

CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2005

CITY COUNCIL

Bob Day, Mayor
Michael Holden, District 1
Terri Dunn, District 2
Harry J. Hickey, District 3
Weldon Bradley, District 4
John Garner, District 5
Barbara Chick, District 6
Mark Monroe, District 7
Randall Dunning, District 8

CITY MANAGER

William E. Dollar

MANAGING DIRECTOR OF FINANCIAL SERVICES

George Kauffman

Prepared by

Department of Finance
Accounting Office

**CITY OF GARLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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GARLAND



February 24, 2006

Citizens of the City of Garland
Garland, Texas

Dear Citizens:

The Comprehensive Annual Financial Report (CAFR) of the City of Garland, Texas, for the year ended September 30, 2005, is hereby submitted. The report is published to provide detailed information concerning the financial condition of the City to our citizens and the financial community, as well as other interested parties. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

GENERAL INFORMATION – CITY OF GARLAND

The City of Garland is located in Dallas County, approximately 15 miles northeast of downtown Dallas. The City's population of 221,588 (as estimated by the City's Planning Department as of January 1, 2005) makes it the tenth largest city in the state of Texas, and places it among the top 100 largest municipalities in the United States.

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's home rule Charter. The City was incorporated in 1891, and first adopted its Home Rule Charter in 1951. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and eight Council members. The City Manager is the chief administrative officer for the City.

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

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

ECONOMIC CONDITIONS AND OUTLOOK

The City's property taxes and sales tax revenues have only grown two percent annually since the 2001 recession. However, the City of Garland remains financially strong and stable through cost cutting efforts which included a reduction in workforce and not providing merit pay increases for employees at all levels in the City.

The economic forecast for 2006 and beyond continues to be optimistic despite the current economic conditions. In October, 2005, Firewheel Town Center opened. The Firewheel Town Center is an open-air mixed-use development that provides an old-fashioned sense of community. In addition, the Harbor Point project is under construction and should open in the fall of 2006. This development on the western shore of Lake Ray Hubbard will feature a 120,000 square foot Bass Pro Shop Outdoor World with courtesy docks, five on-the-water restaurants, conference center hotel, and additional retail sites.

FINANCIAL INFORMATION

Accounting and Budgetary Controls

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

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

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

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

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

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

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

Management of the City is responsible for establishing and maintaining an internal control system designed to ensure that the City's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these

objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the valuation of costs and benefits requires estimates and judgments by management.

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

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

General Fund Balance

For the fiscal year, revenues and transfers in of \$111,922,770 exceeded expenditures and transfers out of \$109,763,044, resulting in an excess of revenues over expenditures of \$2,159,726. It is the City's declared policy to maintain a minimum unreserved fund balance of 30 days of expenditures on a budget basis, and the General Fund unreserved fund balance at September 30, 2005, is equivalent to 47 days of expenditures on a budget basis.

Enterprise Operations

The City's enterprise operations are composed of eight separate and distinct activities: electric, water, sewer, golf course, heliport, storm water management, parks performance, and sanitation. Each of these eight activities is accounted for in separate funds. For the Electric, Water, and Sewer Funds, it is the City's policy to maintain a working capital balance, at September 30, equivalent to 45 days of expenditures on a budget basis. The days of working capital for the Electric, Water and Sewer Funds at September 30, 2005, is equivalent to 42, 37, and 76 days respectively.

Debt Administration

At September 30, 2005, the City had numerous debt issues outstanding. These issues include \$203,615,000 in general obligation bonds, \$159,125,207 in certificates of obligation, \$50,770,000 in electric utility system revenue bonds, \$104,125,000 in water and sewer system revenue bonds, \$3,640,000 in tax anticipation notes, and \$20,000,000 in commercial paper.

On April 19, 2005, the City issued \$20,275,000 in certificates of obligation. These bonds received an AA rating from Standard & Poor's Corporation and an AA+ from Fitch Ratings. On March 15, 2005, the city issued \$70,615,000 in General Obligation Refunding bonds to refund certain outstanding General Obligation and Certificates of Obligation Bonds, and 23,675,000 in General Obligation Refunding bonds to refund certain outstanding Commercial Paper Notes. On September 7, 2005, the City issued \$23,745,000 in General Obligation bonds to purchase the infrastructure improvements for the Harbor Point project. On March 15, 2005, the City issued Electric Utility System revenue Bonds Series 2005 for \$18,935,000, and Water and Sewer System Revenue Bonds Series 2005 for \$20,545,000. The payment of principal and interest on the Revenue bonds are insured by a municipal bond guaranty insurance policy. As a result of this insurance policy the general obligation refunding bonds and the certificates of obligation received AAA ratings from Standard & Poor's Corporation and Fitch Ratings. On September 7, 2005, the City received the proceeds of a

\$3,640,000 tax anticipation note. Tax notes are not rated due to the short-term maturities. At various times during the current fiscal year the City issued \$20,000,000 in commercial paper.

Cash Management

Cash temporarily idle during the year was invested in short-term money market instruments including demand deposits, certificates of deposit, U.S. Treasury obligations, U.S. Government agency obligations, reverse repurchase agreements, government investment pools, and money market funds. In order to facilitate cash management, the operating cash of certain funds is pooled into a common account. The average yield for investments was 2.65%, and the earned investment income reported in the financial statements totals \$6,041,951 for the year ended September 30, 2005.

The objectives of the City's investment policy are to minimize credit and market risks while maintaining liquidity and a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized with U.S. Treasury obligations. All collateral on deposits was held either by the City's agent or by a financial institution's trust department in the City's name. Investments in U.S. Government securities held by the City at September 30, 2005, are classified in the category of lowest risk, and amounts invested in governmental investment pools and money market funds are not categorized as specified by the Governmental Accounting Standards Board.

Group Health

Like other public and private employers across the nation, the City continues to encounter problems in providing affordable, quality health care for its employees. City management continues to modify the health plan through deductibles and co-pays in order to provide an employee health plan that is both financially sound and competitive in the job market. In addition the City implemented a pilot wellness initiative with 30 employees. The results of the wellness initiative were as follows:

- Over 700 pounds lost
- Significant reductions in overall cholesterol levels
- Meaningful reductions in blood pressure
- Meaningful improvements in "good" cholesterol (HDL's)
- Measurable reductions in absenteeism
- Significant reductions in medical and lifestyle risk factors
- Increased levels of physical activity.

Based on the results of the pilot program, the wellness initiative will continue in the 2006 fiscal year with the goal of helping employees become healthier, reducing dependence on medication, and avoiding future medical problems.

OTHER INFORMATION

Independent Audit

According to Article IV, Section 7 of the City Charter, an annual audit to be performed by independent, certified public accountants, is required to be made of the financial records of the City. Deloitte & Touche LLP was selected in July 2004, by the City Council to perform the annual audits. In addition to meeting the requirements set forth in the Charter, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditors' report on the government-wide and combining and individual fund statements is included in the financial section of this report. The independent auditors' reports related specifically to the single audit will be issued in a separate document.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Garland for its Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2004. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

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

Acknowledgements

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

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Garland,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

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.



Nancy L. Ziehl

President

Jeffrey R. Emen

Executive Director

CITIZENS OF GARLAND

CITY COUNCIL

Internal Audit
Steve Shepherd

City Secretary
Ranette Larsen

City Attorney
Brad Neighbor

City Manager
William E. Dollar

Deputy City Manager
Martin E. Glenn

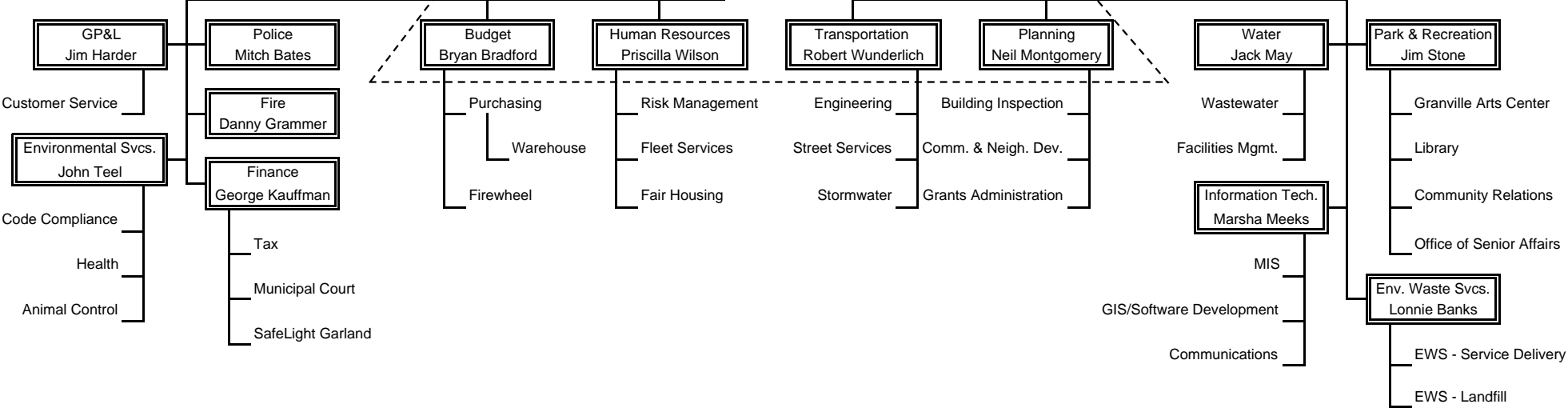
Public Information Officer

Emergency Management

Housing Agency

Organizational Development

Senior Management Team



GARLAND

Auditors Opinion

Auditors Opinion

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

As management of the City of Garland, we offer readers of the City of Garland's financial statements this narrative overview and analysis of the financial activities of the City of Garland for the fiscal year ended September 30, 2005. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the City of Garland (City) exceeded its liabilities at the close of the fiscal year by \$580,729,867.
- Net Assets for the governmental activities decreased \$3,068,883 and the net assets for the business activities decreased \$2,690,658 for a total decrease in the City's net assets of \$5,759,541. Contributing factors related to decrease are discussed in the government activities and business activities sections of this overview and analysis.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$59,525,358. Of the combined ending fund balances, \$2,745,794 is reserved for debt service, \$13,190,208 is unreserved in the General Fund, \$5,753,428 is unreserved and \$6,586,809 is reserved in special revenue funds, and \$31,249,119 is reserved in capital projects funds.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$13,190,208, which is equivalent to 47 days of expenditures on a budget basis.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

The government-wide financial statements can be found on pages 22-25 of this report.

