

CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2004

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
Sharon Stotts, District 6
Mark Monroe, District 7
Randall Dunning, District 8

CITY MANAGER

William E. Dollar

MANAGING DIRECTOR OF FINANCIAL SERVICES

George Kauffman

Prepared by

Department of Finance
Accounting Office

**CITY OF GARLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

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GARLAND



March 24, 2005

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, 2004, is hereby submitted. The report is published to provide detailed information concerning the financial condition of the City to our citizens and the financial community, as well as other interested parties. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

GENERAL INFORMATION – CITY OF GARLAND

The City of Garland is located in Dallas County, approximately 15 miles northeast of downtown Dallas. The City's population of 222,350 (as estimated by the City's Planning Department as of January 1, 2004) makes it the tenth largest city in the state of Texas, and places it among the top 100 largest municipalities in the United States.

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

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

The economic forecast for 2005 and beyond continues to be optimistic despite the current economic slowdown. Currently, there are several projects that are being discussed for the south area of Garland, including a new Bass Pro Shop and a variety of restaurants. In the north part of Garland construction started for a new mall that is scheduled to open in the fall of 2005. The new mall will provide office space, retail space for two large anchor stores, a 20-screen movie theater and restaurants.

FINANCIAL INFORMATION

Accounting and Budgetary Controls

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

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

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

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

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

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

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

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

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

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

General Fund Balance

For the fiscal year, expenditures and transfers out of \$108,646,824 exceed revenues and transfers in of \$105,897,670, resulting in an excess of expenditures over revenues of \$2,749,154. 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, 2004, is equivalent to 39 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, 2004, is equivalent to 53, 15 and 132 days respectively.

Debt Administration

At September 30, 2004, the City had numerous debt issues outstanding. These issues include \$114,085,000 in general obligation bonds, \$204,009,656 in certificates of obligation, \$32,850,000 in electric utility system revenue bonds, \$85,285,000 in water and sewer system revenue bonds, \$4,000,000 in tax anticipation notes, and \$25,000,000 in commercial paper.

On April 15, 2004, the City issued \$17,045,000 in certificates of obligation. These bonds received a AA rating from Standard & Poor's Corporation and a AA+ from Fitch Ratings. On February 13, 2004, the city issued \$1,860,000 in General Obligation Refunding bonds to refund \$1,695,000 of outstanding Certificates of Obligation. On April 15, 2004, the City issued Electric Utility System revenue Bonds Series 2004 for \$19,060,000, Sewer

System Revenue Bonds Series 2004A for \$38,485,000, and Water and Sewer System Revenue Bonds Series 2004B for \$33,540,000. 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 28, 2004, the City issued a \$4,000,000 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 \$25,000,000 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 2.05%, and the earned investment income reported in the financial statements totals \$3,999,988 for the year ended September 30, 2004.

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, 2004, are classified in the category of lowest risk, and amounts invested in governmental investment pools and money market funds are not categorized as specified by the Governmental Accounting Standards Board.

Risk Management

The City is self-insured with respect to general liability, auto liability, workers' compensation, and long-term disability. Separate funds are maintained to account for proceeds from other funds for the payments of claims and to provide a loss reserve for potential future claims. On a biennial basis, the City commissions an actuarial study to determine adequate levels of funding to provide reserve for future claims. The actuarial study is conducted in even number years, and the liability is changed accordingly. Actuarially determined reserves, listed by coverage, at September 30, 2004, are:

Description	2004	2003	Increase (Decrease)
Self Insurance Fund:			
Auto Liability	\$ 305,968	316,570	(10,602)
General Liability	583,458	666,754	(83,296)
Workers Comp	5,210,769	3,761,111	1,449,658
Total Self Insurance Fund	<u>6,100,195</u>	<u>4,744,435</u>	<u>1,355,760</u>
Long Term Disability Fund:			
LTD Liability	<u>3,155,212</u>	<u>2,967,763</u>	<u>187,449</u>
Total Long Term Disability Fund	<u>3,155,212</u>	<u>2,967,763</u>	<u>187,449</u>
Total Actuarially Determined Reserves	<u>\$ 9,255,407</u>	<u>7,712,198</u>	<u>1,543,209</u>

Group Health

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

OTHER INFORMATION

Independent Audit

According to Article IV, Section 7 of the City Charter, an annual audit to be performed by independent, certified public accountants, is required to be made of the financial records of the City. The accounting firm of Deloitte & Touche LLP was selected in 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, 2003. 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-four consecutive years. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

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

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

Sincerely,

William E. Dollar
City Manager

Marsha L. Meeks
Assistant City Manager

George Kauffman
Managing Director of Financial Services

Steve Anderson
Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Garland,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2003

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. Zielke

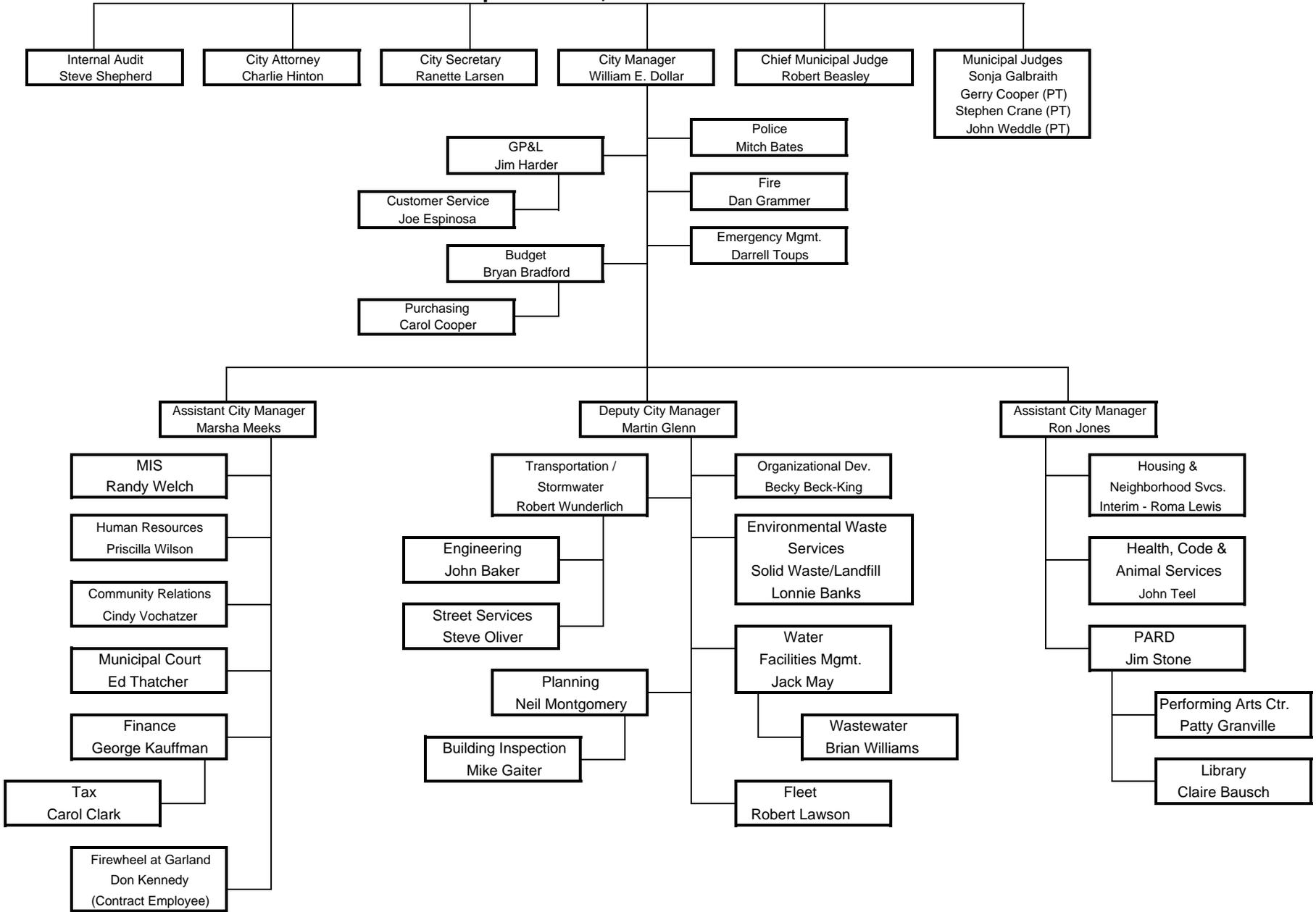
President

Jeffrey R. Enos

Executive Director

CITY COUNCIL

September 30, 2004



GARLAND

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, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-xi of this report. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the City of Garland (City) exceeded its liabilities at the close of the fiscal year by \$586,489,405.
- The City's net assets decreased \$24,608,375. This decrease can be attributed to milder and wetter than normal weather conditions during the year and increased natural gas cost that resulted in net losses for the Electric and Water Funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,497,119. Of the combined ending fund balances, \$1,314,659 is reserved for debt service, \$11,030,482 is unreserved in the General Fund, \$7,053,087 is unreserved and \$6,491,942 is reserved in special revenue funds, and \$606,949 is reserved in capital projects funds.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$11,030,482, which is equivalent to 39 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, sanitation, economic development, and culture and recreation. The business-type activities of the City include electric, water, sewer, golf, heliport, storm water, parks performance, and sanitation operations.

