,923		754,177	865,388	787,929	33,752
	70,358	581,378	614,158	597,998	16,620
39,262	83,011	611,888	741,133	631,045	19,157
		92,483	88,040	94,709	2,226
<u>91,460</u>	<u>157,651</u>	<u>2,776,118</u>	<u>3,143,261</u>	<u>2,916,235</u>	<u>140,117</u>
		391,946	375,175	389,294	(2,652)
6,602		2,883,379	3,067,709	2,959,026	75,647
		996,747	905,506	918,590	(78,157)
		236,411	236,401	235,029	(1,382)
		91,229	79,818	90,191	(1,038)
		838,562	841,533	837,027	(1,535)
		415,592	343,043	393,239	(22,353)
126		362,722	397,354	357,662	(5,060)
<u>6,728</u>	<u>-</u>	<u>6,216,588</u>	<u>6,246,539</u>	<u>6,180,058</u>	<u>(36,530)</u>

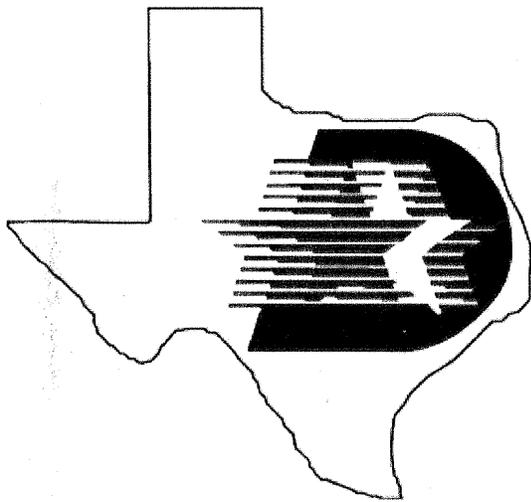
CITY OF DUNCANVILLE, TEXAS

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE-EXPENDITURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

(Continued on following page)

	<u>Salaries and Benefits</u>	<u>Supplies</u>	<u>Other Services</u>
DEPARTMENTS (Continued):			
Public works-			
Administration	\$ 254,294	\$ 1,129	\$ 32,809
Building inspection	379,733	6,384	132,016
Streets	711,653	130,692	705,334
Signs and signals	101,626	154,516	121,018
Equipment services	222,251	131,551	19,077
Total	<u>1,669,557</u>	<u>424,272</u>	<u>1,010,254</u>
Fire-			
Administration	270,609	5,140	93,036
Prevention	79,201	5,803	24,674
Suppression	2,607,014	41,303	81,466
Advanced life support	729,075	62,588	136,992
Total	<u>3,685,899</u>	<u>114,834</u>	<u>336,168</u>
NON-DEPARTMENTAL	<u>5,502</u>	<u>51,290</u>	<u>313,585</u>
Subtotal	<u>13,426,879</u>	<u>995,197</u>	<u>4,013,281</u>
Total expenditures	<u>\$ 13,426,879</u>	<u>\$ 995,197</u>	<u>\$ 4,013,281</u>

Maintenance	Capital	Total Expenditures	Original Budget	Final Budget	Variance with Final Budget Positive (Negative)
\$	\$	\$	\$	\$	\$
		288,232	280,174	285,580	(2,652)
		518,133	535,950	535,271	17,138
170	23,078	1,570,927	1,677,243	1,624,771	53,844
2,441		379,601	380,810	350,407	(29,194)
175,844	1,845	550,568	680,586	603,608	53,040
<u>178,455</u>	<u>24,923</u>	<u>3,307,461</u>	<u>3,554,763</u>	<u>3,399,637</u>	<u>92,176</u>
2,682		371,467	373,651	376,841	5,374
		109,678	112,644	110,488	810
5,116	16,708	2,751,607	2,722,801	2,743,604	(8,003)
383		929,038	929,829	960,179	31,141
<u>8,181</u>	<u>16,708</u>	<u>4,161,790</u>	<u>4,138,925</u>	<u>4,191,112</u>	<u>29,322</u>
	74,061	444,438	120,334	428,181	(16,257)
<u>284,824</u>	<u>273,343</u>	<u>18,993,524</u>	<u>19,365,180</u>	<u>19,242,498</u>	<u>248,974</u>
\$ <u>284,824</u>	\$ <u>273,343</u>	\$ <u>18,993,524</u>	\$ <u>19,365,180</u>	\$ <u>19,242,498</u>	\$ <u>248,974</u>



Duncanville
City of Champions

CITY OF DUNCANVILLE, TEXAS

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Special Revenue Funds account for the proceeds of special revenue sources that are legally or administratively restricted to expenditures for specified purposes. Individual Special Revenue Funds maintained are as follows:

Hotel/Motel Tax Fund-to account for moneys received from a tax upon the cost of occupancy in hotels and motels, the revenues of which may be expended to promote tourism and the convention and hotel industry.

Drainage fees Fund-to account for funds received from user fees for major storm water drainage improvement projects throughout the City. The Drainage fees fund was created to reduce flooding, reduce creek erosion, and comply with EPA mandates regarding storm water management.

Community Services Fund-to account for service fees received from users for providing special community education, athletic, library and park services.

Grants Fund – to account for funds granted the City by state and federal government to be used for public safety, and cultural and recreational purposes.

Court Technology Fund- to account for funds received from Municipal court fines to be used for upgrading technology.

Court Security Fund- to account for funds received from Municipal court fines to be used for providing security to Municipal Court.

Asset Forfeiture Fund- to account for awards of moneys by the courts to the Police Department.

CAPITAL PROJECT FUNDS:

Capital Projects Funds account for resources used for the acquisition and/or construction of capital facilities and improvements, except those financed by the Proprietary Fund Types. Resources are derived primarily from sales of general obligation bonds and certificates of obligation. Individual funds maintained are as follows:

Drainage Construction Fund - This fund is used to account for improvements to the City's storm sewers and drainage system.

CITY OF DUNCANVILLE, TEXAS

NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

Park Construction Fund - This fund is used to account for various improvements made in the City's parks and recreational facilities.

Fleet Replacement Fund – To account for the financing and expenditures related to the purchase of fleet and equipment.

Capital Improvements Fund – To account for the expenditures of various one-time capital improvements.