Fund financial statement

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

Governmental funds

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

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

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

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

The basic governmental fund financial statements can be found on pages 26-31 of this report.

Proprietary funds

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

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

The basic proprietary fund financial statements can be found on pages 32-37 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-69 of this report.

Other information

The combining statements referred to earlier in connection with non-major governmental funds, enterprise, and internal service funds are presented on pages 72-88 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by \$580,729,867 for the year ended September 30, 2005.

The largest portion of the City's net assets (81 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and systems), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (14 percent) represents resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants and in the City of Garland Charter. The remaining balance of unrestricted net assets (5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net assets, for the government as a whole.

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 125,480,789	\$ 105,798,509	\$ 242,276,808	\$ 233,501,622	\$ 367,757,597	\$ 339,300,131
Capital assets	356,046,026	333,149,818	491,765,759	470,783,223	847,811,785	803,933,041
Total assets	<u>481,526,815</u>	<u>438,948,327</u>	<u>734,042,567</u>	<u>704,284,845</u>	<u>1,215,569,382</u>	<u>1,143,233,172</u>
Long-term liabilities						
outstanding	250,608,706	195,143,244	271,356,891	243,898,951	521,965,597	439,042,195
Other liabilities	74,454,878	84,272,970	38,419,040	33,428,602	112,873,918	117,701,572
Total liabilities	<u>325,063,584</u>	<u>279,416,214</u>	<u>309,775,931</u>	<u>277,327,553</u>	<u>634,839,515</u>	<u>556,743,767</u>
Net assets:						
Invested in capital assets, net of related debt	152,244,746	154,170,896	316,840,492	317,711,532	469,085,238	471,882,428
Restricted for:						
Debt Service	2,745,794	1,314,659	-	-	2,745,794	1,314,659
Construction	6,586,809	7,098,891	-	-	6,586,809	7,098,891
Rate Mitigation	-	-	72,202,545	70,686,549	72,202,545	70,686,549
Unrestricted	<u>(5,114,118)</u>	<u>(3,052,333)</u>	<u>35,223,599</u>	<u>38,559,211</u>	<u>30,109,481</u>	<u>35,506,878</u>
Total net assets	<u>\$ 156,463,231</u>	<u>\$ 159,532,113</u>	<u>\$ 424,266,636</u>	<u>\$ 426,957,292</u>	<u>\$ 580,729,867</u>	<u>586,489,405</u>

Governmental activities

Governmental activities decreased the City's net assets by \$3,068,883. Other than the changes in revenues and expenses which are discussed below, key elements of the change in governmental net assets are as follows:

- The special item for the apartment complex transfer decreased \$4,250,070 because the prior year transfer was a one time transaction.
- Transfers increased \$11,865,428 because of a one time non-cash transfer in the prior fiscal year of outstanding certificates of obligation and general obligation bonds that were issued to fund the construction of the City's golf course. Principal and interest payments for this debt are being paid from the debt service fund until the financial condition of the golf fund improves enough to cover these payments.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2005

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 30,005,582	\$ 28,282,169	\$ 299,064,777	\$ 266,534,167	\$ 329,070,359	\$ 294,816,336
Operation grants and contributions	19,713,353	18,516,283	-	-	19,713,353	18,516,283
Capital grants and contributions	3,556,983	5,686,588	1,890,046	2,275,432	5,447,029	7,962,020
General Revenues:						
Property taxes	61,816,669	59,700,363	-	-	61,816,669	59,700,363
Sales taxes	19,368,101	18,454,380	-	-	19,368,101	18,454,380
Other taxes	7,895,992	7,761,961	-	-	7,895,992	7,761,961
Unrestricted interest earnings	1,875,018	1,677,257	4,166,933	2,322,731	6,041,951	3,999,988
Miscellaneous	700,956	208,727	2,719,099	4,630,530	3,420,055	4,839,257
Total Revenues	<u>144,932,654</u>	<u>140,287,728</u>	<u>307,840,855</u>	<u>275,762,860</u>	<u>452,773,509</u>	<u>416,050,588</u>
Expenses:						
General government	32,392,426	35,270,124	-	-	32,392,426	35,270,124
Public safety	71,669,173	69,028,367	-	-	71,669,173	69,028,367
Public works	33,252,736	32,081,450	-	-	33,252,736	32,081,450
Culture and recreation	18,188,655	18,117,717	-	-	18,188,655	18,117,717
Public health	2,581,301	2,795,918	-	-	2,581,301	2,795,918
Interest and fiscal charges	9,222,475	8,342,311	-	-	9,222,475	8,342,311
Tri city academy	12,721	74,091	-	-	12,721	74,091
Electric	-	-	222,883,550	209,650,788	222,883,550	209,650,788
Water	-	-	25,806,273	25,800,512	25,806,273	25,800,512
Sewer	-	-	22,685,980	22,865,652	22,685,980	22,865,652
Golf	-	-	2,796,283	3,607,795	2,796,283	3,607,795
Heliport	-	-	28,576	34,457	28,576	34,457
Storm Water Management	-	-	2,961,292	2,953,322	2,961,292	2,953,322
Parks Performance	-	-	749,667	721,368	749,667	721,368
Sanitation	-	-	13,301,942	13,565,161	13,301,942	13,565,161
Total expenses	<u>167,319,487</u>	<u>165,709,978</u>	<u>291,213,563</u>	<u>279,199,055</u>	<u>458,533,050</u>	<u>444,909,033</u>
Increase in net assets before transfers and special items	(22,386,833)	(25,422,250)	16,627,292	(3,436,195)	(5,759,541)	(28,858,445)
Transfers	19,317,950	7,452,522	(19,317,950)	(7,452,522)	-	-
Special item - apartment complex transfer	-	4,250,070	-	-	-	4,250,070
Increase (decrease) in net assets	<u>(3,068,883)</u>	<u>(13,719,658)</u>	<u>(2,690,658)</u>	<u>(10,888,717)</u>	<u>(5,759,541)</u>	<u>(24,608,375)</u>
Net assets - beginning	159,532,114	173,251,772	426,957,294	437,846,011	586,489,408	611,097,783
Net assets - ending	<u>\$ 156,463,231</u>	<u>\$ 159,532,114</u>	<u>\$ 424,266,636</u>	<u>\$ 426,957,294</u>	<u>\$ 580,729,867</u>	<u>\$ 586,489,408</u>

Revenues by Source – Governmental Activities

Table 3
Revenues by Source

	2005		2004		Amount Change	Percentage Change
	Amount	Percentage	Amount	Percentage		
Charges for services	\$ 30,005,582	20.70%	\$ 28,282,169	20.16%	\$ 1,723,413	6.09%
Operation grants and contributions	19,713,353	13.60%	18,516,283	13.20%	1,197,070	6.46%
Capital grants and contributions	3,556,983	2.45%	5,686,588	4.05%	(2,129,605)	-37.45%
Property taxes	61,816,669	42.65%	59,700,363	42.56%	2,116,306	3.54%
Sales taxes	19,368,101	13.36%	18,454,380	13.15%	913,721	4.95%
Other taxes	7,895,992	5.45%	7,761,961	5.53%	134,031	1.73%
Unrestricted interest earnings	1,875,018	1.29%	1,677,257	1.20%	197,761	11.79%
Miscellaneous	700,956	0.48%	208,727	0.15%	492,229	235.82%
Total Revenues	<u>\$144,932,654</u>		<u>\$140,287,728</u>		<u>\$4,644,926</u>	

Charges for services increased \$1,723,413 as a result of the following:

- Increased tonnage dumped at the landfill.
- Increased salvage proceeds from the sale of major equipment items.
- A new rental inspection fee.
- Increased building and professional fee rates.
- Increased Municipal Court and Red Light fines.
- Decreased rent revenue from the Village of Eastgate Apartment Complex which was closed in the prior fiscal year.