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

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

Fund financial statement

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

Governmental funds

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

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

The City maintains sixteen 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 thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Proprietary funds

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

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-68 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 70-85 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 \$586,489,405 for the year ended September 30, 2004.

The largest portion of the City's net assets (82 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 (13 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 may be used to meet the City's ongoing obligations to citizens and creditors.

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

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2004

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 105,798,509	\$ 106,816,209	\$ 233,501,622	\$ 205,580,676	\$ 339,300,131	\$ 312,396,885
Capital assets	333,149,818	302,004,947	470,783,223	441,732,916	803,933,041	743,737,863
Total assets	438,948,327	408,823,159	704,284,845	647,313,592	1,143,233,172	1,056,134,748
Long-term liabilities						
outstanding	195,143,244	185,041,164	243,898,951	175,055,434	439,042,195	360,096,598
Other liabilities	84,272,970	50,528,221	33,428,602	34,412,149	117,701,572	84,940,370
Total liabilities	279,416,214	235,569,385	277,327,553	209,467,583	556,743,767	445,036,968
Net assets:						
Invested in capital assets, net of related debt	154,170,896	159,562,356	317,711,352	319,873,430	471,882,248	479,435,786
Restricted for:						
Debt Service	1,314,659	712,233	-	130,237	1,314,659	842,470
Construction	7,098,891	9,203,420	-	-	7,098,891	9,203,420
Rate Mitigation	-	-	70,686,549	69,545,563	70,686,549	69,545,563
Unrestricted	(3,052,333)	3,773,762	38,559,211	48,296,779	35,506,878	52,070,541
Total net assets	\$ 159,532,113	\$ 173,251,771	\$ 426,957,112	\$ 437,846,009	\$ 586,489,225	\$ 611,097,780

Governmental activities

Governmental activities decreased the City's net assets by \$13,719,658. The key elements of this decrease are as follows:

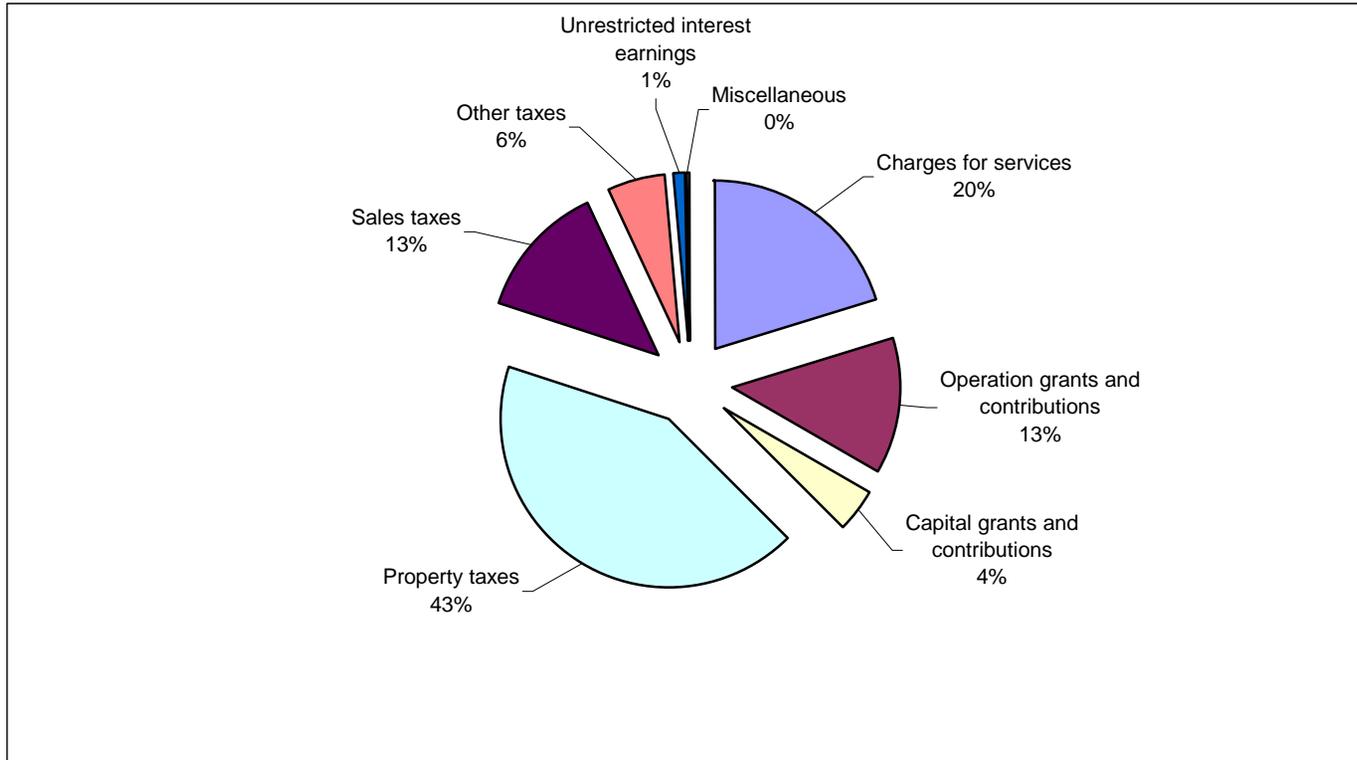
- A non-cash transfer out of the general government activities to recognize the transfer of outstanding Certificates of Obligation and General Obligation bonds that were issued to fund the construction of the City's golf course. Future principal and interest payments for this debt will be paid from the Debt Service Fund until the financial condition of the Golf Fund improves enough to cover these payments.
- General government expense increased \$5 million for a one time economic development contribution to build office space in a new mall that is under construction, \$2 million to operate and shut-down the Village of Eastgate apartment complex, \$.9 million increase in housing assistance expense, and \$.5 million increase in the Neighborhood Services fund.
- Public safety expense increased \$3.5 million to provide raises for civil service employees, additional civil service employees and 911 operators. Fixed asset cost increased \$.7 million as a result of depreciation related to the new police building and related equipment. Interest cost related to the new police building increased \$.3 million. Non-departmental cost attributable to public safety increased \$.9 million.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2004

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 28,282,169	\$ 26,713,432	\$ 266,534,167	\$ 246,349,884	\$ 294,816,336	\$ 273,063,316
Operation grants and contributions	18,516,283	18,385,284	-	-	18,516,283	18,385,284
Capital grants and contributions	5,686,588	5,236,706	2,275,432	2,780,713	7,962,020	8,017,419
General Revenues:						
Property taxes	59,700,363	59,697,133	-	-	59,700,363	59,697,133
Sales taxes	18,454,380	18,181,431	-	-	18,454,380	18,181,431
Other taxes	7,761,961	8,381,297	-	-	7,761,961	8,381,297
Unrestricted interest earnings	1,677,257	2,676,584	2,322,731	3,876,683	3,999,988	6,553,267
Miscellaneous	208,727	114,718	4,630,530	3,933,341	4,839,257	4,048,059
Total Revenues	<u>140,287,728</u>	<u>139,386,585</u>	<u>275,762,860</u>	<u>256,940,621</u>	<u>416,050,588</u>	<u>396,327,206</u>
Expenses:						
General government	35,270,124	25,448,260	-	-	35,270,124	25,448,260
Public safety	69,028,367	62,999,309	-	-	69,028,367	62,999,309
Public works	32,081,450	30,529,070	-	-	32,081,450	30,529,070
Culture and recreation	18,117,717	17,091,792	-	-	18,117,717	17,091,792
Public health	2,795,918	2,525,006	-	-	2,795,918	2,525,006
Interest and fiscal charges	8,342,311	8,117,822	-	-	8,342,311	8,117,822
Tri city academy	74,091	73,957	-	-	74,091	73,957
Electric	-	-	209,650,788	190,479,543	209,650,788	190,479,543
Water	-	-	25,800,512	23,212,750	25,800,512	23,212,750
Sewer	-	-	22,865,652	21,483,043	22,865,652	21,483,043
Golf	-	-	3,607,795	3,548,906	3,607,795	3,548,906
Heliport	-	-	34,457	30,524	34,457	30,524
Storm Water Management	-	-	2,953,322	3,022,324	2,953,322	3,022,324
Parks Performance	-	-	721,368	614,297	721,368	614,297
Sanitation	-	-	13,565,161	12,717,666	13,565,161	12,717,666
Total expenses	<u>165,709,978</u>	<u>146,785,216</u>	<u>279,199,055</u>	<u>255,109,053</u>	<u>444,909,033</u>	<u>401,894,269</u>
Increase in net assets before transfers and special items	(25,422,250)	(7,398,631)	(3,436,195)	1,831,568	(28,858,445)	(5,567,063)
Transfers	7,452,522	16,077,933	(7,452,522)	(16,077,933)	-	-
Special item - apartment complex transfer	4,250,070	-	-	-	4,250,070	-
Increase (decrease) in net assets	<u>(13,719,658)</u>	<u>8,679,302</u>	<u>(10,888,717)</u>	<u>(14,246,365)</u>	<u>(24,608,375)</u>	<u>(5,567,063)</u>
Net change in accounting principle	-	5,498,067	-	-	-	5,498,067
Net assets - beginning	173,251,771	159,074,402	437,846,009	452,092,374	611,097,780	611,166,776
Net assets - ending	<u>\$ 159,532,113</u>	<u>\$ 173,251,771</u>	<u>\$ 426,957,292</u>	<u>\$ 437,846,009</u>	<u>\$ 586,489,405</u>	<u>\$ 611,097,780</u>