Library Construction General Obligation bonds – To account for the construction of a new library and community center financed by general obligation bonds.

Senior Center Building Improvements Fund – To account for various improvements to the Senior Center Building.

CITY OF DUNCANVILLE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 617,896	\$ 2,966,891	\$ 3,584,787
Receivables -			
Taxes	58,251		58,251
Trade accounts	127,633		127,633
Intergovernmental	7,651		7,651
Accrued interest and other		56,820	56,820
Prepaid items	1,164		1,164
Total assets	<u>\$ 812,595</u>	<u>\$ 3,023,711</u>	<u>\$ 3,836,306</u>
 <u>LIABILITIES AND EQUITY</u>			
LIABILITIES:			
Accounts payable	\$ 146,879	\$	\$ 146,879
Contracts payable		123,621	123,621
Accrued liabilities	775		775
Deferred revenue	<u>29,276</u>		<u>29,276</u>
Total liabilities	<u>176,930</u>	<u>123,621</u>	<u>300,551</u>
EQUITY:			
Fund balances-			
Reserved for prepaid items	1,164		1,164
Unreserved, reported in:			
Special revenue funds	634,501		634,501
Capital project funds		<u>2,900,090</u>	<u>2,900,090</u>
Total Fund balances	<u>635,665</u>	<u>2,900,090</u>	<u>3,535,755</u>
Total liabilities & Fund balances	<u>\$ 812,595</u>	<u>\$ 3,023,711</u>	<u>\$ 3,836,306</u>

CITY OF DUNCANVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Special Revenue	Capital Projects	Total Nonmajor Funds
REVENUES:			
Hotel taxes	\$ 162,145	\$	\$ 162,145
Licenses, permits and fees	410,681		410,681
Fines and forfeitures	42,273		42,273
Intergovernmental	226,028	460,163	686,191
Investment income	7,216	44,042	51,258
Rental and other	122,834	81,656	204,490
Total revenues	<u>971,177</u>	<u>585,861</u>	<u>1,557,038</u>
EXPENDITURES:			
Current-			
General government	132,630		132,630
Community services	130,019		130,019
Police	110,866		110,866
Public works	29,835		29,835
Fire	64,017		64,017
Special purposes - promotional	34,671		34,671
Capital outlay	438,972	711,067	1,150,039
Interest and fiscal charges		43,366	43,366
Total expenditures	<u>941,010</u>	<u>754,433</u>	<u>1,695,443</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>30,167</u>	<u>(168,572)</u>	<u>(138,405)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	9,707	60,257	69,964
Transfers out	(250,719)		(250,719)
Bond Proceeds		1,288,509	1,288,509
Total other financing sources (uses)	<u>(241,012)</u>	<u>1,348,766</u>	<u>1,107,754</u>
NET CHANGE IN FUND BALANCES	(210,845)	1,180,194	969,349
FUND BALANCES, restated	<u>846,510</u>	<u>1,719,896</u>	<u>2,566,406</u>
FUND BALANCES, end of year	<u>\$ 635,665</u>	<u>\$ 2,900,090</u>	<u>\$ 3,535,755</u>

CITY OF DUNCANVILLE, TEXAS

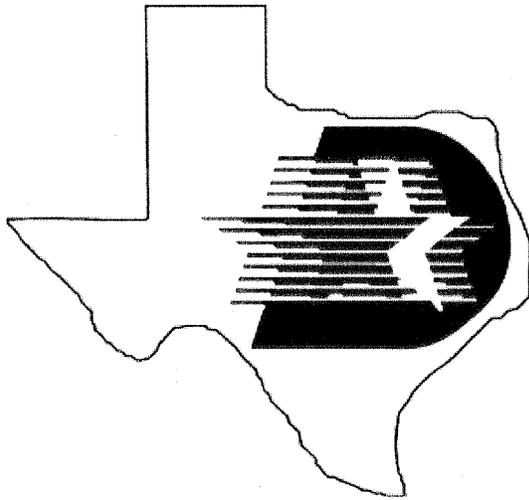
NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 SEPTEMBER 30, 2003

	Hotel Motel Tax	Drainage Fees	Community Services	Grants	Court Technology	Court Security	Asset Forfeiture	Total
ASSETS:								
Cash and investments	\$ 24,541	\$ 277,178	\$ 46,821	\$ 118,479	\$ 33,547	\$ 76,841	\$ 40,489	\$ 617,896
Receivables:								
Taxes	58,251							58,251
Trade accounts		124,312					3,321	127,633
Intergovernmental				7,651				7,651
Prepaid items			1,164					1,164
Total assets	\$ 82,792	\$ 401,490	\$ 47,985	\$ 126,130	\$ 33,547	\$ 76,841	\$ 43,810	\$ 812,595
LIABILITIES AND FUND BALANCES:								
LIABILITIES:								
Accounts payable	\$ 448	\$ 125,619	\$ 4,342	\$ 8,239	902	355	6,974	\$ 146,879
Accrued payroll	570			175			30	775
Deferred revenue				29,276				29,276
Total liabilities	1,018	125,619	4,342	37,690	902	355	7,004	176,930
FUND BALANCES:								
Reserved for prepaid			1,164					1,164
Unreserved	81,774	275,871	42,479	88,440	32,645	76,486	36,806	634,501
Total fund balances	81,774	275,871	43,643	88,440	32,645	76,486	36,806	635,665
Total liabilities and fund balances	\$ 82,792	\$ 401,490	\$ 47,985	\$ 126,130	\$ 33,547	\$ 76,841	\$ 43,810	\$ 812,595