Operation grants and contributions increased \$1,197,070 as a result of the following:

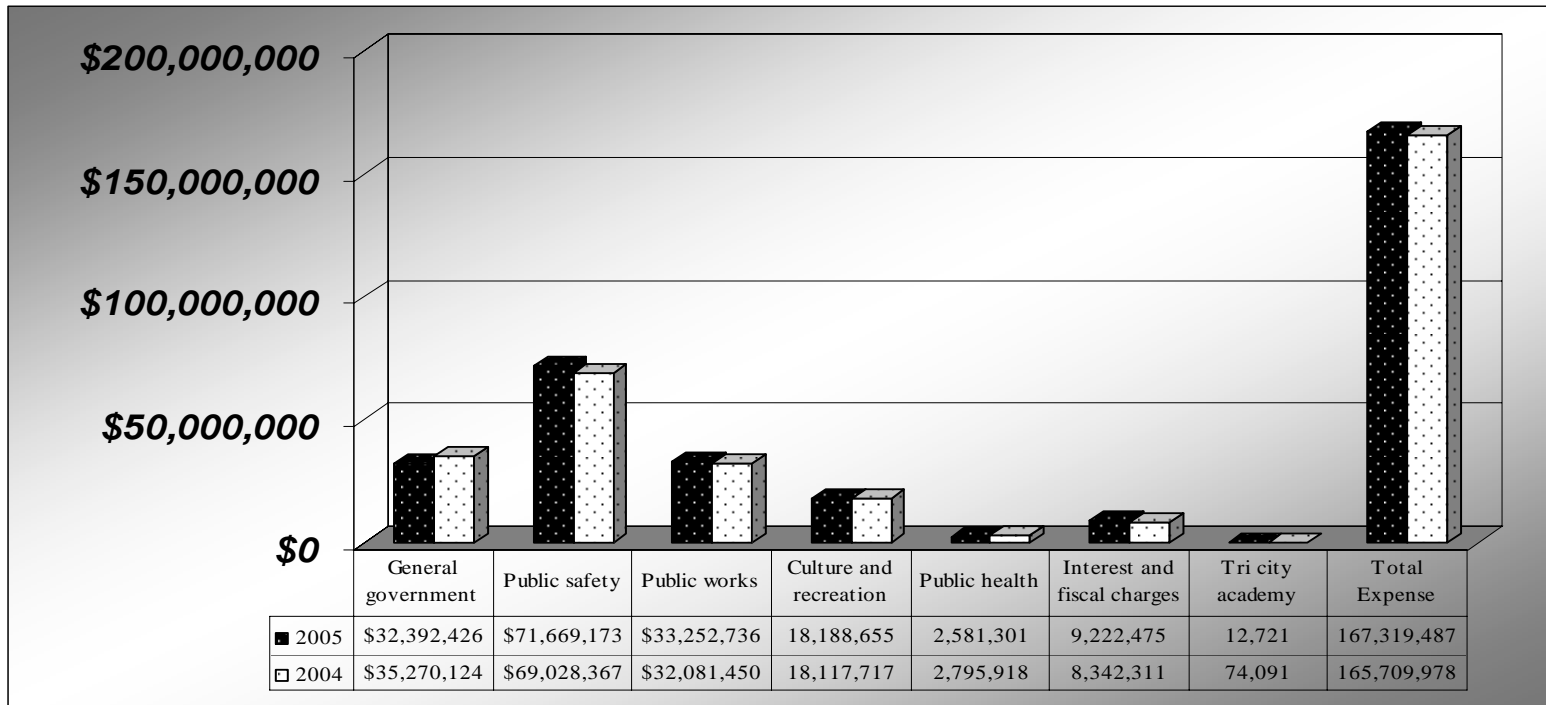
- One time FEMA salary expense reimbursement for 18 firefighters that provided hurricane Katrina assistance.
- Rental assistance revenue increased as a result of higher rent expense for the HUD funded Housing Voucher Program.
- Additional one time Homeland Security grant proceeds.

Other changes in revenues by source for the governmental activities include the following.

- Capital Grants and Contributions decreased due to fewer new housing developments being completed during the fiscal year which resulted in fewer street, alley, and drainage asset contributions from developers.
- Property tax revenue increased as a result of a 3.4% increase in the City's property tax base.
- Sales tax revenue increased due to improvement in the retail sales economy and the construction of the Firewheel Town Center.
- Interest earnings increased as a result of higher governmental fund type cash balances and a slightly higher yield earned on investments.
- Miscellaneous revenue increased as a result of an increase in revenue related to a legal settlement paid over time and the sale of park land to the City's electric utility.

Expenses by Source – Governmental Activities

The following chart provides a summary of expenses by source for the governmental activities for the 2004 and 2005 fiscal years.



Key changes in expenses by source for governmental activity are as follows:

General government expenses decreased approximately \$2,878,000 as a result of the following:

- A reduction in economic development expense of \$4,395,000. The economic development expenses reported in the prior year were a one time expense related to individual projects to encourage development in the City.
- The allocation of expense for internal service funds increased \$1,024,000 as a result of the allocation of the operating loss for the current year of \$2,136,000, compared to the allocation of the operating income of \$112,907 for the prior year.
- Non-departmental expenses attributable to general government decreased \$115,000.
- Compensated absences expense decreased by \$82,000 based on the change in paid leave balances for individual employees.
- General Fund expenses for general government activities increased \$693,000.

Public safety expenses increased approximately \$2,640,000 as a result of the following:

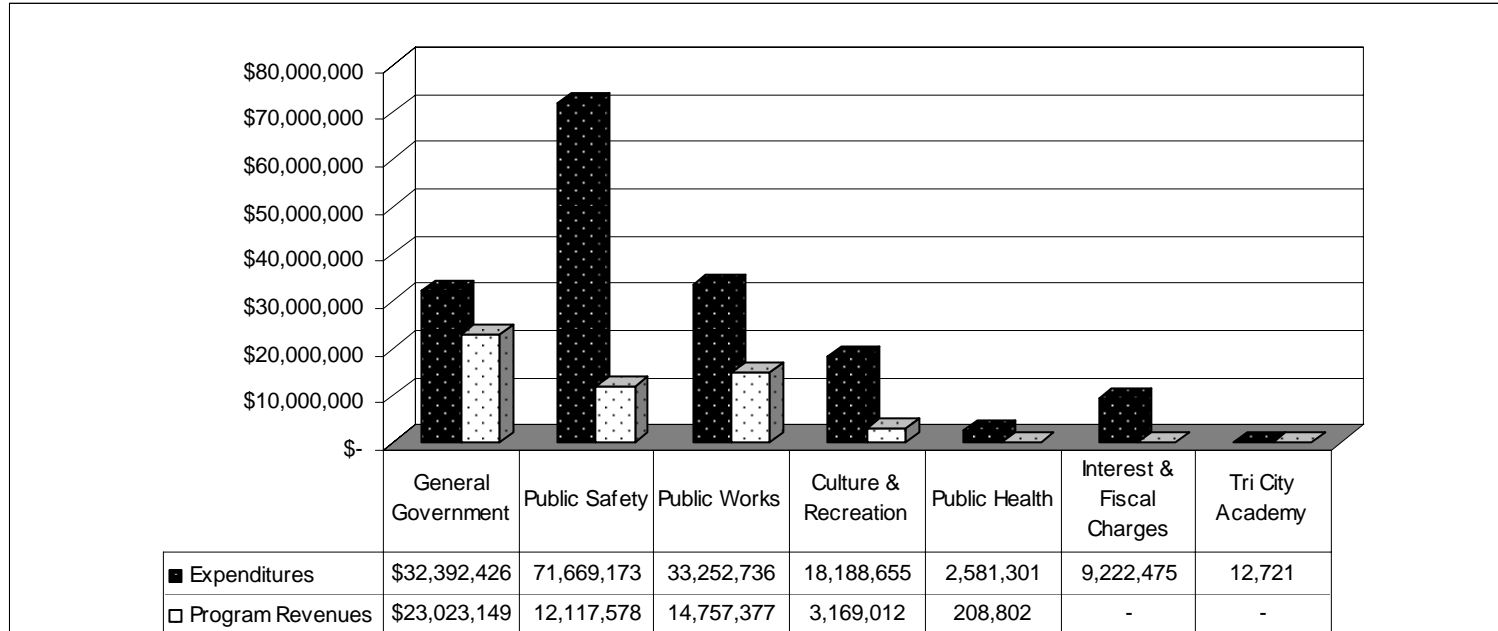
- An increase in Police department expense of \$1,440,000 related to a salary expense increase of \$1,140,000 for filling police officer positions that were vacant in the prior fiscal year. In addition, there was an increase of \$300,000 for fuel expense and vehicle replacement funding.
- An increase in Fire department expense of \$800,000 as a result of a salary expense increase of \$930,000 due to filling budgeted fire positions in the current fiscal year that were added in the prior fiscal year, salary expense related to eighteen firefighters providing Hurricane Katrina assistance, and a reduction in operating expense of \$130,000. Hiring the new firefighters was delayed until the current fiscal year to coincide with the opening of a new fire station.
- An increase in the Code department expense of \$136,000 as a result of increased salary expense related to budgeted positions that were filled in the current year that were vacant in the prior year and an increase in operating expense to address code violations for mowing, swimming pools, and other substandard property situations.
- An increase in Municipal Court department expenses of \$87,000 as a result on increase salary expense related to adding two new collection clerks and filling positions that were vacant in the prior fiscal year.
- An increase of \$737,000 in depreciation expense for the new police building that was placed in service during the prior fiscal year.
- A decrease of \$622,000 in compensated absences expense based on the change in paid leave balances for individual employees.

Public works expenses increased based on higher depreciation expense related to the fixed asset additions for street infrastructure of \$36 million during the prior year.

Public health expense decreased \$214,000 as a result of the elimination of two positions and the reduction of operating expenses.

Interest expense increased \$880,000 due increased interest cost on higher balances of outstanding bond principal.

Expenses and Program Revenues – Governmental Activities



Business-type Activities

Business-type activities decreased the City's net assets by \$2,690,658. Key elements of this change are as follows:

- A net loss for the electric utility of \$5,765,674 was a result of continued high natural gas cost.
- A net income for the water utility of \$925,167 was a result of a rate increase, higher water consumption due to a dryer than normal year, and a \$23,000 decrease in operating expenses.
- A net income for the sewer utility of \$2,785,897 was a result of a rate increase and higher capitalized interest expense related to wastewater treatment plant construction projects funded by revenue bonds.
- A net loss for the Golf Fund of \$652,689 was the result of fewer rounds of golf played in the current fiscal year compared to the prior fiscal year and depreciation expense.
- A net loss for the Sanitation Fund of \$206,714 was the result of higher fuel costs.