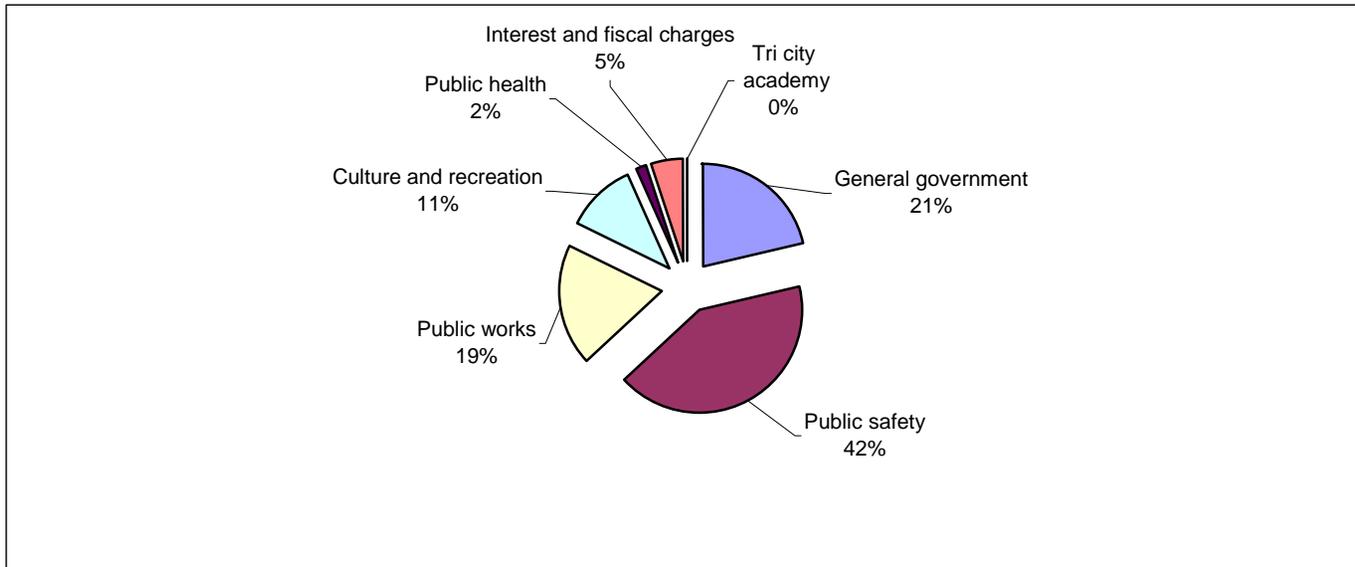
Revenues by Source – Governmental Activities



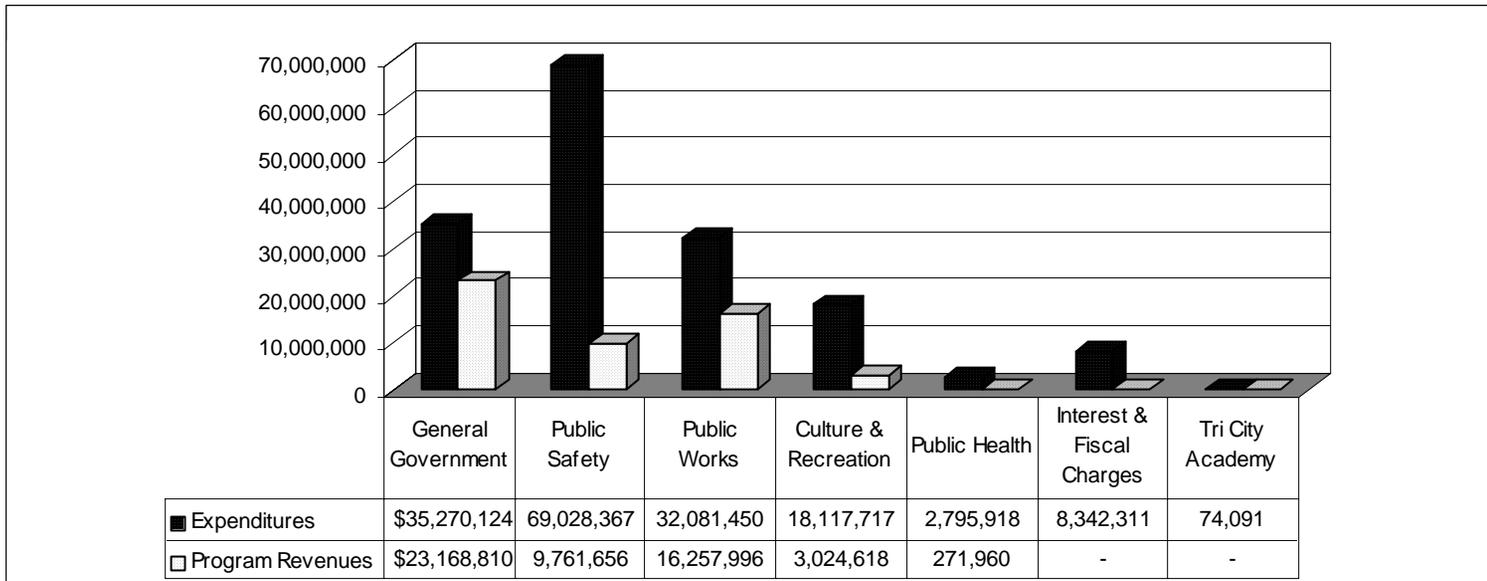
Property taxes, charges for services, sales taxes, and operating grants and contributions provide 89 percent of the revenues for the governmental activities. The chart above provides a graphic representation of the City's revenues by source.

Expenses by Source – Governmental Activities

Public safety, public works, general government and, culture and recreation provide 93 percent of the expenses for the governmental activities. The following chart provides a percentage breakdown of the expenses for governmental activities.