CITY OF DUNCANVILLE, TEXAS

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Hotel Motel Tax	Drainage Fees	Community Services	Grants	Court Technology	Court Security	Asset Forfeiture	Total
REVENUES:								
Hotel and motel taxes	\$ 162,145	\$	\$	\$	\$	\$		\$ 162,145
Drainage fees		410,681						410,681
Interest	574	4,341	290	604	191	744	472	7,216
Intergovernmental				226,028				226,028
Municipal court					24,059	18,214		42,273
Other	900	6,542	81,487	6,459			27,446	122,834
Total revenues	163,619	421,564	81,777	233,091	24,250	18,958	27,918	971,177
EXPENDITURES:								
General government	125,524				5,779	1,327		132,630
Community services			72,460	57,559				130,019
Police				57,825			53,041	110,866
Public works				29,835				29,835
Fire				64,017				64,017
Special purposes-promotional	34,671							34,671
Capital outlay		438,972						438,972
Total expenditures	160,195	438,972	72,460	209,236	5,779	1,327	53,041	941,010
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,424	(17,408)	9,317	23,855	18,471	17,631	(25,123)	30,167
OTHER FINANCING SOURCES (USES)								
Transfers in				9,707				9,707
Transfers out	(9,310)	(204,209)		(33,311)			(3,889)	(250,719)
Total other financing sources (uses)	(9,310)	(204,209)	-	(23,604)	-	-	(3,889)	(241,012)
NET CHANGE IN FUND BALANCES	(5,886)	(221,617)	9,317	251	18,471	17,631	(29,012)	(210,845)
FUND BALANCES, restated	87,660	497,488	34,326	88,189	14,174	58,855	65,818	846,510
FUND BALANCES, end	\$ 81,774	\$ 275,871	\$ 43,643	\$ 88,440	\$ 32,645	\$ 76,486	36,806	\$ 635,665



Duncanville
City of Champions

CITY OF DUNCANVILLE, TEXAS

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2003

	<u>Drainage</u> <u>Construction</u>	<u>Park</u> <u>Construction</u>	<u>Fleet</u> <u>Replacement</u>
<u>ASSETS:</u>			
Cash and investments	\$ 59,758	\$ 1,264,292	\$ 1,248,586
Accrued interest			<u>56,820</u>
Total assets	<u>\$ 59,758</u>	<u>\$ 1,264,292</u>	<u>\$ 1,305,406</u>
 <u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Contracts payable	\$ _____	\$ 73,957	\$ 49,664
Total liabilities	<u>-</u>	<u>73,957</u>	<u>49,664</u>
 <u>FUND BALANCES:</u>			
Unreserved	<u>59,758</u>	<u>1,190,335</u>	<u>1,255,742</u>
Total fund balances	<u>59,758</u>	<u>1,190,335</u>	<u>1,255,742</u>
Total liabilities and fund balances	<u>\$ 59,758</u>	<u>\$ 1,264,292</u>	<u>\$ 1,305,406</u>

<u>Capital Improvements</u>	<u>Library Construction G O Bonds</u>	<u>Senior Center Building Improvements</u>	<u>Total</u>
\$ 335,532	\$ 164	\$ 58,559	\$ 2,966,891
<u> </u>	<u> </u>	<u> </u>	<u>56,820</u>
<u>\$ 335,532</u>	<u>\$ 164</u>	<u>\$ 58,559</u>	<u>\$ 3,023,711</u>
\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u>123,621</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>123,621</u>
<u>335,532</u>	<u>164</u>	<u>58,559</u>	<u>2,900,090</u>
<u>335,532</u>	<u>164</u>	<u>58,559</u>	<u>2,900,090</u>
<u>\$ 335,532</u>	<u>\$ 164</u>	<u>\$ 58,559</u>	<u>\$ 3,023,711</u>

CITY OF DUNCANVILLE, TEXAS

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Drainage Construction</u>	<u>Park Construction</u>
REVENUES:		
Investment income	\$ 972	\$ 16,448
Intergovernmental		
Other		
	<u>972</u>	<u>16,448</u>
Total revenues		
EXPENDITURES:		
Capital outlay	50,722	215,006
Interest and fiscal charges	<u>1,154</u>	<u>42,212</u>
	<u>51,876</u>	<u>257,218</u>
Total expenditures		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(50,904)</u>	<u>(240,770)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in		
Bond Proceeds		<u>1,288,509</u>
	<u>-</u>	<u>1,288,509</u>
Total other financing sources (uses)		
NET CHANGE IN FUND BALANCES	(50,904)	1,047,739
FUND BALANCES, beginning	<u>110,662</u>	<u>142,596</u>
FUND BALANCES, end	<u>\$ 59,758</u>	<u>\$ 1,190,335</u>

<u>Fleet Replacement</u>	<u>Capital Improvements</u>	<u>Library Construction G O Bonds</u>	<u>Senior Center Building Improvements</u>	<u>Total</u>
\$ 22,085	\$ 3,920	\$ 3	\$ 614	\$ 44,042
415,573	44,590			460,163
<u>61,054</u>			<u>20,602</u>	<u>81,656</u>
<u>498,712</u>	<u>48,510</u>	<u>3</u>	<u>21,216</u>	<u>585,861</u>
310,017	132,872	2,450		711,067
				<u>43,366</u>
<u>310,017</u>	<u>132,872</u>	<u>2,450</u>	<u>-</u>	<u>754,433</u>
<u>188,695</u>	<u>(84,362)</u>	<u>(2,447)</u>	<u>21,216</u>	<u>(168,572)</u>
15,810	44,447			60,257
				<u>1,288,509</u>
<u>15,810</u>	<u>44,447</u>	<u>-</u>	<u>-</u>	<u>1,348,766</u>
204,505	(39,915)	(2,447)	21,216	1,180,194
<u>1,051,237</u>	<u>375,447</u>	<u>2,611</u>	<u>37,343</u>	<u>1,719,896</u>
\$ <u>1,255,742</u>	\$ <u>335,532</u>	\$ <u>164</u>	\$ <u>58,559</u>	\$ <u>2,900,090</u>