Revenues by Source – Business-type Activities

Table 4

	Charges for Service			Capital Grants and Contributions			Miscellaneous Revenue		
	2005	2004	Change Amount	2005	2004	Change Amount	2005	2004	Change Amount
Electric	\$ 224,884,115	\$ 199,926,505	\$ 24,957,610	\$ -	\$ -	\$ -	\$ 2,446,073	\$ 4,344,002	\$ (1,897,929)
Water	28,235,537	22,966,885	5,268,652	1,321,183	1,335,289	(14,106)	113,661	130,872	(17,211)
Sewer	26,719,862	24,328,999	2,390,863	568,863	940,143	(371,280)	98,229	74,460	23,769
Non-major Enterprise	19,225,263	19,311,778	(86,515)	-	-	-	61,136	81,196	(20,060)
Total	\$ 299,064,777	\$ 266,534,167	\$ 32,530,610	\$ 1,890,046	\$ 2,275,432	\$ (385,386)	\$ 2,719,099	\$ 4,630,530	\$ (1,911,431)

Charges for electric, water, and sewer services increased as a result of rate increases and higher electric and water consumption due to a hotter and dryer year than normal. Capital grant and contributions decreased as a result of fewer new housing developments being completed during the fiscal year which resulted in less water and sewer assets contributed from developers. Miscellaneous electric revenue decreased as a result of lower refunds from Texas Municipal Power Agency based on operational savings.

Expenses by Source – Business-type Activities

Table 5

	2005	2004	Dollar Change	Percentage Change
Electric	\$ 222,883,550	\$ 209,650,788	\$ 13,232,762	6.31%
Water	25,806,273	25,800,512	5,761	0.02%
Sewer	22,685,980	22,865,652	(179,672)	-0.79%
Golf	2,796,283	3,607,795	(811,512)	-22.49%
Heliport	28,576	34,457	(5,881)	-17.07%
Storm Water	2,961,292	2,953,322	7,970	0.27%
Parks Performance	749,667	721,368	28,299	3.92%
Sanitation	13,301,942	13,565,161	(263,219)	-1.94%
	\$ 291,213,563	\$ 279,199,055	\$ 12,014,508	4.30%

Electric expense increased due to continued higher natural gas prices. Sewer expense decreased due to a decrease of \$1,022,997 in net interest expense as a result of higher capitalized interest expense related to wastewater treatment construction projects that are funded with revenue bonds, an increase of \$369,162 in depreciation expense, and an increase in operating expense of \$483,571. Golf expenses decreased as a result of decreased operating expense and decreased interest expense.

Capital Asset and Debt Administration

Capital Assets

At the end of the fiscal year 2005, the City had \$847,811,785 invested in a broad range of capital assets including police and fire equipment, buildings, park facilities, roads, bridges, an electric system, a water system, and a sewer system. (See Table 6 below.) This amount represents a net increase of \$43,878,744 or 5.46 percent over the prior fiscal year.

Table 6
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 54,994,629	\$ 54,404,014	\$ 12,312,724	\$ 12,312,724	\$ 67,307,353	\$ 66,716,738
Construction in Progress	53,372,612	41,644,666	75,612,047	64,087,041	128,984,659	105,731,707
Building, Improvements, equipment and systems	247,678,785	237,101,138	403,840,988	394,383,458	651,519,773	631,484,596
Total capital assets	\$ 356,046,026	\$ 333,149,818	\$ 491,765,759	\$ 470,783,223	\$ 847,811,785	\$ 803,933,041

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2005

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

<u>Description</u>	<u>Amount</u>
Mall Ring Road Development Cost	\$ 4,895
Rowlett Creek Process Improvements	3,546
Street Improvement-Lookout/Campbell	2,750
Monica Park Drainage	2,263
Electric EMS Upgrade Phase I & II	1,641
Fire Station 11	1,544
Relocate Station 2	1,525
Fire Trucks and Equipment	1,411
Street Improvement-Northwest Hwy/I635 to Centerville	1,350

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

<u>Description</u>	<u>Amount</u>
Duck Creek Plant Rerating Improvements	\$ 41,005
Telecomm Radio Coverage Correction	5,181
Street Improvement-Apollo-Jupiter to N. Garland	4,811
Street Improvement-SH190 to Campbell	4,477
Electric Underground Distribution Lines	4,457
Street Improvement-Saturn-Charleston to Miller	3,808
Duck Creek Interceptor line	3,488
Street Improvement-O'banion-Centerville to Meadow	2,971
Fire Training Facility	2,679
Street Improvement-Rosehill to Gatewood	2,638
Street Improvement-Kingsley-First to Centerville	2,492
Street Improvement-Lyons to Kelso	2,412
Infrastructure upgrades	2,361
Street Improvement-Crist Road-Beltline to SH78	2,096
Fire Equipment	1,855
Firewheel Town Center - Electric	1,717

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

Debt

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

**Table 7
Outstanding Debt, at Year-end**

	Governmental Activities		Business-type Activites		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 148,032,971	\$ 98,738,385	\$ 55,582,029	\$ 15,346,615	\$ 203,615,000	\$ 114,085,000
Certificates of obligation	86,936,889	82,005,153	72,188,318	122,004,503	159,125,207	204,009,656
Utility system revenue bonds	-	-	154,895,000	118,135,000	154,895,000	118,135,000
Commercial Paper	20,000,000	25,000,000	-	-	20,000,000	25,000,000
Tax Notes	3,640,000	4,000,000	-	-	3,640,000	4,000,000
Total outstanding debt	<u>\$ 258,609,860</u>	<u>\$ 209,743,538</u>	<u>\$ 282,665,347</u>	<u>\$ 255,486,118</u>	<u>\$ 541,275,207</u>	<u>\$ 465,229,656</u>

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

**Table 8
Current fiscal year debt issues**

Issue	Principal	Bond Ratings	
		Standard & Poor's	Fitch IBCA
Long-term			
Certificates of Obligation, Series 2005	\$ 20,275,000	AA	AA+
Electric Utility System Revenue Bonds, Series 2005	18,935,000	Insured	Insured
Water & Sewer System Revenue Bonds, Series 2005	20,545,000	Insured	Insured
General Obligation Refunding Bonds, Series 2005	70,615,000	Insured	Insured
General Obligation Refunding Bonds - CP, Series 2005	23,675,000	Insured	Insured
General Obligation Bonds, Series 2005B	23,745,000	Insured	Insured
Short-term			
Commercial Paper	20,000,000	--	--
Tax Anticipation Note, Series 2005	3,640,000	--	--
Total debt financing	<u>\$ 201,430,000</u>		

The proceeds of the certificates of obligation will be used for constructing street improvements within the City, including associated drainage improvements; expanding, improving, and equipping the City's waste disposal system; constructing, improving, and equipping a building for the City's electric department, including the acquisition of a site or sites; acquiring, constructing, improving, and equipping the City's public safety facilities, including the acquisition of fire apparatus and ambulances; acquiring and improving equipment for the City's management information and communications systems; and paying costs associated with the issuance of the Certificates. These bonds received a AA rating from Standard & Poor's and a AA+ from Fitch Rating.

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

On April 19, 2005, the City issued \$70,615,000 in General Obligation Refunding Bonds to advance refund \$72,680,000 of outstanding Certificates of Obligations and General Obligation bonds. These bonds were refunded to lower the overall debt service requirements of the City and to pay the cost associated with the issuance of the Bonds.

On April 19, 2005, the City issued \$23,675,000 in General Obligation Refunding Bonds to refund \$25,000,000 of the City's General Obligation Commercial Paper Notes, Series 2002. The Commercial Paper Note proceeds were used for constructing street improvements within the City, including associated drainage improvements; improving and equipping the City's library facilities; acquiring, constructing, improving and equipping the City's public safety facilities; and to pay the costs associated with the issuance of the bonds.

On September 7, 2005, the City issued \$23,745,000 in General Obligation Bonds to purchase land and public infrastructure improvements for the Harbor Point project. This project will feature a 120,000 square foot Bass Pro Shop Outdoor World with courtesy docks, six on-the-water restaurants, conference center hotel, and additional retail sites.

The City's continued the use of short term financing with commercial paper notes and tax anticipation notes. These financing tool provide interest savings as well as an additional funding source for street improvements projects. During the year the City's issued commercial paper notes amounting to \$20 million. In addition, the City issued another \$3.64 million in tax anticipation notes to fund various street improvements during the 2006 fiscal year.

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

The City's Funds

At the close of the City's fiscal year, the governmental funds of the City reported a combined fund balance of \$59,525,358, an increase of \$33,028,239 from the prior year. The majority of this increase was a result of issuing General Obligation Bonds for the Harbor Point project and issuing Certificates of Obligation for various items and projects in the City's Capital Projects Fund.

The General Fund ended the fiscal year with a fund balance of \$13,190,208, which was an increase of \$2,159,726 from the prior year. The original and final budgets for the General Fund budget projected a decrease in fund balance of \$1,315,556 and \$462,108 respectively. Therefore, the General Fund ended the year with a favorable final budget variance of \$2,621,834. This favorable budget variance was a result of increased property tax revenues, franchise fees, landfill disposal revenues, building and professional service fees, intergovernmental grant revenues, and other operational expenditure savings across General Fund departments.

It is the City's declared policy to maintain a minimum unreserved general fund balance equivalent to 30 days of expenditures on a budget basis. The original budget was adopted to draw down fund balance to the equivalent of 30 days of expenditures on a budget basis. At the end of the current fiscal year the unreserved fund balance for the general fund is equivalent to 47 days of expenditures on a budget basis.