Expenses and Program Revenues – Governmental Activities

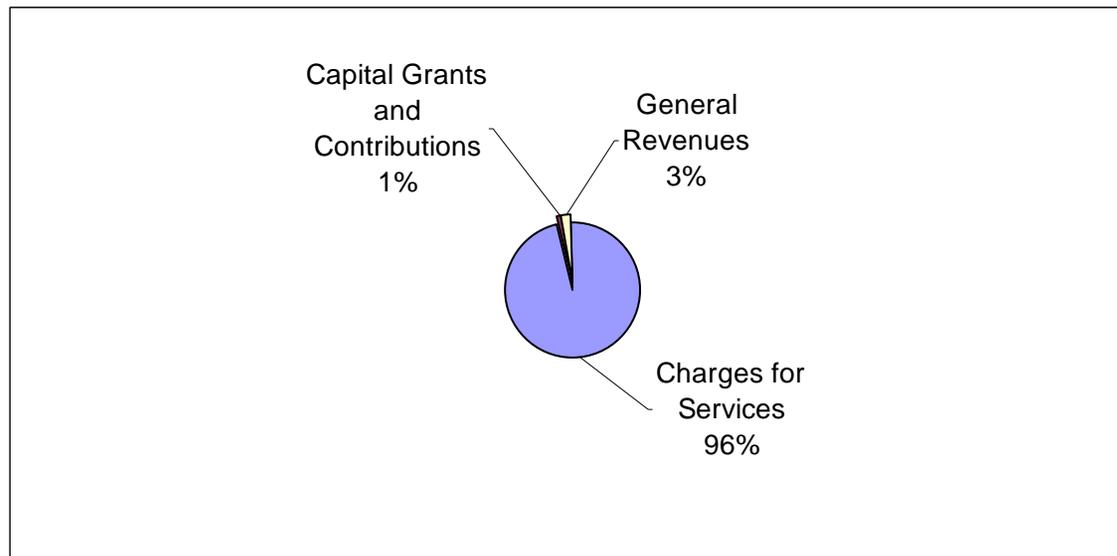


Business-type Activities

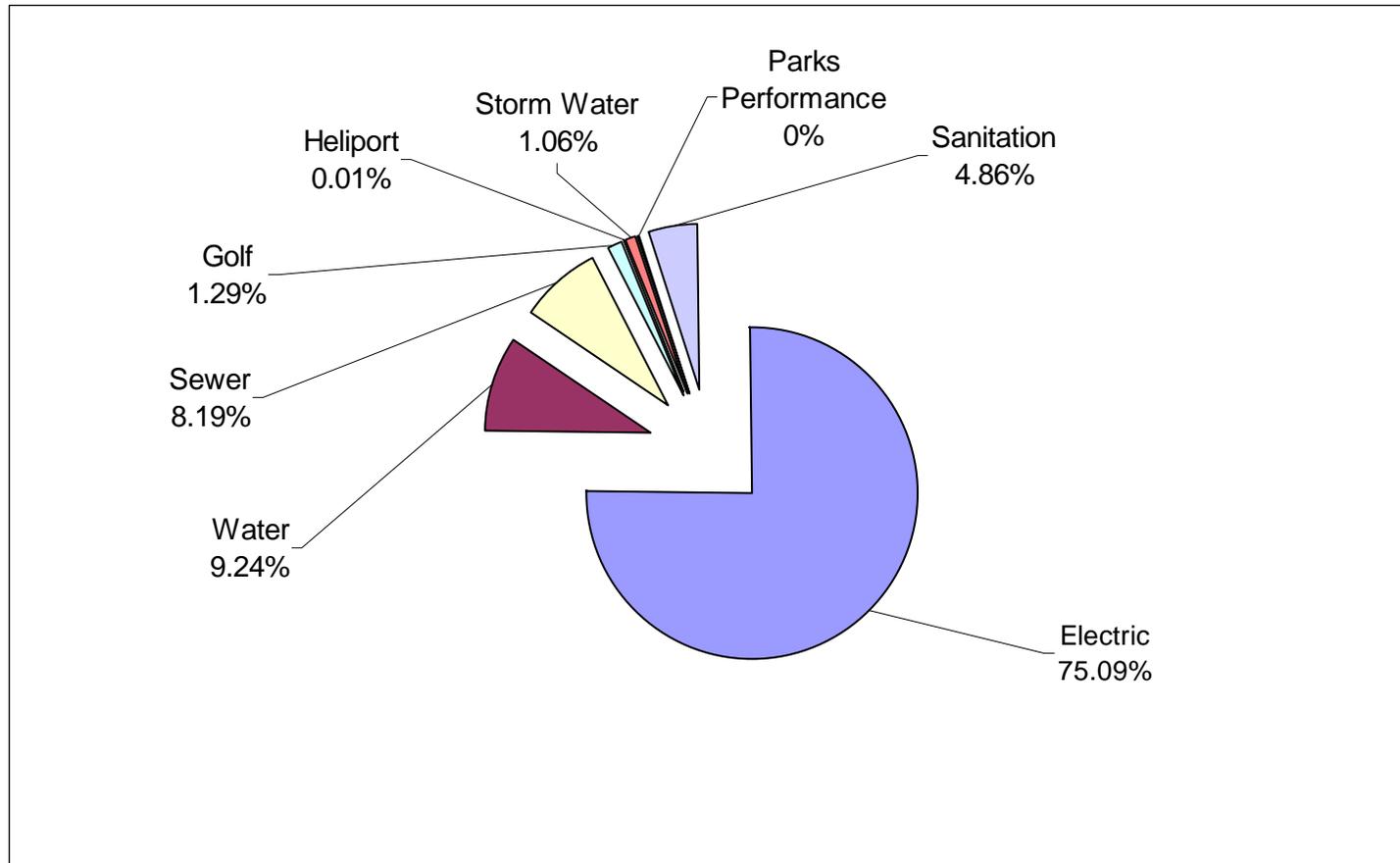
Business-type activities decreased the City's net assets by \$10,888,717. Key elements of this change are as follows:

- A net loss for the electric utility of \$18,255,737 was a result of less electric consumption due to milder than normal weather conditions during the year and continued high natural gas cost. In addition, Texas Municipal Power Agency coal fire generators were down for six weeks, which resulted in generating electricity with more expensive natural gas.
- A net loss for the water utility of \$4,065,573 was a result of less water consumption due to a wetter than normal year.
- The net income for the Golf Fund of \$12,555,638 was the result of a non-cash transaction to transfer outstanding Certificates of Obligation and General Obligation bonds to governmental activities. Principal and interest for these bonds will be paid by the Debt Service Fund until the Golf Fund can afford to make transfer to the Debt Service Fund to cover these principal and interest payments.

Revenues by Source – Business-type Activities



Expenses by Source – Business-type Activities



Capital Asset and Debt Administration

Capital Assets

At the end of the fiscal year 2004, the City had \$803,933,041 invested in a broad range of capital assets including police and fire equipment, buildings, park facilities, roads, bridges, an electric system, a water system, and a sewer system. (See Table 3 below.) This amount represents a net increase of \$60,195,178 or 8.09 percent over the prior fiscal year.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Land	\$ 54,404,014	\$ 52,159,221	\$ 12,312,724	\$ 11,889,992	\$ 66,716,738	\$ 64,049,213
Construction in Progress	41,644,666	74,474,174	64,087,041	35,574,043	105,731,707	110,048,217
Building, Improvements, equipment and systems	237,101,138	175,371,552	394,383,458	394,268,881	631,484,596	569,640,433
Total capital assets	\$ 333,149,818	\$ 302,004,947	\$ 470,783,223	\$ 441,732,916	\$ 803,933,041	\$ 743,737,863

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

<u>Description</u>	<u>Amount</u>
Police Building	\$ 28,356
Brand Road Bridge	6,007
Various Street Improvements	4,082
Miller Road - First to Country Club	3,608
Lawler Road -Plano Rd to Jupiter	3,597
Sewer Infiltration Correction	2,739
Local Flooding	2,289
Park Land Acquisition	2,029
Hinton Cell 2 Construction	1,973
Olinger Nox Reduction Equipment	1,243
Fire Trucks & equipment	1,059

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2004

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 Re-rating Improvements	31,597
Street Improvement, Apollo - Jupiter to N. Garland	4,840
Street Improvement, Saturn -Charleston to Miller	2,989
Duck Creek Interceptor line	2,644
Street Improvement, Blackburn-Telecom to Wateroak	2,395
Monica Park Subdivision Drainage	2,261
Fire Training Facility	2,257
Electric EMS Upgrade Phase I & II	1,623
Street Improve - O'Banion-Centerville to Meadow	1,595
Fire Truck Replacements	1,386
Fire Station 11	1,315

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

Debt

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

Table 4
Outstanding Debt, at Year-end

	Governmental		Business-type		Total	
	Activities		Activites			
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 98,738,385	\$ 102,993,844	\$ 15,346,615	\$ 17,916,154	\$ 114,085,000	\$ 120,909,998
Certificates of obligation	82,005,153	62,156,303	122,004,503	137,208,697	204,009,656	199,365,000
Utility system revenue bonds	-	-	118,135,000	27,490,000	118,135,000	27,490,000
Commercial Paper	25,000,000	5,000,000	-	-	25,000,000	5,000,000
Tax Notes	4,000,000	5,490,000	-	-	4,000,000	5,490,000
Total outstanding debt	<u>\$ 209,743,538</u>	<u>\$ 175,640,147</u>	<u>\$ 255,486,118</u>	<u>\$ 182,614,851</u>	<u>\$ 465,229,656</u>	<u>\$ 358,254,998</u>

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

Table 5
Current fiscal year debt issues

Issue	Principal	Net Interest Cost	Bond Ratings	
			Standard & Poor's	Fitch IBCA
Certificates of obligation, Series 2004	\$ 17,045,000	4.112%	AA	AA+
Electric Utility System Revenue Bond, Series 2004	19,060,000	4.569%	Insured	Insured
Water & Sewer System Revenue Bonds, Series 2004A	38,485,000	3.597%	Insured	Insured
Water & Sewer System Revenue Bonds, Series 2004B	33,540,000	4.637%	Insured	Insured
General obligation refunding bonds, Series 2004	1,860,000	7.977%	--	--
Tax Anticipation Note, Series 2004	4,000,000	2.920%	--	--
Commercial Paper	25,000,000	1.200%	--	--
Total debt issues	<u>\$ 138,990,000</u>			

The proceeds of the certificates of obligation will be used for constructing street improvements within the City, including associated drainage improvements; expanding, improving, and equipping the City's waste disposal system; improving and equipping the City's library facilities; acquiring, renovating, improving, and equipping municipal facilities; constructing, improving, and equipping the City's park and recreation facilities; acquiring, constructing, improving, and equipping the City's public safety facilities; improving, and equipping the City's transportation system; improving and equipping the City's communications system, including the acquisition of computer software 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 February 13, 2004, the City issued \$1,860,000 in General Obligation Refunding Bonds to advance refund \$1,695,000 of outstanding Certificates of Obligations that were issued to fund the construction of the City's golf courses. These bonds were refunded to restructure debt service payments. The City anticipates refunding this refunding issue after three years due to the net interest cost of the bonds.

The City's continued use of commercial paper and tax anticipation notes has resulted in interest savings as well as an additional funding source for street improvements projects. During the year the City's outstanding commercial paper grew to \$25 million. In addition, the City issued another \$4 million in tax anticipation notes to fund various street improvements during the 2005 fiscal year.

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

The City's Funds

At the close of the City's fiscal year, the governmental funds of the City reported a combined fund balance of \$26,497,119, a decrease of \$24,873,802 from the prior year. The majority of this decrease was a result of drawing down the available cash balance in the City's Capital Projects Fund. The City issues commercial paper as needed based on cash flow requirements without issuing additional general obligation bonds. Commercial paper provides interest expense savings as a result of postponing the issuance of general obligation bonds.

The General Fund ended the fiscal year with a fund balance of \$11,030,482, which was a decrease of \$2,749,154 from the prior year. The original and final budgets for the General Fund budget projected a decrease in fund balance of \$3,759,164 and \$3,792,850 respectively. Therefore, the General Fund ended the year with a favorable final budget variance of \$1,043,696. This favorable budget variance was a result of increased property tax revenues, increased revenues from landfill disposal fees, salary savings from vacant positions, and other operational expenditure savings across General Fund departments.

It is the City's declared policy to maintain a minimum unreserved general fund balance equivalent to 30 days of expenditures on a budget basis. These original and final budgets were 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 39 days of expenditures on a budget basis.