Duncanville
City of Champions

CITY OF DUNCANVILLE, TEXAS

ENTERPRISE FUNDS
 SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budget	Actual	Variance Positive (Negative)
<u>UTILITY FUND</u>			
WATER:			
Sale of water	\$ 5,582,955	\$ 5,398,020	\$ (184,935)
Water taps	21,000	22,071	1,071
Water pro rata	-	-	-
Total	<u>5,603,955</u>	<u>5,420,091</u>	<u>(183,864)</u>
SEWER:			
Sewer charges	4,321,077	4,308,388	(12,689)
Sewer taps	12,292	10,515	(1,777)
Sewer pro rata	4,078	2,200	(1,878)
Sewer assessments	-	2,900	2,900
Total	<u>4,337,447</u>	<u>4,324,003</u>	<u>(13,444)</u>
PENALTIES	<u>60,000</u>	<u>65,072</u>	<u>5,072</u>
OTHER:			
Refund from Trinity River Authority	88,852	88,852	-
Service charges	48,000	51,665	3,665
Collection of bad debts	1,000	-	(1,000)
Miscellaneous	11,788	25,619	13,831
Total	<u>149,640</u>	<u>166,136</u>	<u>16,496</u>
INTEREST INCOME	<u>25,000</u>	<u>66,234</u>	<u>41,234</u>
Total revenues Utility Fund	\$ <u><u>10,176,042</u></u>	\$ <u><u>10,041,536</u></u>	\$ <u><u>(134,506)</u></u>
 <u>SOLID WASTE FUND</u>			
SOLID WASTE CHARGES	\$ 1,822,212	\$ 1,815,516	\$ (6,696)
INTEREST INCOME	<u>500</u>	<u>547</u>	<u>47</u>
Total revenues Solid Waste Fund	\$ <u><u>1,822,712</u></u>	\$ <u><u>1,816,063</u></u>	\$ <u><u>(6,649)</u></u>
Total revenues Enterprise Funds	\$ <u><u>11,998,754</u></u>	\$ <u><u>11,857,599</u></u>	\$ <u><u>(141,155)</u></u>

CITY OF DUNCANVILLE, TEXAS

ENTERPRISE FUNDS
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Salaries and Benefits</u>	<u>Supplies</u>	<u>Other Services</u>
<u>UTILITY FUND</u>			
WATER SERVICES	\$ 469,536	\$ 118,985	\$ 3,045,097
WASTEWATER TREATMENT	422,663	60,660	2,932,457
ADMINISTRATION AND FISCAL			
Utility administration	194,425	11,605	43,061
Utility accounting	448,423	122,781	135,263
Non-departmental			11,370
INTEREST AND FISCAL CHARGES			213,136
TRANSFERS OUT			<u>835,548</u>
Total Utility Fund expenses	\$ <u>1,535,047</u>	\$ <u>314,031</u>	\$ <u>7,215,932</u>
<u>SOLID WASTE FUND</u>			
SOLID WASTE	\$ 61,998	\$ 352	\$ 1,654,990
TRANSFERS OUT			<u>132,991</u>
Total Solid Waste Fund expenses	\$ <u>61,998</u>	\$ <u>352</u>	\$ <u>1,787,981</u>
Total Enterprise Fund expenses	\$ <u>1,597,045</u>	\$ <u>314,383</u>	\$ <u>9,003,913</u>

<u>Maintenance</u>	<u>Capital</u>	<u>Total</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
\$ 104,450	\$ 747,840	\$ 4,485,908	\$ 5,175,257	\$ 689,349
11,236	760,261	4,187,277	4,917,238	729,961
	5,527	254,618	251,018	(3,600)
1,287	10,998	718,752	778,145	59,393
	24,687	36,057	119,283	83,226
		213,136	28,356	(184,780)
		835,548	889,162	53,614
<u>\$ 116,973</u>	<u>\$ 1,549,313</u>	<u>\$ 10,731,296</u>	<u>\$ 12,158,459</u>	<u>\$ 1,427,163</u>
\$	\$	\$ 1,717,340	\$ 1,730,167	\$ 12,827
		132,991	133,214	223
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,850,331</u>	<u>\$ 1,863,381</u>	<u>\$ 13,050</u>
<u>\$ 116,973</u>	<u>\$ 1,549,313</u>	<u>\$ 12,581,627</u>	<u>\$ 14,021,840</u>	<u>\$ 1,440,213</u>



Duncanville
City of Champions

CITY OF DUNCANVILLE, TEXAS

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for financing of services provided by one department to other departments of the City on a cost-reimbursement basis. The Internal Service Funds are members of the proprietary fund category, and as such, are accounted for on the accrual basis of accounting. There are two funds within the Internal Service Funds:

Medical Self-Insurance Fund - This fund is used to account for the costs associated with the medical, dental, and life insurance program established for City employees and their covered dependents.

Comprehensive Self-Insurance Fund - This fund is used to account for the costs associated with the general liability, property and casualty, and workers' compensation self-insurance program established by the City.

CITY OF DUNCANVILLE, TEXAS

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

<u>ASSETS</u>	Medical <u>Self-Insurance</u>	Comprehensive <u>Self-Insurance</u>	<u>Total</u>
Cash and investments	\$ <u>188,441</u>	\$ <u>352,577</u>	\$ <u>541,018</u>
Total assets	\$ <u><u>188,441</u></u>	\$ <u><u>352,577</u></u>	\$ <u><u>541,018</u></u>
<u>LIABILITIES</u>			
Accounts payable	\$ 4,385	\$ 22,411	\$ 26,796
Accrued liabilities	<u>152,400</u>	<u>116,449</u>	<u>268,849</u>
Total liabilities	<u>156,785</u>	<u>138,860</u>	<u>295,645</u>
<u>NET ASSETS</u>			
Unrestricted	<u>31,656</u>	<u>213,717</u>	<u>245,373</u>
Total net assets	\$ <u><u>31,656</u></u>	\$ <u><u>213,717</u></u>	\$ <u><u>245,373</u></u>

CITY OF DUNCANVILLE, TEXAS

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Medical Self-Insurance</u>	<u>Comprehensive Self-Insurance</u>	<u>Total</u>
OPERATING REVENUES:			
Premiums	\$ 1,644,537	\$ 289,509	\$ 1,934,046
Other	<u>254,385</u>	<u> </u>	<u>254,385</u>
Total operating revenues	<u>1,898,922</u>	<u>289,509</u>	<u>2,188,431</u>
OPERATING EXPENSES:			
Claims and provision	1,622,420	131,797	1,754,217
Administrative and fiscal	<u>419,180</u>	<u>188,102</u>	<u>607,282</u>
Total operating expenses	<u>2,041,600</u>	<u>319,899</u>	<u>2,361,499</u>
OPERATING INCOME (LOSS)	<u>(142,678)</u>	<u>(30,390)</u>	<u>(173,068)</u>
NON-OPERATING REVENUES:			
Interest income	<u>1,037</u>	<u>3,366</u>	<u>4,403</u>
Total non-operating revenue	<u>1,037</u>	<u>3,366</u>	<u>4,403</u>
INCOME (LOSS) BEFORE TRANSFERS	(141,641)	(27,024)	(168,665)
TRANSFERS IN	<u>100,000</u>	<u> </u>	<u>100,000</u>
Total transfers in	<u>100,000</u>	<u>-</u>	<u>100,000</u>
CHANGE IN NET ASSETS	(41,641)	(27,024)	(68,665)
TOTAL NET ASSETS-BEGINNING	<u>73,297</u>	<u>240,741</u>	<u>314,038</u>
TOTAL NET ASSETS-ENDING	<u>\$ 31,656</u>	<u>\$ 213,717</u>	<u>\$ 245,373</u>