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

- The fund balance in the Debt Service Fund increased \$1,431,135 as a result of an increase in property tax revenue due to higher appraised property values, increased interest earnings based in increased investment yields, increased debt service and other fiscal payments, and a decrease in transfers out for the payment of the tax note principal in the Capital Project Fund.
- The decrease in fund balance for the Village of Eastgate was a result of increased demolition cost for the apartment complex and expenses to provide housing assistance for Hurricane Katrina victims.
- The increase in fund balance for the Harbor Point Incremental Tax Financing District (TIF) was a result of excess general obligation bond proceeds over the actual cost of public improvements to be purchased from the harbor point developers. The excess bond proceeds will be transferred as needed to the Debt Service Fund to meet future debt service payments of the General Obligation Bond, Series 2005B.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2005, the City Council amended the budget for the General Fund on several occasions. The amendments were made up of supplemental appropriations and re-estimated allocations. These supplemental appropriations and re-estimated allocations amounted to increasing appropriations by \$700,481 for the annual roll over of open purchase orders, for increased vehicle fuel cost and to replace police in-car video camera equipment. The re-estimate adjustments were used to reallocate funds appropriated to more accurately account for estimated revenues and payments to internal service funds.

With the adjustments made during the fiscal year ended September 30, 2005, the actual budget based expenditures were \$109.8 million compared to the final budget of \$110.4 million. The \$0.6 million favorable variance was due to salary savings and holding the line on operational expenditures.

For the fiscal year ended September 30, 2005, the actual budget-based revenues were \$111.9 million compared to the final budget of \$109.9 million. The \$2 million favorable variance was due to increased appraisals for property tax, increased in-lieu of franchise tax and property tax from the Electric, Water and Sewer Funds, and increased landfill disposal fees.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate of 5.4% at September 30, 2005, was higher than the unemployment rate for the state (5.3%) and lower than the unemployment rate for Dallas County (5.7%). The City's estimated population of 221,588 (as estimated at January 1, 2005, by the City's Planning department) remained virtually unchanged from the prior year.

The operating budget for the 2005 fiscal year was developed by City management and approved by the City's elected officials focused on using the City's available financial resources to address the following priority areas:

- Adopt a General Fund Budget that was materially unchanged from 2003-04 approved spending levels.
- Enhance revenues in all City funds by bringing fee structures in line with other Metroplex cities and improving collection efforts.
- Maintain the current tax rate of 64.11 cents per \$100 of appraised valuation.
- Keep service levels experienced by citizens substantially intact.
- Preserve available one-time reserve funds to increase flexibility for dealing with revenue contingencies in future years.
- Address critical needs in public safety.

The adopted 2005 fiscal year budget addressed the priorities listed above in the following ways:

- The total ad valorem tax rate of 64.11 cents per \$100 of property valuation, was unchanged from the 2004 fiscal year.
- The City adopted many fee and rate increases to bring the City's fees and rates for services more in line with other Metroplex cities.
- Reductions in General Fund and Internal Service Fund departments ranged from 5% to 20% of prior year operating expenditures and were in addition to cuts implemented in previous years.
- Eliminated salary increases for the year and increased the City's contribution for group health cost to minimize the increase in salary and salary related cost for the City and to prevent a decrease in net take-home pay for the employee.

Highlights of the 2006 fiscal year budget are outlined below:

- Approved tax rate increase of 2.5 cents. Of the increase, 1.5 cents is to fund the addition of twelve police and eight fire positions and 1 cent is to fund debt service cost related to the 1997 and 2004 bond programs. The 2006 fiscal year tax rate with the increase is 66.61 cents per \$100 of appraised property value.
- Enhancements to public safety with the addition of seven police patrol officers, two neighborhood police officers, three police lieutenants, five firefighters, three fire drivers along with the purchase of an ambulance and related equipment in order to initiate service from a new fire station.
- General Fund fee and rate changes included in the adopted budget are increases in swimming pool and multi-family inspection fees, along with a 0.5 percent increase in the in-lieu of franchise fee paid by the Electric Fund.

Contacting the City's Financial Management

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

GARLAND

**City of Garland, Texas
Statement of Net Assets
September 30, 2005**

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and cash equivalents	\$ 47,256,647	\$ 1,012,598	\$ 48,269,245	\$ 874,427
Investments	59,914,326	4,061,022	63,975,348	-
Assets held for resale	-	-	-	300,530
Receivables				
Taxes, net	1,294,957	-	1,294,957	-
Accounts, net of allowance for uncollectibles	9,060,957	45,615,534	54,676,491	107,000
Assessments	17,548	-	17,548	-
Interest	544,427	28,376	572,803	54
Other receivables	346,136	-	346,136	-
Due from other governments	2,387,920	-	2,387,920	-
Inventories	3,385,540	2,476,286	5,861,826	-
Internal Balances	(2,952,398)	2,952,398	-	-
Prepaid and other items	945,533	-	945,533	-
Restricted Assets:				
Cash and cash equivalents	792,060	73,902,246	74,694,306	-
Investments	2,475,256	111,103,446	113,578,702	-
Accrued interest	11,880	1,124,902	1,136,782	-
Capital Assets (net of accumulated depreciation)				
Land	54,994,629	12,312,724	67,307,353	900,000
Construction in Progress	53,372,612	75,612,047	128,984,659	-
Buildings, Improvements, Equipment and System	247,678,785	403,840,988	651,519,773	-
Total assets	<u>\$ 481,526,815</u>	<u>\$ 734,042,567</u>	<u>\$ 1,215,569,382</u>	<u>\$ 2,182,011</u>

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

City of Garland, Texas
Statement of Net Assets
September 30, 2005

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
LIABILITIES				
Due within one year				
Accounts payable	\$ 14,570,002	\$ 17,934,273	\$ 32,504,275	\$ 2,306
Escrow payable	174,940	-	174,940	-
Retainage payable	1,046,765	893,108	1,939,873	-
Accrued interest payable	2,445,840	804,054	3,249,894	-
CO bonds payable current portion	6,386,776	6,313,397	12,700,173	-
GO bonds payable current portion	7,074,759	2,170,241	9,245,000	-
Customer deposits	6,330,466	-	6,330,466	-
Tax Note Payable	3,640,000	-	3,640,000	-
Commercial Paper	20,000,000	-	20,000,000	-
Due to other governments	482,985	-	482,985	-
Compensated absences payable current portion	6,917,588	1,525,629	8,443,217	-
Insurance claims payable current portion	2,892,480	-	2,892,480	-
Payable from restricted assets:				
Accounts payable	-	4,066,713	4,066,713	-
Accrued interest payable	-	526,625	526,625	-
Revenue bonds payable current portion	-	4,185,000	4,185,000	-
Unearned revenue	2,492,277	-	2,492,277	888,750
Due in more than one year				
GO bonds payable long-term portion	140,958,212	53,411,788	194,370,000	-
Revenue bonds payable long-term portion	-	150,710,000	150,710,000	-
CO's payable long-term portion	80,550,113	65,874,921	146,425,034	-
Unamortized bond discount, premium, issue and deceased debt costs	3,359,735	1,228,148	4,587,883	-
Landfill closure costs payable	7,380,569	-	7,380,569	-
Compensated absences payable long-term portion	9,104,670	132,034	9,236,704	-
Insurance claims payable long-term portion	9,255,407	-	9,255,407	-
 Total liabilities	 <u>325,063,584</u>	 <u>309,775,931</u>	 <u>634,839,515</u>	 <u>891,056</u>
NET ASSETS:				
Invested in capital assets, net of related debt	152,244,746	316,840,492	469,085,238	11,250
Restricted for:				
Debt Service	2,745,794	-	2,745,794	-
Construction - Impact Fees	6,586,809	-	6,586,809	-
Rate Mitigation	-	72,202,545	72,202,545	-
Unrestricted	<u>(5,114,118)</u>	<u>35,223,599</u>	<u>30,109,481</u>	<u>1,279,705</u>
 Total net assets	 <u>\$ 156,463,231</u>	 <u>\$ 424,266,636</u>	 <u>\$ 580,729,867</u>	 <u>\$ 1,290,955</u>