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

- On December 4, 2003, Garland Housing Finance Corporation (GHFC) transferred the deed and operating responsibility of the Village of Eastgate apartment complex to the City. Between December 4, 2003, and June 30, 2004, all remaining tenants of the apartment complex were relocated and the apartment complex was closed. The property transfer of \$4,099,431 less the operating loss of \$930,986 resulted in an ending fund balance of \$3,168,445. In addition, \$3,054,195 reported as due to other governments was recorded to recognize the City's liability to the Department of Housing and Urban Development for their share of the residual earnings for the apartment complex.
- The City's Sewer Fund net asset of \$118.3 million decreased by \$947,001 as a result of interest earnings decreasing from the prior year and interest expense increasing due to additional revenue bond issues.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2004, the City Council amended the budget for the General Fund on several occasions. The amendments were made up of supplemental appropriations and re-estimated allocations. These supplemental appropriations and re-estimated allocations amounted to decreasing appropriations by \$60,582. 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, 2004, the actual budget based expenditures were \$108.6 million compared to the final budget of \$109.2 million. The \$0.5 million favorable variance was due to salary savings and holding the line on operational expenditures.

For the Fiscal year ended September 30, 2004, the actual budget-based revenues were \$105.9 million compared to the final budget of \$105.4 million. The \$0.5 million favorable variance was due to increased property tax collection and landfill disposal fees.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate of 5.0% at September 30, 2004, was lower than the unemployment rate for the state (5.5%) and Dallas County (6.4%). The City's estimated population of 222,350 (as estimated at January 1, 2004, by the City's Planning department) remained virtually unchanged from the prior year.

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

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

Highlights of the 2005 fiscal year budget are outlined below:

- The total ad valorem tax rate of 64.11 cents per \$100 of property valuation, was unchanged from the 2004 fiscal year.

- The City added 14 full time positions. Of the 14 new positions, 7 were new communications positions to ensure adequate coverage and responsiveness in the City's 911 operations and 2 new positions were added in Municipal Court to strengthen revenue collections.
- The General Fund budget reflects a modest increase of \$456,000 or .05% over the prior year budget. This modest growth was accomplished by incorporating revenue enhancements along with reductions in operating and personnel expenditures.
- While the Firewheel Golf Course is the catalyst for high-end development in North Garland, the course itself has been incurring net losses over the past few years. Numerous factors have contributed to the deficit, but most notably, an increase in competition that has placed many of the area's golf courses in a similar financial situation. During the same period, annual debt service payments increased along with annual operating expenditures due to the course expansion and new clubhouse. In light of the fact that market conditions show little sign of improvement over the next few years, the adopted budget utilizes savings generated by the Commercial Paper program to fund the debt service payments for the debt issued for the golf course. Once the financial situation of the Golf Fund improves transfers from the Golf Fund to the Debt Service Fund will be initiated.

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, 2004**

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and cash equivalents	\$ 35,999,873	\$ 2,778,166	\$ 38,778,039	\$ 619,940
Investments	55,342,327	4,364,580	59,706,907	-
Assets held for resale	150,639	-	150,639	-
Receivables				
Taxes, net	1,324,542	-	1,324,542	-
Accounts, net of allowance for uncollectibles	9,587,135	37,204,861	46,791,996	34,500
Assessments	30,917	-	30,917	-
Interest	388,148	32,355	420,503	28
Other receivables	556,165	-	556,165	-
Due from other governments	2,042,020	-	2,042,020	-
Due from primary government	-	-	-	75,000
Inventories	2,729,877	2,597,832	5,327,709	-
Internal Balances	(5,398,246)	5,398,246	-	-
Prepaid and other items	947,441	-	947,441	-
Restricted Assets:				
Cash and cash equivalents	837,221	86,961,176	87,798,397	-
Investments	1,252,494	93,456,550	94,709,044	-
Accrued interest	7,956	707,856	715,812	-
Other Assets	-	-	-	297,233
Capital Assets (net of accumulated depreciation)				
Land	54,404,014	12,312,724	66,716,738	141,100
Construction in Progress	41,644,666	64,087,041	105,731,707	-
Buildings, Improvements, Equipment and System	237,101,138	394,383,458	631,484,596	-
Total assets	\$ 438,948,327	\$ 704,284,845	\$ 1,143,233,172	\$ 1,167,801

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

**City of Garland, Texas
Statement of Net Assets
September 30, 2004**

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
LIABILITIES				
Accounts payable	\$ 17,711,502	\$ 10,171,879	\$ 27,883,381	\$ 22,655
Escrow payable	142,120	-	142,120	-
Retainage payable	1,073,586	1,294,351	2,367,937	-
Accrued interest payable	1,447,528	885,192	2,332,720	-
CO bonds payable current portion	6,133,640	6,440,808	12,574,448	-
GO bonds payable current portion	6,335,412	2,074,587	8,409,999	-
Customer deposits	6,177,295	-	6,177,295	-
Tax Note Payable	4,000,000	-	4,000,000	-
Commercial Paper	25,000,000	-	25,000,000	-
Due to other governments	3,554,776	228,227	3,783,003	11
Due to affiliates	35,000	-	35,000	-
Compensated absences payable current portion	5,423,928	1,253,244	6,677,172	-
Insurance claims payable current portion	2,996,054	-	2,996,054	-
Payable from restricted assets:				
Accounts payable	-	6,731,056	6,731,056	-
Accrued interest payable	-	1,629,259	1,629,259	-
Revenue bonds payable current portion	-	2,720,001	2,720,001	-
Unearned revenue	4,242,129	-	4,242,129	-
GO bonds payable long-term portion	92,402,973	13,272,028	105,675,001	-
Revenue bonds payable long-term portion	-	115,414,999	115,414,999	-
CO's payable long-term portion	75,871,513	115,563,695	191,435,208	-
Unamortized bond discount, premium, issue and defeased debt costs	395,260	(699,965)	(304,705)	-
Landfill closure costs payable	7,122,120	-	7,122,120	-
Compensated absences payable long-term portion	10,095,971	348,192	10,444,163	-
Insurance claims payable long-term portion	9,255,407	-	9,255,407	-
Total liabilities	<u>279,416,214</u>	<u>277,327,553</u>	<u>556,743,767</u>	<u>22,666</u>
NET ASSETS:				
Invested in capital assets, net of related debt	154,170,896	317,711,532	471,882,428	141,100
Restricted for:				
Debt Service	1,314,659	-	1,314,659	-
Construction	7,098,891	-	7,098,891	-
Rate Mitigation	-	70,686,549	70,686,549	-
Unrestricted	(3,052,333)	38,559,211	35,506,878	1,004,035
Total net assets	<u>\$ 159,532,113</u>	<u>\$ 426,957,292</u>	<u>\$ 586,489,405</u>	<u>\$ 1,145,135</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, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 35,270,124	\$ 7,318,626	\$ 15,850,184	\$ -	\$ (12,101,314)	\$ -	\$ (12,101,314)	\$ -
Public safety	69,028,367	8,579,287	1,182,369	-	(59,266,711)	-	(59,266,711)	-
Public works	32,081,450	10,571,408	-	5,686,588	(15,823,454)	-	(15,823,454)	-
Culture and recreation	18,117,717	1,622,913	1,401,705	-	(15,093,099)	-	(15,093,099)	-
Public health	2,795,918	189,935	82,025	-	(2,523,958)	-	(2,523,958)	-
Interest and fiscal charges	8,342,311	-	-	-	(8,342,311)	-	(8,342,311)	-
Tri City Academy	74,091	-	-	-	(74,091)	-	(74,091)	-
Total governmental activities	<u>165,709,978</u>	<u>28,282,169</u>	<u>18,516,283</u>	<u>5,686,588</u>	<u>(113,224,938)</u>	<u>-</u>	<u>(113,224,938)</u>	<u>-</u>
Business type activities:								
Electric	209,650,788	199,926,505	-	-	-	(9,724,283)	(9,724,283)	-
Water	25,800,512	22,966,885	-	1,335,289	-	(1,498,338)	(1,498,338)	-
Sewer	22,865,652	24,328,999	-	940,143	-	2,403,490	2,403,490	-
Golf	3,607,795	2,193,048	-	-	-	(1,414,747)	(1,414,747)	-
Heliport	34,457	6,000	-	-	-	(28,457)	(28,457)	-
Storm Water Management	2,953,322	3,105,222	-	-	-	151,900	151,900	-
Parks Performance	721,368	778,364	-	-	-	56,996	56,996	-
Sanitation	13,565,161	13,229,144	-	-	-	(336,017)	(336,017)	-
Total business-type activities	<u>279,199,055</u>	<u>266,534,167</u>	<u>-</u>	<u>2,275,432</u>	<u>-</u>	<u>(10,389,456)</u>	<u>(10,389,456)</u>	<u>-</u>
Total primary government	<u>\$ 444,909,033</u>	<u>\$ 294,816,336</u>	<u>\$ 18,516,283</u>	<u>\$ 7,962,020</u>	<u>(113,224,938)</u>	<u>(10,389,456)</u>	<u>(123,614,394)</u>	<u>-</u>
Component units								
Garland Housing Finance Corp.	\$ 1,185,147	\$ 732,788	-	-	-	-	-	(452,359)
Garland Health Facilities Development Corp.	4,259	25,000	-	-	-	-	-	20,741
Garland Economic Develop. Corp.	8,225	9,500	-	-	-	-	-	1,275
General revenues:								
Sales taxes					18,454,380	-	18,454,380	-
Franchise taxes					7,146,208	-	7,146,208	-
Property taxes					59,700,363	-	59,700,363	-
Hotel/Motel taxes					415,767	-	415,767	-
Mixed drink taxes					110,443	-	110,443	-
Bingo taxes					89,543	-	89,543	-
Unrestricted investment earnings					1,677,257	2,322,731	3,999,988	38,594
Miscellaneous					208,727	4,630,530	4,839,257	471,015
Special item - apartment complex transfer					4,250,070	-	4,250,070	(15,400,335)
Transfers					7,452,522	(7,452,522)	-	-
Total general revenues, transfers, and special item					<u>99,505,280</u>	<u>(499,261)</u>	<u>99,006,019</u>	<u>(14,890,726)</u>
Net change in net assets					<u>(13,719,658)</u>	<u>(10,888,717)</u>	<u>(24,608,375)</u>	<u>(15,321,069)</u>
Net assets-beginning					<u>173,251,771</u>	<u>437,846,009</u>	<u>611,097,780</u>	<u>16,466,204</u>
Net assets-ending					<u>\$ 159,532,113</u>	<u>\$ 426,957,292</u>	<u>\$ 586,489,405</u>	<u>\$ 1,145,135</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, 2004**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,426,884	\$ 1,129,856	\$ 14,589,846	\$ 10,056,152	\$ 29,202,738
Investments	8,543,005	-	21,881,796	8,110,459	38,535,260
Receivables:					
Accounts, net	9,587,135	-	-	-	9,587,135
Taxes, net	772,701	551,841	-	-	1,324,542
Accrued interest	127,188	506	129,669	45,184	302,547
Assessments	-	-	-	30,917	30,917
Other	-	142,181	-	115,805	257,986
Due from other funds	4,556,498	-	-	15,456	4,571,954
Due from other governments	132,545	-	-	1,909,475	2,042,020
Prepaid items	-	-	-	947,441	947,441
Total Current Assets	<u>27,145,956</u>	<u>1,824,384</u>	<u>36,601,311</u>	<u>21,230,889</u>	<u>86,802,540</u>
Restricted assets:					
Cash and cash equivalents	-	-	-	333,055	333,055
Total Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>333,055</u>	<u>333,055</u>
Total Assets	<u>\$ 27,145,956</u>	<u>\$ 1,824,384</u>	<u>\$ 36,601,311</u>	<u>\$ 21,563,944</u>	<u>\$ 87,135,595</u>
LIABILITIES					
Accounts payable	\$ 9,038,872	\$ -	\$ 4,311,921	\$ 1,461,330	\$ 14,812,123
Escrow payable	-	-	-	142,120	142,120
Due to other funds	-	-	664,621	1,568,983	2,233,604
Deferred revenues	7,076,602	509,725	837,485	1,424,129	9,847,941
Due to other governments	-	-	165,782	3,387,353	3,553,135
Due to affiliates	-	-	-	35,000	35,000
Retainage payable	-	-	1,014,553	-	1,014,553
Tax Note Payable	-	-	4,000,000	-	4,000,000
Commercial Paper	-	-	25,000,000	-	25,000,000
Total Liabilities	<u>16,115,474</u>	<u>509,725</u>	<u>35,994,362</u>	<u>8,018,915</u>	<u>60,638,476</u>
FUND BALANCES:					
Fund balances:					
Reserved for:					
Debt service	-	1,314,659	-	-	1,314,659
Construction - Impact Fees	-	-	-	6,491,942	6,491,942
Construction	-	-	606,949	-	606,949
Unreserved, reported in:					
General Fund	11,030,482	-	-	-	11,030,482
Special Revenue Funds	-	-	-	7,053,087	7,053,087
Total Fund Balances	<u>11,030,482</u>	<u>1,314,659</u>	<u>606,949</u>	<u>13,545,029</u>	<u>26,497,119</u>
Total Liabilities and Fund Balances	<u>\$ 27,145,956</u>	<u>\$ 1,824,384</u>	<u>\$ 36,601,311</u>	<u>\$ 21,563,944</u>	<u>\$ 87,135,595</u>