CITY OF DUNCANVILLE, TEXAS

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Medical Self-Insurance	Comprehensive Self-Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from insured	\$ 504,780	\$	\$ 504,780
Internal activity-receipts from other funds	1,139,989	289,509	1,429,498
Payments to suppliers	(2,014,293)	(388,061)	(2,402,354)
Other receipts	<u>254,385</u>	<u></u>	<u>254,385</u>
Net cash provided by (used in) operating activities	<u>(115,139)</u>	<u>(98,552)</u>	<u>(213,691)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	<u>1,037</u>	<u>3,366</u>	<u>4,403</u>
Net cash provided by investing activities	<u>1,037</u>	<u>3,366</u>	<u>4,403</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer in from other funds	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Net cash provided by investing activities	<u>100,000</u>	<u>-</u>	<u>100,000</u>
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(14,102)	(95,186)	(109,288)
CASH AND INVESTMENTS, beginning of year	<u>202,543</u>	<u>447,763</u>	<u>650,306</u>
CASH AND INVESTMENTS, end of year	<u>\$ 188,441</u>	<u>\$ 352,577</u>	<u>\$ 541,018</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (142,678)	\$ (30,390)	\$ (173,068)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities-			
Change in assets and liabilities-			
Accounts and other receivables	232	-	232
Accounts and other payables	<u>27,307</u>	<u>(68,162)</u>	<u>(40,855)</u>
Total adjustments	<u>27,539</u>	<u>(68,162)</u>	<u>(40,623)</u>
Net cash provided by (used in) operating activities	<u>\$ (115,139)</u>	<u>\$ (98,552)</u>	<u>\$ (213,691)</u>

CITY OF DUNCANVILLE, TEXAS

COMPONENT UNIT COMBINING FINANCIAL STATEMENTS

Component unit of the City consists of the Duncanville Community and Economic Development Corporation (DCEDC). On January 21, 1995, a special election was held and voters approved two separate sales tax provisions, one of which was the adoption of an additional sales and use tax at the rate of ½% to be used for the construction, renovation and operation of municipal buildings, the acquisition and improvement of parks as well as for the promotion and expansion of manufacturing and industrial facilities, and other economic development purposes. As a result, the City created the DCEDC to administer these funds. The DCEDC was incorporated on April 28, 1995 as a nonprofit industrial development corporation under the Development Corporation Act of 1979 ("Act"). The DCEDC operates under a seven- (7) member Board of Directors appointed by the City Council. Each of the directors should be a resident of the City. No more than four (4) members can be members of the City Council, officials of the City, or City employees. The Corporation is organized exclusively for the purposes of benefiting and accomplishing public purposes of and to act on behalf of, the City, and the specific purposes for which the Corporation is organized.

CITY OF DUNCANVILLE, TEXAS

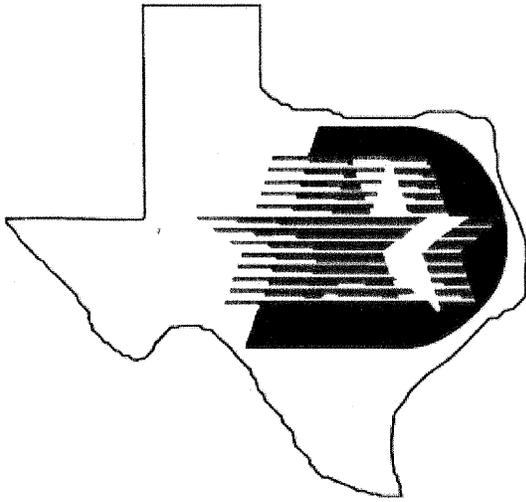
DUNCANVILLE COMMUNITY ECONOMIC DEVELOPMENT CORPORATION
COMBINING BALANCE SHEET- FUND LEVEL
SEPTEMBER 30, 2003

<u>ASSETS</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Cash and investments	\$ 1,413,588	\$ 3	\$ 1,413,591
Trade accounts	282,527		282,527
Accrued interest and other receivable	7,421		7,421
Prepaid items	1,000		1,000
Restricted cash and investments		1,584,000	1,584,000
Total assets	\$ <u>1,704,536</u>	\$ <u>1,584,003</u>	\$ <u>3,288,539</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 5,146	\$	\$ 5,146
Accrued liabilities	1,406		1,406
Customer performance and escrow deposits		1,584,000	1,584,000
Total liabilities	<u>6,552</u>	<u>1,584,000</u>	<u>1,590,552</u>
FUND BALANCE			
Reserved for economic development	<u>1,697,984</u>	<u>3</u>	<u>1,697,987</u>
Total fund balance	<u>1,697,984</u>	<u>3</u>	<u>1,697,987</u>
Total liabilities and fund balance	\$ <u>1,704,536</u>	\$ <u>1,584,003</u>	\$ <u>3,288,539</u>

CITY OF DUNCANVILLE, TEXAS

DUNCANVILLE COMMUNITY ECONOMIC DEVELOPMENT CORPORATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES:			
Sales taxes	\$ 1,579,112	\$	\$ 1,579,112
Interest	31,089	9	31,098
Rental and other	<u>986,212</u>	<u></u>	<u>986,212</u>
Total revenues	<u>2,596,413</u>	<u>9</u>	<u>2,596,422</u>
EXPENDITURES:			
General government	671,326		671,326
Special purposes - promotional	200,383		200,383
Debt service-			
Principal retirement	490,000		490,000
Interest and fiscal charges	862,090	21,503	883,593
Capital outlay	<u>656,951</u>	<u>17,212</u>	<u>674,163</u>
Total expenditures	<u>2,880,750</u>	<u>38,715</u>	<u>2,919,465</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(284,337)</u>	<u>(38,706)</u>	<u>(323,043)</u>
FUND BALANCE, beginning of year	<u>1,982,321</u>	<u>38,709</u>	<u>2,021,030</u>
FUND BALANCE, end of year	<u>\$ 1,697,984</u>	<u>\$ 3</u>	<u>\$ 1,697,987</u>