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

GARLAND

City of Garland, Texas
Statement of Activities
For the Year Ended September 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business Type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 32,392,426	\$ 6,676,910	\$ 16,346,239	\$ -	\$ (9,369,277)	\$ -	\$ (9,369,277)	\$ -
Public safety	71,669,173	10,202,599	1,914,979	-	(59,551,595)	-	(59,551,595)	-
Public works	33,252,736	11,200,394	-	3,556,983	(18,495,359)	-	(18,495,359)	-
Culture and recreation	18,188,655	1,745,890	1,423,122	-	(15,019,643)	-	(15,019,643)	-
Public health	2,581,301	179,789	29,013	-	(2,372,499)	-	(2,372,499)	-
Interest and fiscal charges	9,222,475	-	-	-	(9,222,475)	-	(9,222,475)	-
Tri City Academy	12,721	-	-	-	(12,721)	-	(12,721)	-
Total governmental activities	<u>167,319,487</u>	<u>30,005,582</u>	<u>19,713,353</u>	<u>3,556,983</u>	<u>(114,043,569)</u>	<u>-</u>	<u>(114,043,569)</u>	<u>-</u>
Business type activities:								
Electric	222,883,550	224,884,115	-	-	-	2,000,565	2,000,565	-
Water	25,806,273	28,235,537	-	1,321,183	-	3,750,447	3,750,447	-
Sewer	22,685,980	26,719,862	-	568,863	-	4,602,745	4,602,745	-
Golf	2,796,283	2,133,498	-	-	-	(662,785)	(662,785)	-
Heliport	28,576	6,000	-	-	-	(22,576)	(22,576)	-
Storm Water Management	2,961,292	3,088,386	-	-	-	127,094	127,094	-
Parks Performance	749,667	838,064	-	-	-	88,397	88,397	-
Sanitation	13,301,942	13,159,315	-	-	-	(142,627)	(142,627)	-
Total business-type activities	<u>291,213,563</u>	<u>299,064,777</u>	<u>-</u>	<u>1,890,046</u>	<u>-</u>	<u>9,741,260</u>	<u>9,741,260</u>	<u>-</u>
Total primary government	<u>\$ 458,533,050</u>	<u>\$ 329,070,359</u>	<u>\$ 19,713,353</u>	<u>\$ 5,447,029</u>	<u>(114,043,569)</u>	<u>9,741,260</u>	<u>(104,302,309)</u>	<u>-</u>
Component units								
Garland Housing Finance Corp.	\$ 169,333	\$ 158,177	\$ 40,000	-	-	-	-	28,844
Garland Health Facilities Development Corp.	4,509	25,000	-	-	-	-	-	20,491
Garland Economic Develop. Corp.	4,509	7,000	-	-	-	-	-	2,491
General revenues:								
Sales taxes					19,368,101	-	19,368,101	-
Franchise taxes					7,268,396	-	7,268,396	-
Property taxes					61,816,669	-	61,816,669	-
Hotel/Motel taxes					417,034	-	417,034	-
Mixed drink taxes					121,644	-	121,644	-
Bingo taxes					88,918	-	88,918	-
Unrestricted investment earnings					1,875,018	4,166,933	6,041,951	8,613
Miscellaneous					700,956	2,719,099	3,420,055	85,381
Transfers					19,317,950	(19,317,950)	-	-
Total general revenues and transfers					<u>110,974,686</u>	<u>(12,431,918)</u>	<u>98,542,768</u>	<u>93,994</u>
Net change in net assets					(3,068,883)	(2,690,658)	(5,759,541)	145,820
Net assets-beginning					159,532,114	426,957,294	586,489,408	1,145,135
Net assets-ending					<u>\$ 156,463,231</u>	<u>\$ 424,266,636</u>	<u>\$ 580,729,867</u>	<u>\$ 1,290,955</u>

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

**City of Garland, Texas
Governmental Funds
Balance Sheet
For the Year Ended September 30, 2005**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,846,704	\$ 733,868	\$ 33,811,699	\$ 5,363,617	\$ 41,755,888
Investments	7,153,225	1,970,836	24,790,372	8,876,606	42,791,039
Receivables:					
Accounts, net	9,060,957	-	-	-	9,060,957
Taxes, net	755,442	539,515	-	-	1,294,957
Accrued interest	130,476	506	206,338	64,726	402,046
Assessments	-	-	-	17,548	17,548
Other	-	-	-	14,703	14,703
Due from other funds	7,495,066	-	-	252	7,495,318
Due from other governments	134,105	-	-	2,253,815	2,387,920
Prepaid items	-	-	-	945,533	945,533
Total Assets	\$ 26,575,975	\$ 3,244,725	\$ 58,808,409	\$ 17,536,800	\$ 106,165,909
LIABILITIES					
Accounts payable	\$ 7,253,978	\$ -	\$ 2,157,007	\$ 1,295,810	\$ 10,706,795
Escrow payable	-	-	-	174,940	174,940
Due to other funds	-	-	634,431	1,772,277	2,406,708
Deferred revenues	6,131,789	498,931	257,944	1,470,551	8,359,215
Due to other governments	-	-	-	482,985	482,985
Retainage payable	-	-	869,908	-	869,908
Tax Note Payable	-	-	3,640,000	-	3,640,000
Commercial Paper	-	-	20,000,000	-	20,000,000
Total Liabilities	13,385,767	498,931	27,559,290	5,196,563	46,640,551
FUND BALANCES:					
Fund balances:					
Reserved for:					
Debt service	-	2,745,794	-	-	2,745,794
Construction - Impact Fees	-	-	-	6,586,809	6,586,809
Construction	-	-	31,249,119	-	31,249,119
Unreserved, reported in:					
General Fund	13,190,208	-	-	-	13,190,208
Special Revenue Funds	-	-	-	5,753,428	5,753,428
Total Fund Balances	13,190,208	2,745,794	31,249,119	12,340,237	59,525,358
Total Liabilities and Fund Balances	\$ 26,575,975	\$ 3,244,725	\$ 58,808,409	\$ 17,536,800	\$ 106,165,909

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

**City of Garland, Texas
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
September 30, 2005**

Total fund balances - governmental funds	\$	59,525,358
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount includes capital assets used in the internal service funds.		356,046,026
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		5,866,938
Bond interest is not payable within 60 days and is therefore not accrued at the fund level.		(2,383,918)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long term liabilities consist of:		
Bonds payable		(231,465,140)
Landfill closure costs		(7,380,569)
Compensated absences		(15,353,490)
Unamortized premium, loss on refunding, and bond issue costs		(2,943,206)
Internal service funds net asset adjustment excluding assets and liabilities included in the adjustments listed above. Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net assets.		<u>(5,448,768)</u>
Total net assets - governmental activities	\$	<u>156,463,231</u>

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

City of Garland, Texas
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2005

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 55,655,912	\$ 25,765,329	\$ -	\$ 417,034	\$ 81,838,275
Franchise fees	7,268,396	-	-	-	7,268,396
Service charges	14,600,925	-	-	-	14,600,925
Licenses and permits	2,701,470	-	-	-	2,701,470
Earnings on investments	691,143	200,259	664,762	318,857	1,875,021
Intergovernmental	555,665	-	-	17,279,607	17,835,272
Intragovernmental	5,790,632	-	-	-	5,790,632
Fines and forfeits	6,073,988	-	-	-	6,073,988
Rents and concessions	757,409	-	-	13,275	770,684
Assessments	-	-	41,268	14,771	56,039
Impact Fees	-	-	-	558,677	558,677
Contributions	-	-	579,542	3,427	582,969
Program income	-	-	-	531,270	531,270
Special event income	-	-	-	434,879	434,879
Miscellaneous and other	-	-	274,483	2,040,185	2,314,668
Awards	-	-	-	93,334	93,334
Total revenues	<u>94,095,540</u>	<u>25,965,588</u>	<u>1,560,055</u>	<u>21,705,316</u>	<u>143,326,499</u>
EXPENDITURES					
Current:					
General government	9,241,252	-	605,000	-	9,846,252
Public safety	62,364,342	-	-	-	62,364,342
Public works	7,080,641	-	-	-	7,080,641
Culture and recreation	11,072,061	-	-	-	11,072,061
Public health	2,136,542	-	-	-	2,136,542
Nondepartmental	12,826,489	-	-	-	12,826,489
Operations	-	-	-	26,842,657	26,842,657
Capital outlay	-	-	40,737,033	2,486,842	43,223,875
Debt service:					
Principal	-	12,018,720	-	-	12,018,720
Interest	-	8,385,551	-	-	8,385,551
Tri City Academy	-	12,721	-	-	12,721
Other and fiscal expenditures	-	519,353	-	-	519,353
	<u>104,721,327</u>	<u>20,936,345</u>	<u>41,342,033</u>	<u>29,329,499</u>	<u>196,329,204</u>
Excess (deficiency) of revenues over (under) expenditures	(10,625,787)	5,029,243	(39,781,978)	(7,624,183)	(53,002,705)
OTHER FINANCING SOURCES (USES)					
Transfers in	17,827,230	342,489	5,399,500	5,329,861	28,899,080
Transfers out	(5,041,717)	(4,000,000)	-	(615,822)	(9,657,539)
Issuance of debt	-	-	64,189,648	1,705,352	65,895,000
Premium on issuance of debt	-	2,557,524	835,000	-	3,392,524
Refunding proceeds	-	28,305,000	-	-	28,305,000
Payment to bond refunding agent	-	(30,803,121)	-	-	(30,803,121)
Total other financing sources (uses)	<u>12,785,513</u>	<u>(3,598,108)</u>	<u>70,424,148</u>	<u>6,419,391</u>	<u>86,030,944</u>
Net change in fund balance	2,159,726	1,431,135	30,642,170	(1,204,792)	33,028,239
Fund balances - beginning	11,030,482	1,314,659	606,949	13,545,029	26,497,119
Fund balances - ending	<u>\$ 13,190,208</u>	<u>\$ 2,745,794</u>	<u>\$ 31,249,119</u>	<u>\$ 12,340,237</u>	<u>\$ 59,525,358</u>

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

**City of Garland, Texas
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended September 30, 2005**

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

Net change in fund balances - total governmental funds	\$ 33,028,239
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	21,770,167
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	110,487
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(57,254,962)
Interest is accrued in the government wide financial statements but not at the fund level. This represents the change in the accrual during the period.	(977,428)
Internal service funds are used by management to charge the costs of vehicle services, building services, printing services, and insurance services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>254,614</u>
Change in net assets of governmental activities	<u><u>\$ (3,068,883)</u></u>