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

**City of Garland, Texas
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
September 30, 2004**

Total fund balances - governmental funds	\$ 26,497,119
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.	333,149,818
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	5,605,812
Bond interest is not payable within 60 days and is therefore not accrued at the fund level.	(1,406,490)
Asset held for resale - anticipated sale of asset did not occur in the current period and therefore not reported at the fund level.	150,639
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	(177,833,481)
Landfill closure costs	(7,122,120)
Compensated absences	(14,871,720)
Unamortized bond issue costs	(60,120)
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.	(4,577,344)
Total net assets - governmental activities	\$ 159,532,113

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, 2004

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 53,424,386	\$ 24,831,744	\$ -	\$ 415,767	\$ 78,671,897
Franchise fees	7,146,208	-	-	-	7,146,208
Service charges	14,026,350	-	-	-	14,026,350
Licenses and permits	2,151,482	-	-	-	2,151,482
Earnings on investments	555,026	52,302	478,612	257,718	1,343,658
Intergovernmental	329,748	-	-	16,468,148	16,797,896
Intragovernmental	6,065,514	-	-	-	6,065,514
Fines and forfeits	5,194,326	-	-	-	5,194,326
Rents and concessions	647,919	-	-	986,443	1,634,362
Assessments	-	-	29,694	92,906	122,600
Impact Fees	-	-	-	589,283	589,283
Contributions	-	-	190,693	3,336	194,029
Program income	-	-	-	232,812	232,812
Special event income	-	-	-	488,207	488,207
Miscellaneous and other	-	216,788	381,217	1,850,419	2,448,424
Awards	-	-	-	197,821	197,821
Total revenues	<u>89,540,959</u>	<u>25,100,834</u>	<u>1,080,216</u>	<u>21,582,860</u>	<u>137,304,869</u>
EXPENDITURES					
Current:					
General government	8,547,721	-	5,000,000	-	13,547,721
Public safety	59,878,602	-	-	-	59,878,602
Public works	7,306,230	-	-	-	7,306,230
Culture and recreation	11,306,781	-	-	-	11,306,781
Public health	2,429,705	-	-	-	2,429,705
Nondepartmental	13,949,955	-	-	-	13,949,955
Operations	-	-	-	26,923,692	26,923,692
Capital outlay	-	-	39,593,282	2,000,762	41,594,044
Debt service:					
Principal	-	10,622,833	-	-	10,622,833
Interest	-	7,795,875	-	-	7,795,875
Tri City Academy	-	74,091	-	-	74,091
Other and fiscal expenditures	-	515,609	-	-	515,609
	<u>103,418,994</u>	<u>19,008,408</u>	<u>44,593,282</u>	<u>28,924,454</u>	<u>195,945,138</u>
Excess (deficiency) of revenues over (under) expenditures	(13,878,035)	6,092,426	(43,513,066)	(7,341,594)	(58,640,269)
OTHER FINANCING SOURCES (USES)					
Transfers in	16,356,711	-	9,863,883	5,506,389	31,726,983
Transfers out	(5,227,830)	(5,490,000)	-	(3,400,846)	(14,118,676)
Issuance of debt	-	-	11,548,576	510,153	12,058,729
Total other financing sources (uses)	<u>11,128,881</u>	<u>(5,490,000)</u>	<u>21,412,459</u>	<u>2,615,696</u>	<u>29,667,036</u>
Special item					
Apartment complex transfer	-	-	-	4,099,431	4,099,431
Net change in fund balance	(2,749,154)	602,426	(22,100,607)	(626,467)	(24,873,802)
Fund balances - beginning	13,779,636	712,233	22,707,556	14,171,496	51,370,921
Fund balances - ending	<u>\$ 11,030,482</u>	<u>\$ 1,314,659</u>	<u>\$ 606,949</u>	<u>\$ 13,545,029</u>	<u>\$ 26,497,119</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, 2004**

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

Net change in fund balances - total governmental funds	\$ (24,873,802)
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.	25,136,275
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(724,190)
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.	(17,797,652)
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.	(253,018)
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>4,792,729</u>
Change in net assets of governmental activities	<u><u>\$ (13,719,658)</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, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 52,250,808	\$ 52,782,918	\$ 53,424,386	\$ 641,468
Franchise fees	7,917,619	6,922,270	7,146,208	223,938
Service charges	14,165,429	13,992,044	14,026,350	34,306
Licenses and permits	2,061,013	2,154,148	2,151,482	(2,666)
Earnings on investments	815,000	683,800	555,026	(128,774)
Intergovernmental	453,106	280,825	329,748	48,923
Intragovernmental	6,062,716	6,067,849	6,065,514	(2,335)
Fines and forfeits	4,106,527	5,018,758	5,194,326	175,568
Rents and concessions	571,215	649,319	647,919	(1,400)
Total revenues	<u>88,403,433</u>	<u>88,551,931</u>	<u>89,540,959</u>	<u>989,028</u>
Expenditures:				
Current:				
General government	8,320,770	8,978,319	8,547,721	430,598
Public safety	58,447,145	60,715,295	59,878,602	836,693
Public works	7,137,738	7,517,822	7,306,230	211,592
Culture and recreation	11,358,311	11,681,429	11,306,781	374,648
Public health	2,223,560	2,455,494	2,429,705	25,789
Nondepartmental	16,024,075	12,643,980	13,949,955	(1,305,975)
Total expenditures	<u>103,511,599</u>	<u>103,992,339</u>	<u>103,418,994</u>	<u>573,345</u>
Excess of revenues over expenditures	<u>(15,108,166)</u>	<u>(15,440,408)</u>	<u>(13,878,035)</u>	<u>1,562,373</u>
Other financing sources (uses):				
Transfer in	17,108,569	16,865,803	16,356,711	(509,092)
Transfers out	<u>(5,759,567)</u>	<u>(5,218,245)</u>	<u>(5,227,830)</u>	<u>(9,585)</u>
Total other financing sources (uses)	<u>11,349,002</u>	<u>11,647,558</u>	<u>11,128,881</u>	<u>(518,677)</u>
Net Change in fund balances.	(3,759,164)	(3,792,850)	(2,749,154)	1,043,696
Fund balance, beginning of year	13,779,636	13,779,636	13,779,636	-
Fund balance, end of year	<u>\$ 10,020,472</u>	<u>\$ 9,986,786</u>	<u>\$ 11,030,482</u>	<u>\$ 1,043,696</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, 2004