Duncanville
City of Champions

**STATISTICAL
SECTION**

(UNAUDITED)

STATISTICAL SECTION

(Unaudited)

The Statistical Section presents comparative data for expenditures, revenues, property tax levies and collections, assessed value and estimated actual value of taxable property, property tax rates for direct and overlapping governments, principal taxpayers, special assessment billings and collections, legal debt margin, ratios of net bonded debt, ratio of debt service to general expenditures, overlapping debt, revenue bond coverage, demographic statistics, property value/construction and miscellaneous statistics.

Beginning this fiscal year, the Statistical Section included for the first time statistical tables which presents government-wide expenses by function and government-wide revenues.

CITY OF DUNCANVILLE, TEXAS

**GOVERNMENT-WIDE REVENUES BY FUNCTION
LAST TEN FISCAL YEARS**

(Unaudited)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUE	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment Earnings
2003	\$14,934,694	\$234,511	\$441,462	\$18,022,967	\$213,641

Source: Current year government-wide financials

Note: The City of Duncanville first applied GASB Statement No. 34 in the fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

**GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**

(Unaudited)

Fiscal Year	General Government	Finance	Community Services	Police	Public Works
2003	\$1,852,710	\$974,191	\$3,236,439	\$6,113,841	\$3,595,016

Source: Current year government-wide financials

Note: The City of Duncanville first applied GASB Statement No. 34 in the fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

Table 1

<u>Miscellaneous</u>	<u>Total</u>
\$787,772	\$34,635,047

Table 2

<u>Fire</u>	<u>Interest & Fiscal Charges</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
\$4,664,195	\$1,086,274	\$4,993,910	\$4,321,343	\$1,725,261	\$32,565,180

CITY OF DUNCANVILLE, TEXAS

GENERAL GOVERNMENTAL EXPENDITURES AND TRANSFERS BY FUNCTION
(UNAUDITED)
LAST TEN FISCAL YEARS (1)

Fiscal Year	General Government	Finance	Community Services	Police
1994	\$551,027	\$602,443	\$2,265,645	\$3,684,294
1995	\$587,329	\$1,145,529	\$2,375,907	\$3,716,190
1996	\$839,596	\$660,381	\$2,036,043	\$4,604,029
1997	\$907,853	\$790,226	\$2,146,059	\$4,580,110
1998	\$1,048,400	\$780,063	\$2,112,707	\$4,850,125
1999	\$1,076,137	\$809,628	\$2,073,888	\$4,977,843
2000	\$998,589	\$842,310	\$2,490,805	\$5,265,896
2001	\$1,121,121	\$914,211	\$2,781,033	\$5,686,658
2002	\$993,769	\$940,979	\$2,708,741	\$5,860,654
2003	\$1,139,841	\$947,288	\$2,776,118	\$6,216,588

(1) Expenditures have been reclassified to correspond with reorganizations in 1996-1997.

Table includes General Fund only.

Table 3

Public Works	Fire	Non-Departmental	Allocation Expenditures	Total
\$1,503,053	\$2,751,949	\$608,776	(\$575,000)	\$11,392,187
\$1,776,018	\$3,119,034	\$780,253	(\$658,785)	\$12,841,475
\$2,034,518	\$3,730,380	\$860,413	(\$658,785)	\$14,106,575
\$1,914,442	\$3,646,134	\$776,789	(\$738,170)	\$14,023,443
\$2,011,470	\$3,793,859	\$487,577	(\$793,765)	\$14,290,436
\$2,901,481	\$3,402,879	\$155,504	(\$860,380)	\$14,536,980
\$2,969,607	\$3,784,295	\$151,837	(\$817,346)	\$15,685,993
\$3,197,037	\$3,897,142	\$234,152	(\$791,804)	\$17,039,550
\$3,176,456	\$4,252,786	\$608,136	(\$857,300)	\$17,684,221
\$3,307,461	\$4,161,790	\$444,438		\$18,993,524

CITY OF DUNCANVILLE, TEXAS

**GENERAL GOVERNMENTAL REVENUES BY SELECTED SOURCE (UNAUDITED)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses, Permits and Fees</u>	<u>Fines</u>	<u>Interest Income</u>
1994	\$10,645,577	\$406,326	\$229,584	\$241,058
1995	\$11,125,493	\$459,212	\$270,613	\$398,624
1996	\$11,298,393	\$430,774	\$401,836	\$286,953
1997	\$11,752,373	\$615,415	\$648,177	\$305,221
1998	\$12,235,746	\$709,132	\$600,649	\$251,071
1999	\$12,682,010	\$769,740	\$583,833	\$198,593
2000	\$13,621,388	\$856,888	\$693,111	\$249,378
2001	\$14,371,644	\$896,729	\$800,906	\$240,948
2002	\$15,184,743	\$887,082	\$602,230	\$120,012
2003	\$15,602,328	\$1,069,501	\$698,657	\$95,350

Table includes General Fund only.

Table 4

<u>Intergovernmental</u>	<u>Miscellaneous Sales and Services</u>	<u>Total</u>
\$85,929	\$305,626	\$11,914,100
\$80,329	\$221,356	\$12,555,627
\$139,033	\$280,441	\$12,837,430
\$224,658	\$274,438	\$13,820,282
\$168,331	\$326,980	\$14,291,909
\$169,871	\$369,504	\$14,773,551
\$214,408	\$698,082	\$16,333,255
\$321,601	\$583,564	\$17,215,392
\$807,313	\$706,988	\$18,308,368
\$308,467	\$703,989	\$18,478,292

CITY OF DUNCANVILLE, TEXAS

**AD VALOREM TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collection</u>
1994	\$9,521,374	\$9,350,915	98.2	\$160,858
1995	\$9,514,921	\$9,384,914	98.6	\$158,503
1996	\$8,257,872	\$8,122,741	98.4	\$113,976
1997	\$8,346,620	\$8,229,146	98.6	\$104,133
1998	\$8,617,473	\$8,451,254	98.1	\$95,319
1999	\$8,852,329	\$8,682,941	98.1	\$110,582
2000	\$9,326,022	\$9,122,351	97.8	\$85,350
2001	\$9,702,634	\$9,464,232	97.5	\$174,261
2002	\$10,240,569	\$10,109,103	98.7	\$236,328
2003	\$10,968,827	\$10,698,211	97.5	\$219,914

(1) This amount is shown net of allowance for uncollectible amounts.