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

GARLAND

City of Garland, Texas
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Taxes	\$ 54,143,132	\$ 55,205,117	\$ 55,655,912	\$ 450,795
Franchise fees	7,085,246	7,032,169	7,268,396	236,227
Service charges	14,172,365	14,282,932	14,600,925	317,993
Licenses and permits	2,586,238	2,480,899	2,701,470	220,571
Earnings on investments	728,912	676,431	691,143	14,712
Intergovernmental	263,000	341,597	555,665	214,068
Intragovernmental	5,806,546	5,791,546	5,790,632	(914)
Fines and forfeits	5,614,267	6,160,583	6,073,988	(86,595)
Rents and concessions	751,740	759,440	757,409	(2,031)
Total revenues	<u>91,151,446</u>	<u>92,730,714</u>	<u>94,095,540</u>	<u>1,364,826</u>
Expenditures:				
Current:				
General government	9,061,209	9,517,380	9,241,252	276,128
Public safety	61,477,423	62,505,618	62,364,342	141,276
Public works	7,009,761	7,439,036	7,080,641	358,395
Culture and recreation	11,226,122	11,461,556	11,072,061	389,495
Public health	2,198,775	2,128,750	2,136,542	(7,792)
Nondepartmental	13,712,405	12,333,836	12,826,489	(492,653)
Total expenditures	<u>104,685,695</u>	<u>105,386,176</u>	<u>104,721,327</u>	<u>664,849</u>
Excess of revenues over expenditures	<u>(13,534,249)</u>	<u>(12,655,462)</u>	<u>(10,625,787)</u>	<u>2,029,675</u>
Other financing sources (uses):				
Transfer in	17,260,410	17,235,071	17,827,230	592,159
Transfers out	<u>(5,041,717)</u>	<u>(5,041,717)</u>	<u>(5,041,717)</u>	<u>-</u>
Total other financing sources (uses)	<u>12,218,693</u>	<u>12,193,354</u>	<u>12,785,513</u>	<u>592,159</u>
Net Change in fund balances	(1,315,556)	(462,108)	2,159,726	2,621,834
Fund balance, beginning of year	11,030,482	11,030,482	11,030,482	-
Fund balance, end of year	<u>\$ 9,714,926</u>	<u>\$ 10,568,374</u>	<u>\$ 13,190,208</u>	<u>\$ 2,621,834</u>

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

**City of Garland, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2005**

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 31,745	\$ 700	\$ 540,018	\$ 440,135	\$ 1,012,598	\$ 5,500,759
Investments	1,000,000	-	1,686,504	1,374,518	4,061,022	17,123,287
Receivable, net of allowance	36,150,683	4,650,298	3,132,945	1,681,608	45,615,534	331,433
Accrued interest	(662)	-	18,036	11,002	28,376	142,381
Due from other funds	175,000	100,000	-	-	275,000	359,431
Inventories	2,476,286	-	-	-	2,476,286	3,385,540
Total unrestricted current assets	<u>39,833,052</u>	<u>4,750,998</u>	<u>5,377,503</u>	<u>3,507,263</u>	<u>53,468,816</u>	<u>26,842,831</u>
<i>Restricted assets</i>						
<i>Rate mitigation:</i>						
Cash and cash equivalents	17,139,025	-	-	-	17,139,025	-
Investments	54,399,769	-	-	-	54,399,769	-
Accrued interest	663,751	-	-	-	663,751	-
Total rate mitigation	<u>72,202,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,202,545</u>	<u>-</u>
<i>Construction funds:</i>						
Cash and cash equivalents	8,302,075	1,944,974	46,420,778	95,394	56,763,221	792,060
Investments	25,944,637	6,078,200	24,382,723	298,117	56,703,677	2,475,256
Accrued interest	210,360	49,871	198,500	2,420	461,151	11,880
Total revenue bond construction funds	<u>34,457,072</u>	<u>8,073,045</u>	<u>71,002,001</u>	<u>395,931</u>	<u>113,928,049</u>	<u>3,279,196</u>
Total current assets	<u>146,492,669</u>	<u>12,824,043</u>	<u>76,379,504</u>	<u>3,903,194</u>	<u>239,599,410</u>	<u>30,122,027</u>
Noncurrent Assets:						
Capital Assets:						
Land	575,896	238,471	311,813	11,186,544	12,312,724	-
Buildings, improvements, equipment and systems	361,675,020	145,628,611	250,864,791	22,940,506	781,108,928	47,023,075
Construction in progress	27,692,723	1,269,880	46,642,373	7,071	75,612,047	5,977,677
Less accumulated depreciation	(187,976,860)	(63,269,797)	(116,912,104)	(9,109,179)	(377,267,940)	(33,474,190)
Net capital assets	<u>201,966,779</u>	<u>83,867,165</u>	<u>180,906,873</u>	<u>25,024,942</u>	<u>491,765,759</u>	<u>19,526,562</u>
Advance to other funds	2,236,716	-	-	-	2,236,716	-
Total noncurrent assets	<u>204,203,495</u>	<u>83,867,165</u>	<u>180,906,873</u>	<u>25,024,942</u>	<u>494,002,475</u>	<u>19,526,562</u>
TOTAL ASSETS	<u>\$ 350,696,164</u>	<u>\$ 96,691,208</u>	<u>\$ 257,286,377</u>	<u>\$ 28,928,136</u>	<u>\$ 733,601,885</u>	<u>\$ 49,648,589</u>

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

**City of Garland, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2005**

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES						
Current liabilities:						
<i>Payable from current assets</i>						
Accounts Payable	\$ 15,943,179	\$ 1,197,177	\$ 440,163	\$ 353,754	\$ 17,934,273	\$ 3,863,209
Retainage	-	-	-	-	-	176,857
Due to other funds	1,662,438	1,145,104	-	1,491,050	4,298,592	1,424,449
Insurance claims payable	-	-	-	-	-	2,892,480
Accrued interest payable:						
General obligation bonds	217,220	32,767	107,019	-	357,006	-
Certificates of obligation	240,587	50,648	144,385	11,428	447,048	61,922
Customer deposits	-	-	-	-	-	6,330,466
General obligation bonds	1,154	179,082	1,990,005	-	2,170,241	-
Certificates of obligation	3,373,335	739,275	1,812,951	387,836	6,313,397	488,349
Compensated absences	770,455	130,413	274,432	350,329	1,525,629	668,768
Total payable from current assets	<u>22,208,368</u>	<u>3,474,466</u>	<u>4,768,955</u>	<u>2,594,397</u>	<u>33,046,186</u>	<u>15,906,500</u>
<i>Payable from restricted assets</i>						
Accounts payable	2,144,712	300,333	1,621,668	-	4,066,713	-
Retainage payable	7,197	-	885,911	-	893,108	-
Accrued interest payable-revenue bonds	179,034	45,846	301,745	-	526,625	-
Revenue bonds payable	1,875,000	493,211	1,816,789	-	4,185,000	-
Total payable from restricted assets	<u>4,205,943</u>	<u>839,390</u>	<u>4,626,113</u>	<u>-</u>	<u>9,671,446</u>	<u>-</u>
Total current liabilities	26,414,311	4,313,856	9,395,068	2,594,397	42,717,632	15,906,500
Long-term Liabilities:						
Advances from other funds	-	-	-	91,917	91,917	2,144,799
Revenue bonds payable	48,895,000	11,747,443	90,067,557	-	150,710,000	-
Certificates of obligation	35,719,194	7,503,364	21,650,802	1,001,561	65,874,921	3,016,371
General obligation bonds	33,100,965	5,278,185	15,032,638	-	53,411,788	-
Unamortized bond discount, premium, issue and defeased debt cost	1,127,497	71,479	21,073	8,099	1,228,148	416,529
Insurance claims payable	-	-	-	-	-	9,255,407
Compensated absences	132,034	-	-	-	132,034	-
Total other liabilities	<u>118,974,690</u>	<u>24,600,471</u>	<u>126,772,070</u>	<u>1,101,577</u>	<u>271,448,808</u>	<u>14,833,106</u>
Total Liabilities	<u>145,389,001</u>	<u>28,914,327</u>	<u>136,167,138</u>	<u>3,695,974</u>	<u>314,166,440</u>	<u>30,739,606</u>
NET ASSETS						
Invested in capital assets, net of related debt	110,179,797	65,627,838	117,009,480	24,023,377	316,840,492	18,884,509
Restricted for:						
Rate Mitigation	72,202,545	-	-	-	72,202,545	-
Unrestricted	22,924,821	2,149,043	4,109,759	1,208,785	30,392,408	24,474
Total net assets	<u>\$ 205,307,163</u>	<u>\$ 67,776,881</u>	<u>\$ 121,119,239</u>	<u>\$ 25,232,162</u>	<u>\$ 419,435,445</u>	<u>\$ 18,908,983</u>
Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.					4,831,191	
Net assets of business type activities					<u>\$ 424,266,636</u>	

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

City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2005

	Business-type Activities				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 224,884,115	\$ 28,235,537	\$ 26,719,862	\$ 19,225,263	\$ 299,064,777	\$ 32,556,987
Premiums	-	-	-	-	-	23,743,427
Other	2,446,073	113,660	98,230	61,136	2,719,099	1,666,882
Total Operating Revenues	<u>227,330,188</u>	<u>28,349,197</u>	<u>26,818,092</u>	<u>19,286,399</u>	<u>301,783,876</u>	<u>57,967,296</u>
OPERATING EXPENSES:						
Salaries and benefits	18,968,463	2,412,522	5,086,383	7,304,061	33,771,429	13,490,342
Demand charges	57,529,732	-	-	-	57,529,732	-
Fuel purchases	102,773,780	-	-	-	102,773,780	-
Water purchases	-	13,005,295	-	-	13,005,295	-
Landfill fees	-	-	-	3,281,025	3,281,025	-
Maintenance, repairs, and supplies	14,940,204	2,580,976	5,094,673	6,619,010	29,234,863	17,621,548
Telecommunication services	461,845	95,852	78,600	-	636,297	-
Customer services	4,367,324	1,148,528	537,614	-	6,053,466	-
Warehouse operations	607,987	69,099	64,266	-	741,352	-
Data processing	885,902	651,563	709,980	-	2,247,445	-
Facilities management	259,341	316,453	403,746	-	979,540	-
Bad debt expense	1,239,888	208,085	156,945	171,054	1,775,972	248,801
Insurance and other expenses	3,463,706	356,460	278,512	263,548	4,362,226	22,582,990
General and administrative	2,289,491	605,469	831,557	631,011	4,357,528	1,314,289
Capitalized general and administrative	(780,959)	(64,554)	(106,664)	-	(952,177)	-
Total Operating expenses before depreciation	<u>207,006,704</u>	<u>21,385,748</u>	<u>13,135,612</u>	<u>18,269,709</u>	<u>259,797,773</u>	<u>55,257,970</u>
Depreciation	11,985,835	3,666,408	7,299,988	1,489,513	24,441,744	4,845,677
Total Operating Expenses	<u>218,992,539</u>	<u>25,052,156</u>	<u>20,435,600</u>	<u>19,759,222</u>	<u>284,239,517</u>	<u>60,103,647</u>
Total Operating Income (Loss)	<u>\$ 8,337,649</u>	<u>\$ 3,297,041</u>	<u>\$ 6,382,492</u>	<u>\$ (472,823)</u>	<u>\$ 17,544,359</u>	<u>\$ (2,136,351)</u>