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,020,575	\$ 700	\$ 1,316,609	\$ 440,282	\$ 2,778,166	\$ 6,797,135
Investments	1,543	-	3,269,989	1,093,048	4,364,580	16,807,067
Receivable net of allowance	30,134,566	2,704,752	2,654,699	1,710,844	37,204,861	298,179
Accrued interest	1,393	-	19,582	11,380	32,355	85,601
Due from other funds	175,000	100,000	-	-	275,000	543,013
Inventories	2,597,832	-	-	-	2,597,832	2,729,877
Total unrestricted current assets	<u>33,930,909</u>	<u>2,805,452</u>	<u>7,260,879</u>	<u>3,255,554</u>	<u>47,252,794</u>	<u>27,260,872</u>
<i>Restricted assets</i>						
Rate mitigation:						
Cash and cash equivalents	28,532,181	-	-	-	28,532,181	-
Investments	41,722,531	-	-	-	41,722,531	-
Accrued interest	431,837	-	-	-	431,837	-
Total rate mitigation	<u>70,686,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,686,549</u>	<u>-</u>
Construction funds:						
Cash and cash equivalents	7,900,894	2,164,147	48,212,670	151,284	58,428,995	504,166
Investments	19,628,242	5,376,402	26,353,540	375,835	51,734,019	1,252,494
Accrued interest	104,303	28,657	140,789	2,270	276,019	7,956
Total revenue bond construction funds	<u>27,633,439</u>	<u>7,569,206</u>	<u>74,706,999</u>	<u>529,389</u>	<u>110,439,033</u>	<u>1,764,616</u>
Total current assets	<u>132,250,897</u>	<u>10,374,658</u>	<u>81,967,878</u>	<u>3,784,943</u>	<u>228,378,376</u>	<u>29,025,488</u>
Noncurrent Assets:						
Capital Assets:						
Land	575,896	238,471	311,813	11,186,544	12,312,724	-
Buildings, improvements, equipment and systems	351,944,788	138,075,447	234,991,765	26,611,210	751,623,210	42,364,266
Construction in progress	19,786,103	2,143,174	41,919,229	238,535	64,087,041	6,249,224
Less accumulated depreciation	<u>(176,113,519)</u>	<u>(59,653,951)</u>	<u>(109,768,932)</u>	<u>(11,703,350)</u>	<u>(357,239,752)</u>	<u>(30,212,969)</u>
Net capital assets	196,193,268	80,803,141	167,453,875	26,332,939	470,783,223	18,400,521
Advance to other funds	2,254,799	-	-	-	2,254,799	-
Total noncurrent assets	<u>198,448,067</u>	<u>80,803,141</u>	<u>167,453,875</u>	<u>26,332,939</u>	<u>473,038,022</u>	<u>18,400,521</u>
TOTAL ASSETS	<u>\$ 330,698,964</u>	<u>\$ 91,177,799</u>	<u>\$ 249,421,753</u>	<u>\$ 30,117,882</u>	<u>\$ 701,416,398</u>	<u>\$ 47,426,009</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, 2004**

	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	\$ 7,796,417	\$ 1,239,259	\$ 565,900	\$ 570,303	\$ 10,171,879	\$ 2,899,379
Retainage	801	-	-	-	801	59,033
Due to other funds	-	526,049	-	1,281,884	1,807,933	1,348,429
Insurance claims payable	-	-	-	-	-	2,996,054
Accrued interest payable:						
General obligation bonds	138	25,533	69,752	-	95,423	-
Certificates of obligation	500,365	64,940	209,704	14,760	789,769	41,038
Customer deposits	-	-	-	-	-	6,177,295
General obligation bonds	1,159	179,896	1,893,532	-	2,074,587	-
Certificates of obligation	3,495,645	795,846	1,732,909	416,408	6,440,808	540,331
Due to other governments	-	-	-	-	-	1,641
Compensated absences	559,380	124,731	237,069	332,064	1,253,244	516,960
Total payable from current assets	<u>12,353,905</u>	<u>2,956,254</u>	<u>4,708,866</u>	<u>2,615,419</u>	<u>22,634,444</u>	<u>14,580,160</u>
<i>Payable from restricted assets</i>						
Accounts payable	436,020	267,028	5,789,517	238,491	6,731,056	-
Retainage payable	20,316	9,686	1,263,548	-	1,293,550	-
Due to other governments	172,432	4,874	26,698	24,223	228,227	-
Accrued interest payable-revenue bonds	412,881	123,155	1,093,223	-	1,629,259	-
Revenue bonds payable	1,015,000	275,947	1,429,054	-	2,720,001	-
Total payable from restricted assets	<u>2,056,649</u>	<u>680,690</u>	<u>9,602,040</u>	<u>262,714</u>	<u>12,602,093</u>	<u>-</u>
Total current liabilities	14,410,554	3,636,944	14,310,906	2,878,133	35,236,537	14,580,160
Long-term Liabilities:						
Advances from other funds	-	-	-	110,000	110,000	2,144,799
Revenue bonds payable	31,835,000	6,915,653	76,664,346	-	115,414,999	-
Certificates of obligation	73,142,435	9,633,278	31,573,586	1,214,396	115,563,695	2,369,726
General obligation bonds	22,119	4,107,267	9,142,642	-	13,272,028	-
Unamortized bond discount, premium, issue and deceased debt cost	(86,756)	7,423	(622,865)	2,233	(699,965)	335,140
Insurance claims payable	-	-	-	-	-	9,255,407
Compensated absences	302,776	25,521	19,796	99	348,192	131,219
Total other liabilities	<u>105,215,574</u>	<u>20,689,142</u>	<u>116,777,505</u>	<u>1,326,728</u>	<u>244,008,949</u>	<u>14,236,291</u>
Total Liabilities	<u>119,626,128</u>	<u>24,326,086</u>	<u>131,088,411</u>	<u>4,204,861</u>	<u>279,245,486</u>	<u>28,816,451</u>
NET ASSETS						
Invested in capital assets, net of related debt	113,859,013	66,187,746	112,671,740	24,993,033	317,711,532	17,255,080
Restricted for:						
Rate Mitigation	70,686,549	-	-	-	70,686,549	-
Unrestricted	26,527,274	663,967	5,661,602	919,988	33,772,831	1,354,478
Total net assets	<u>\$ 211,072,836</u>	<u>\$ 66,851,713</u>	<u>\$ 118,333,342</u>	<u>\$ 25,913,021</u>	<u>\$ 422,170,912</u>	<u>\$ 18,609,558</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.					<u>4,786,380</u>	
Net assets of business type activities					<u>\$ 426,957,292</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, 2004

	Business-type Activities				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 199,926,505	\$ 22,966,885	\$ 24,328,999	\$ 19,311,778	\$ 266,534,167	\$ 40,694,809
Premiums	-	-	-	-	-	22,041,822
Other	4,344,002	130,872	74,460	81,196	4,630,530	1,580,049
Total Operating Revenues	<u>204,270,507</u>	<u>23,097,757</u>	<u>24,403,459</u>	<u>19,392,974</u>	<u>271,164,697</u>	<u>64,316,680</u>
OPERATING EXPENSES						
Salaries and benefits	18,644,212	2,402,251	4,974,038	7,361,144	33,381,645	13,352,788
Demand charges	57,255,988	-	-	-	57,255,988	-
Fuel purchases	86,646,974	-	-	-	86,646,974	-
Water purchases	-	12,357,732	-	-	12,357,732	-
Landfill fees	-	-	-	3,418,364	3,418,364	-
Maintenance, repairs, and supplies	15,246,940	2,749,687	4,767,027	6,875,257	29,638,911	20,296,518
Telecommunication services	391,054	88,378	72,188	-	551,620	-
Customer services	6,962,902	1,781,654	839,879	-	9,584,435	-
Warehouse operations	618,236	58,352	52,129	-	728,717	-
Data processing	673,354	544,159	595,868	-	1,813,381	-
Facilities management	196,754	289,307	352,606	-	838,667	-
Bad debt expense	1,659,701	212,480	168,981	418,129	2,459,291	413,073
Insurance and other expenses	3,127,617	329,519	250,622	248,811	3,956,569	24,095,278
General and administrative	2,237,209	644,250	708,965	816,045	4,406,469	1,203,142
Capitalized general and administrative	(316,783)	(48,925)	(130,262)	-	(495,970)	-
Total Operating expenses before depreciation	<u>193,344,158</u>	<u>21,408,844</u>	<u>12,652,041</u>	<u>19,137,750</u>	<u>246,542,793</u>	<u>59,360,799</u>
Depreciation	11,602,855	3,504,129	6,930,826	1,275,034	23,312,844	4,842,974
Total Operating Expenses	<u>204,947,013</u>	<u>24,912,973</u>	<u>19,582,867</u>	<u>20,412,784</u>	<u>269,855,637</u>	<u>64,203,773</u>
Total Operating Income (Loss)	<u>\$ (676,506)</u>	<u>\$ (1,815,216)</u>	<u>\$ 4,820,592</u>	<u>\$ (1,019,810)</u>	<u>\$ 1,309,060</u>	<u>\$ 112,907</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, 2004