(2) Outstanding delinquent tax amount before deduction of allowance for doubtful accounts.

Table 5

Total Tax Collection	Percentage of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquents Taxes to Tax Levy
\$9,511,773	99.9	\$511,725 (1)	5.4
\$9,543,417	100.3	\$522,294 (1)	5.5
\$8,236,717	99.7	\$548,034 (2)	6.6
\$8,333,279	99.8	\$533,217 (2)	6.4
\$8,546,573	99.2	\$592,326 (2)	6.9
\$8,793,522	99.3	\$692,223 (2)	7.8
\$9,207,701	98.7	\$751,813 (2)	8.1
\$9,638,493	99.3	\$836,994 (2)	8.6
\$10,345,431	101.0	\$826,807 (2)	8.1
\$10,918,125	99.5	\$889,991 (2)	8.1

CITY OF DUNCANVILLE, TEXAS

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Year	Assessed Value			Total Estimated Actual Value
	Land and Improvements	Personal Property	Total	
1994	\$984,521,678	\$125,195,550	\$1,109,717,228	\$1,109,717,228
1995	\$984,536,650	\$128,579,980	\$1,113,116,630	\$1,113,116,630
1996	\$1,004,712,922	\$139,195,190	\$1,143,908,112	\$1,143,908,112
1997	\$1,016,467,551	\$142,785,180	\$1,159,252,731	\$1,159,252,731
1998	\$1,051,052,300	\$149,152,610	\$1,200,204,910	\$1,200,204,910
1999	\$1,086,027,034	\$146,887,810	\$1,232,914,844	\$1,232,914,844
2000	\$1,147,248,992	\$151,648,270	\$1,298,897,262	\$1,298,897,262
2001	\$1,191,482,969	\$159,864,695	\$1,351,347,664	\$1,351,347,664
2002	\$1,270,616,157	\$155,646,700	\$1,426,262,857	\$1,426,262,857
2003	\$1,430,533,899	\$138,014,389	\$1,568,548,288	\$1,568,548,288

Ad Valorem Tax Limitations

The City of Duncanville, Texas, has the power to levy taxes to the extent of the \$2.50 per \$100 valuation constitutional limit permitted by the State of Texas.

Due Date of Current Taxes

The full amount of taxes is due on or before January 31.

Penalties for Delinquency

A penalty shall be attached to the payment of taxes at the rate of 2% per month after January 31 and for each month thereafter until such penalty shall be 10% of the taxes due. All delinquent taxes shall bear interest at the rate of 1% per month or portion of a month the tax remains unpaid.

Table 6

Ratio of Total Assessed to Total Estimated Actual Value	Tax Levy	Tax Rate
100	\$9,521,374	0.8580
100	\$9,514,921	0.8548
100	\$8,257,872	0.7219
100	\$8,346,620	0.7200
100	\$8,617,473	0.7180
100	\$8,852,329	0.7180
100	\$9,326,022	0.7180
100	\$9,702,634	0.7180
100	\$10,240,569	0.7180
100	\$10,968,827	0.7180

CITY OF DUNCANVILLE, TEXAS

Table 7

**PROPERTY TAX RATES-
ALL DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
LAST TEN FISCAL YEARS (1)**

<u>Fiscal Year</u>	<u>City of Duncanville</u>	<u>Duncanville I.S.D.</u>	<u>Dallas County</u>	<u>Dallas County Hospital</u>	<u>Dallas County Community College</u>
1994	0.8580	1.5576	0.20883	0.206960	0.05206
1995	0.8548	1.5724	0.20883	0.199590	0.05206
1996	0.7219	1.6068	0.22250	0.199590	0.05206
1997	0.7200	1.6068	0.21000	0.194092	0.05206
1998	0.7180	1.6400	0.20100	0.192070	0.05000
1999	0.7180	1.6800	0.203174	0.179900	0.05000
2000	0.7180	1.6400	0.201699	0.196000	0.05000
2001	0.7180	1.6800	0.201667	0.254000	0.05000
2002	0.7180	1.6700	0.201525	0.254000	0.06000
2003	0.7180	1.7500	0.201500	0.254000	0.06000

(1) Rates are based per \$100 valuation.

(2) Combined rates \$0.58 - ISD and \$0.8624 - CED.

CITY OF DUNCANVILLE, TEXAS

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA (UNAUDITED)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Assessed value</u>	<u>Gross General Bonded Debt (1)</u>	<u>Less Interest and Sinking Funds</u>
1994	35,200	\$1,109,717,228	\$22,855,914	\$1,005,296
1995	35,550	\$1,143,908,112	\$25,380,914	\$1,041,373
1996	35,100	\$1,159,252,731	\$23,460,914	\$902,908
1997	36,000	\$1,159,252,731	\$21,425,914	\$919,579
1998	36,000	\$1,200,204,910	\$24,950,914	\$1,158,711
1999	36,000	\$1,232,914,844	\$22,585,914	\$985,538
2000	36,600	\$1,298,897,262	\$20,802,779	\$1,698,607
2001	36,206	\$1,351,347,664	\$18,973,270	\$1,394,428
2002	36,255	\$1,426,262,857	\$17,644,605	\$1,029,627
2003	36,402	\$1,568,548,288	\$25,719,222	\$755,775

(1) Includes Enterprise Fund debt since it is also payable from ad valorem tax levy

Table 8

Net Bonded Debt	Percentage Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
\$21,850,618	1.97	\$621
\$24,339,541	2.13	\$685
\$22,558,006	1.95	\$643
\$20,506,335	1.77	\$570
\$23,792,203	1.98	\$661
\$21,600,376	1.75	\$600
\$19,104,172	1.47	\$522
\$17,578,842	1.30	\$486
\$16,614,978	1.16	\$458
\$24,963,447	1.59	\$686

COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)

September 30, 2003

Article XI, Section 5 of the State of Texas Constitution, applicable to cities of more than 5,000 population \$2.50 per \$100 assessed valuation. City operates under a Home Rule Charter which adopts constitutional provisions. The City tax rate of \$0.718 p

COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
September 30, 2003

	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to City of Duncanville</u>	<u>Amount Applicable to City of Duncanville</u>
City of Duncanville (1)	\$ 25,719,222	100.00%	\$ 25,719,222
Other Entities:			
Duncanville ISD (2)	209,279,154	59.31%	124,123,466
Dallas County (2)	222,452,395	1.19%	2,647,184
Total Other Entities	<u>431,731,549</u>		<u>126,770,650</u>
Total net direct and overlapping debt	<u>\$ 457,450,771</u>		<u>\$ 152,489,872</u>

(1) Includes Enterprise Fund debt since it is also payable from an ad valorem tax levy.

(2) Source: First Southwest Company

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES (UNAUDITED)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Percentage of Debt Service to General Fund Expenditures</u>
1994	\$1,960,000	\$1,537,915	\$3,497,915	\$11,392,187	30.7
1995	\$2,090,000	\$1,272,128	\$3,362,128	\$12,841,475	26.2
1996	\$1,920,000	\$1,522,905	\$3,442,905	\$14,106,575	24.4
1997	\$2,035,000	\$1,290,216	\$3,325,216	\$14,023,443	23.7
1998	\$2,110,000	\$1,133,504	\$3,243,504	\$14,290,436	22.7
1999	\$2,365,000	\$1,188,847	\$3,553,847	\$14,536,980	24.4
2000	\$1,783,135	\$1,767,225	\$3,550,360	\$15,685,993	22.6
2001	\$1,829,509	\$1,587,130	\$3,416,639	\$17,039,550	20.1
2002	\$1,433,270	\$1,412,598	\$2,845,868	\$17,684,221	16.1
2003	\$2,135,000	\$684,555	\$2,819,555	\$18,993,524	14.8

REVENUE BOND COVERAGE (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Water and Sewer Gross Revenue	Water and Sewer Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1994	\$9,251,206	\$7,436,715	\$1,814,491	\$470,000	\$179,967	\$649,967	2.79
1995	\$9,174,531	\$8,023,777	\$1,150,754	\$505,000	\$139,463	\$644,463	1.79
1996	\$10,453,095	\$8,446,932	\$2,006,163	\$550,000	\$144,538	\$694,538	2.89
1997	\$9,889,411	\$8,434,448	\$1,454,963	\$600,000	\$78,630	\$678,630	2.14
1998	\$10,852,905	\$9,198,872	\$1,654,033	\$455,000	\$29,563	\$484,563	3.41
1999	\$10,396,388	\$8,375,627	\$2,020,761	\$305,000	\$13,070	\$318,070	6.35
2000	\$10,642,575	\$7,894,058	\$2,748,517	\$170,000	\$13,070	\$183,070	15.01
2001	\$10,446,486	\$7,970,441	\$2,476,045	\$170,000	\$18,807	\$188,807	13.11
2002	\$9,804,430	\$8,526,757	\$1,277,673	\$0	\$0	\$0	
2003	\$9,959,492	\$8,426,529	\$1,532,963	\$115,000	\$158,486	\$273,486	5.61

Note: Revenues and expenses for Solid Waste Operations and Drainage are not included.

(1) Represents total operating expenses less depreciation and allocated administration expense.

**PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Year	Commercial Construction (1)		Residential Construction(1)	
	Number of Permits	Value	Number of Permits	Value
1994	73	\$8,282,732	462	\$7,133,464
1995	105	\$6,494,510	243	\$9,736,665
1996	49	\$2,610,008	186	\$7,103,129
1997	69	\$3,973,168	136	\$5,145,354
1998	47	\$6,482,787	276	\$6,584,360
1999	68	\$9,984,350	487	\$7,704,781
2000	87	\$18,384,303	478	\$6,844,702
2001	43	\$10,240,479	236	\$6,150,574
2002	39	\$11,139,945	223	\$4,368,285
2003	69	\$50,189,529	220	\$4,119,221

(1) Source: City of Duncanville Building Inspection Department.

PRINCIPAL TAXPAYERS (UNAUDITED)
September 30, 2003

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002-2003 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Texwood Industries	Wholesale Cabinetry	25,238,740	1.77 %
Southwestern Bell Telephone	Telephone Utility	\$ 14,993,540	1.05 %
Frankel Family Trust	Retail Estate	12,741,660	0.89 %
Texas Utilities Electric Company	Utility	12,699,520	0.89 %
CH Guenther & Sons	Wholesale Food Products	12,430,410	0.87 %
Wal-Mart Corp.	Retail	11,338,220	0.79 %
Apple Reit LTD PS	Apartments	8,500,000	0.60
Ladd 1998 Real Properties	Real Estate	7,863,250	0.55 %
TT Duncanville LTD		6,488,550	0.45 %
Center Ridge Apts LTD	Apartments	5,400,000	0.38 %
Total		<u>\$ 117,693,890</u>	<u>8.25 %</u>

MISCELLANEOUS STATISTICAL FACTS (UNAUDITED)
September 30, 2003

Date of Incorporation	1949
Date of Adoption of City Charter	May 5, 1962
Form of Government	Council-Manager
City Area, Square Miles	11.2
Miles of Streets and Alleys:	
Streets, paved	156
Sidewalks	113
Alleys, paved	40
Miles of Sanitary Sewers	152.33
Miles of Water Mains	184
Number of Fire Hydrants	1,208
Number of Manholes	1,661
Building Permits:	
Permits Issued	289
Estimated Cost	\$ 54,308,750
Fire Protection:	
Number of Stations	2
Number of Employees	53
Police Protection:	
Number of Stations	1
Number of Employees	62
Recreation:	
Parks, Number of Acres	222
Number of Playgrounds	10
Education:	
Number of Campuses	18
Number of Instructional Staff	721
Number of Students Registered:	
Elementary School	4,115
Intermediate School	1,708
Middle School	1,915
High School	3,595



Duncanville
City of Champions