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

City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2005

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
NONOPERATING REVENUES (EXPENSES)						
Earnings from investments:						
Current operations	\$ 1,617,071	\$ 229	\$ 111,022	\$ 35,622	\$ 1,763,944	\$ 449,623
Construction fund	573,241	156,903	1,663,346	9,499	2,402,989	71,543
Total earnings on investments	2,190,312	157,132	1,774,368	45,121	4,166,933	521,166
Interest expense:						
Revenue bonds	(1,759,925)	(433,819)	(3,376,034)	-	(5,569,778)	-
Certificates of obligation	(3,047,486)	(255,656)	(1,443,865)	(77,086)	(4,824,093)	(66,799)
General obligation bonds	(906,428)	(473,948)	(882,527)	(4,504)	(2,267,407)	-
Less capitalized interest	1,788,531	405,335	3,448,555	-	5,642,421	-
Total interest expense	(3,925,308)	(758,088)	(2,253,871)	(81,590)	(7,018,857)	(66,799)
Income (loss) before transfers and contributions	6,602,653	2,696,085	5,902,989	(509,292)	14,692,435	(1,681,984)
TRANSFERS						
Transfers in	-	-	-	-	-	1,982,138
Transfers out	(12,368,327)	(3,092,101)	(3,685,955)	(171,567)	(19,317,950)	(729)
Net transfers	(12,368,327)	(3,092,101)	(3,685,955)	(171,567)	(19,317,950)	1,981,409
Capital contributions	-	1,321,183	568,863	-	1,890,046	-
NET INCOME (LOSS)	(5,765,674)	925,167	2,785,897	(680,859)	(2,735,469)	299,425
Net assets, beginning of year	211,072,837	66,851,714	118,333,342	25,913,021	422,170,914	18,609,558
Net assets, end of year	\$ 205,307,163	\$ 67,776,881	\$ 121,119,239	\$ 25,232,162	\$ 419,435,445	\$ 18,908,983

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

44,811

Change in net assets of business-type activities

\$ (2,690,658)

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

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2005

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	\$ 218,757,068	\$ 26,263,398	\$ 26,235,054	\$ 19,279,499	\$ 290,535,019	\$ 57,790,997
Cash received for customer deposit	-	-	-	-	-	153,171
Cash paid to suppliers	(179,023,662)	(18,897,958)	(8,018,730)	(11,047,222)	(216,987,572)	(41,566,889)
Cash paid to employees for services	(19,563,468)	(2,523,119)	(5,218,490)	(7,420,870)	(34,725,947)	(13,469,753)
Other operating revenues	2,415,378	91,035	56,504	81,046	2,643,963	-
Net cash provided by operations	22,585,316	4,933,356	13,054,338	892,453	41,465,463	2,907,526
Cash flows from noncapital financing activities:						
Retainage - increase	-	-	-	-	-	117,824
Due to other funds (increases)	-	619,055	-	209,166	828,221	76,020
Due from other funds (increases)	1,662,436	-	-	-	1,662,436	183,582
Advance to other funds increase (decreases)	18,083	-	-	-	18,083	-
Due to other governments (decreases)	-	-	-	(1,963)	(1,963)	(1,641)
Transfers in	-	-	-	-	-	1,982,138
Transfers out	(12,368,327)	(3,092,101)	(3,685,955)	(171,567)	(19,317,950)	(729)
Net cash provided by (used for) noncapital financing activities	(10,687,808)	(2,473,046)	(3,685,955)	35,636	(16,811,173)	2,357,194
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	175,000	175,000	1,330,000
Revenue bonds	18,935,000	5,325,000	15,220,000	-	39,480,000	-
Refunding bonds	33,080,000	1,350,000	7,880,000	-	42,310,000	-
Premium on issuance of debt	3,008,117	126,038	712,820	5,000	3,851,975	-
Acquisition and construction of capital assets	(16,237,006)	(5,473,676)	(24,785,984)	(509,705)	(47,006,371)	(6,009,271)
Principal paid on:						
Revenue bonds	(1,015,000)	(275,946)	(1,429,054)	-	(2,720,000)	-
Certificates of obligation	(3,495,645)	(795,846)	(1,732,909)	(416,407)	(6,440,807)	(735,337)
General obligation bonds	(1,159)	(179,896)	(1,893,532)	-	(2,074,587)	-
Advance from other funds	-	-	-	(18,083)	(18,083)	-
Payment to escrow agent	(36,006,144)	(1,467,913)	(8,576,917)	-	(46,050,974)	-
Interest paid on:						
Revenue bonds	(779,519)	(511,128)	(4,167,512)	-	(5,458,159)	-
Certificates of obligation	(1,179,771)	(73,391)	(761,416)	(69,426)	(2,084,004)	(40,571)
General obligation bonds	(689,346)	(184,366)	2,583,309	(4,504)	1,705,093	-
Advances from other funds	-	-	-	(10,123)	(10,123)	-
Bond issue expense	(420,935)	(17,637)	(99,747)	-	(538,319)	81,389
Bond issuance costs	(969,906)	(40,639)	(229,834)	-	(1,240,379)	-
Contributions	-	83,171	29,676	-	112,847	-
Proceeds from sales of assets	30,696	22,625	41,725	26,972	122,018	179,384
Net cash provided by (used for) capital and related financing activities	(5,740,618)	(2,113,604)	(17,209,375)	(821,276)	(25,884,873)	(5,194,406)

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

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2005

	Business-type Activities				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from investing activities:						
Purchase of investment securities	(28,073,053)	(1,044,848)	(2,181,591)	(358,318)	(31,657,810)	(4,806,988)
Proceeds from sale and maturities of investment securities	8,080,963	343,050	5,735,895	150,118	14,310,026	3,268,006
Interest received on investments	1,854,396	135,919	1,718,205	45,350	3,753,870	460,186
Net cash provided by (used for) investing activities	<u>(18,137,694)</u>	<u>(565,879)</u>	<u>5,272,509</u>	<u>(162,850)</u>	<u>(13,593,914)</u>	<u>(1,078,796)</u>
Net increase (decrease) in cash and cash equivalents	(11,980,804)	(219,173)	(2,568,483)	(56,037)	(14,824,497)	(1,008,482)
Cash and cash equivalents at beginning of the year	37,453,649	2,164,847	49,529,279	591,566	89,739,341	7,301,301
Cash and cash equivalents at end of the year	<u>\$ 25,472,845</u>	<u>\$ 1,945,674</u>	<u>\$ 46,960,796</u>	<u>\$ 535,529</u>	<u>\$ 74,914,844</u>	<u>\$ 6,292,819</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities						
Operating income (loss)	\$ 8,337,649	\$ 3,297,041	\$ 6,382,492	\$ (472,823)	\$ 17,544,359	\$ (2,136,351)
Adjustments:						
Depreciation expense	11,985,835	3,666,408	7,299,988	1,489,513	24,441,744	4,845,677
(Gain) loss on sale of assets	(30,696)	(22,625)	(41,725)	44,910	(50,136)	(143,570)
Provision for uncollectible accounts	110,930	26,592	6,562	(5,621)	138,463	(1,027)
Change in assets and liabilities						
(increase) decrease in accounts receivable	(6,127,046)	(1,972,139)	(484,808)	34,857	(8,549,136)	(33,254)
(increase) decrease in inventory	121,546	-	-	-	121,546	(655,663)
increase (decrease) in accounts payable	8,146,765	(42,082)	(125,738)	(219,460)	7,759,485	963,830
increase (decrease) in compensated absences	40,333	(19,839)	17,567	21,077	59,138	18,287
increase in customer deposits	-	-	-	-	-	153,171
increase (decrease) in insurance claims payable	-	-	-	-	-	(103,574)
Total adjustments	<u>14,247,667</u>	<u>1,636,315</u>	<u>6,671,846</u>	<u>1,365,276</u>	<u>23,921,104</u>	<u>5,043,877</u>
Net cash provided by (used for) operating activities	<u>\$ 22,585,316</u>	<u>\$ 4,933,356</u>	<u>\$ 13,054,338</u>	<u>\$ 892,453</u>	<u>\$ 41,465,463</u>	<u>\$ 2,907,526</u>
Noncash investing, capital and financing activities:						
Contributions from developers	-	1,321,183	568,863	-	1,890,046	-
Capitalized general & administrative expense	780,959	64,554	106,664	-	952,177	-
Capitlized Revenue Bond Interest	1,788,531	405,335	3,448,555	-	5,642,421	-
Insurance claims payable - increase (decrease)	-	-	-	-	-	(103,574)
Noncash transactions:						
Transfer in	-	-	-	-	-	1,982,138
Certificate of obligation bonds transferred to tax supported debt	-	-	-	-	-	(1,905,000)

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