	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	\$ 1,238,810	\$ (44,796)	\$ 75,457	\$ 34,635	\$ 1,304,106	\$ 286,703
Construction fund	<u>294,710</u>	<u>131,543</u>	<u>584,172</u>	<u>8,200</u>	<u>1,018,625</u>	<u>46,896</u>
Total earnings on investments	<u>1,533,520</u>	<u>86,747</u>	<u>659,629</u>	<u>42,835</u>	<u>2,322,731</u>	<u>333,599</u>
Interest expense:						
Revenue bonds	(856,598)	(169,038)	(1,389,358)	-	(2,414,994)	-
Certificates of obligation	(4,065,735)	(544,928)	(1,719,887)	(430,245)	(6,760,795)	(138,727)
General obligation bonds	(3,769)	(229,546)	(772,016)	(33,670)	(1,039,001)	-
Less capitalized interest	<u>276,580</u>	<u>62,650</u>	<u>604,393</u>	<u>-</u>	<u>943,623</u>	<u>-</u>
Total interest expense	<u>(4,649,522)</u>	<u>(880,862)</u>	<u>(3,276,868)</u>	<u>(463,915)</u>	<u>(9,271,167)</u>	<u>(138,727)</u>
Income (loss) before transfers and contributions	<u>(3,792,508)</u>	<u>(2,609,331)</u>	<u>2,203,353</u>	<u>(1,440,890)</u>	<u>(5,639,376)</u>	<u>307,779</u>
TRANSFERS						
Transfers in	14,103	-	-	13,976,984	13,991,087	4,678,076
Transfers out	<u>(14,477,332)</u>	<u>(2,791,531)</u>	<u>(4,090,497)</u>	<u>(84,249)</u>	<u>(21,443,609)</u>	<u>(265,377)</u>
Net transfers	<u>(14,463,229)</u>	<u>(2,791,531)</u>	<u>(4,090,497)</u>	<u>13,892,735</u>	<u>(7,452,522)</u>	<u>4,412,699</u>
Capital contributions	-	1,335,289	940,143	-	2,275,432	-
NET INCOME (LOSS)	(18,255,737)	(4,065,573)	(947,001)	12,451,845	(10,816,466)	4,720,478
Net assets, beginning of year	<u>229,328,574</u>	<u>70,917,286</u>	<u>119,280,343</u>	<u>13,461,176</u>	<u>432,987,379</u>	<u>13,889,080</u>
Net assets, end of year	<u>\$ 211,072,837</u>	<u>\$ 66,851,713</u>	<u>\$ 118,333,342</u>	<u>\$ 25,913,021</u>	<u>\$ 422,170,913</u>	<u>\$ 18,609,558</u>

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

(72,251)

Change in net assets of business-type activities

\$ (10,888,717)

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, 2004

	Business-type Activities				Governmental	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	\$ 196,124,302	\$ 23,700,200	\$ 24,070,687	\$ 19,572,693	\$ 263,467,882	\$ 64,376,985
Cash received for customer deposit	-	-	-	-	-	261,105
Cash paid to suppliers	(184,376,689)	(18,946,179)	(7,632,667)	(12,004,599)	(222,960,134)	(43,435,712)
Cash paid to employees for services	(18,403,752)	(2,375,112)	(4,963,634)	(7,176,444)	(32,918,942)	(13,294,285)
Other operating revenues	4,399,622	61,873	68,610	64,808	4,594,913	-
Net cash provided by (used for) operations	<u>(2,256,517)</u>	<u>2,440,782</u>	<u>11,542,996</u>	<u>456,458</u>	<u>12,183,719</u>	<u>7,908,093</u>
Cash flows from noncapital financing activities:						
Retainage - increase	-	-	-	-	-	59,033
Due to other funds (increases)	7,796,347	206,292	(121,262)	(2,824,760)	5,056,617	(654,050)
Due from other funds (increases)	(53,220)	-	16,960	-	(36,260)	136,923
Advance to other funds increase (decreases)	442,639	-	-	-	442,639	(442,639)
Due to other governments (decreases)	-	-	-	(16,595)	(16,595)	(174,516)
Intergovernmental	-	34,498	-	-	34,498	-
Transfers in	14,103	-	-	3,783,320	3,797,423	303,256
Transfers out	(14,477,332)	(2,791,531)	(4,090,497)	(84,249)	(21,443,609)	(265,377)
Net cash provided by (used for) noncapital financing activities	<u>(6,277,463)</u>	<u>(2,550,741)</u>	<u>(4,194,799)</u>	<u>857,716</u>	<u>(12,165,287)</u>	<u>(1,037,370)</u>
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	585,000	585,000	4,625,007
Revenue bonds	19,060,000	5,190,000	66,835,000	-	91,085,000	-
General obligation bonds	-	-	-	1,860,000	1,860,000	-
Acquisition and construction of capital assets	(17,443,455)	(3,333,516)	(24,333,555)	(1,436,538)	(46,547,064)	(10,870,659)
Principal paid on:						
Revenue bonds	(20,000)	(63,399)	(356,600)	-	(439,999)	-
Certificates of obligation	(3,366,226)	(758,036)	(1,812,491)	(350,053)	(6,286,806)	(594,530)
General obligation bonds	(1,193)	(185,187)	(1,674,193)	(27,830)	(1,888,403)	-
Payment to escrow agent	-	-	-	(1,692,772)	(1,692,772)	-
Interest paid on:						
Revenue bonds	(639,889)	(63,681)	(396,246)	-	(1,099,816)	-
Certificates of obligation	(3,809,733)	(486,966)	(784,202)	(470,968)	(5,551,869)	(116,872)
General obligation bonds	(3,776)	(34,022)	(1,150,668)	(37,055)	(1,225,521)	-
Bond issue expense	-	-	-	(157,084)	(157,084)	335,140
Contributions	-	78,667	22,859	-	101,526	-
Proceeds from sales of assets	138	69,000	5,850	7,950	82,938	204,015
Net cash provided by (used for) capital and related financing activities	<u>(6,224,134)</u>	<u>412,860</u>	<u>36,355,754</u>	<u>(1,719,350)</u>	<u>28,825,130</u>	<u>(6,417,899)</u>

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, 2004**

	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	(28,446,028)	(8,074,426)	(43,441,457)	(1,854,176)	(81,816,087)	(22,758,264)
Proceeds from sale and maturities of investment securities	42,564,419	6,551,945	32,566,380	1,693,615	83,376,359	17,927,582
Interest received on investments	1,738,074	82,489	640,278	36,223	2,497,064	343,030
Net cash provided by (used for) investing activities	<u>15,856,465</u>	<u>(1,439,992)</u>	<u>(10,234,799)</u>	<u>(124,338)</u>	<u>4,057,336</u>	<u>(4,487,652)</u>
Net increase (decrease) in cash and cash equivalents	1,098,351	(1,137,091)	33,469,152	(529,514)	32,900,898	(4,034,828)
Cash and cash equivalents at beginning of the year	36,355,299	3,301,938	16,060,127	1,121,080	56,838,444	11,336,129
Cash and cash equivalents at end of the year	<u>\$ 37,453,650</u>	<u>\$ 2,164,847</u>	<u>\$ 49,529,279</u>	<u>\$ 591,566</u>	<u>\$ 89,739,342</u>	<u>\$ 7,301,301</u>
 Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities						
Operating income (loss)	\$ (676,506)	\$ (1,815,216)	\$ 4,820,592	\$ (1,019,810)	\$ 1,309,060	\$ 112,907
Adjustments:						
Depreciation expense	11,602,855	3,504,129	6,930,826	1,275,034	23,312,844	4,842,974
(Gain) loss on sale of assets	55,619	(69,000)	(5,850)	8,613	(10,618)	(184,926)
Provision for uncollectible accounts	184,145	17,509	10,237	59,331	271,222	47,124
Change in assets and liabilities						
(increase) decrease in accounts receivable	(3,802,204)	733,315	(258,312)	176,584	(3,150,617)	116,884
(increase) decrease in inventory	(251,062)	-	-	-	(251,062)	558,618
increase (decrease) in accounts payable	(9,489,759)	56,227	39,585	(76,191)	(9,470,138)	168,063
increase (decrease) in compensated absences	120,395	13,818	5,918	32,897	173,028	58,503
increase in customer deposits	-	-	-	-	-	261,105
increase in insurance claims payable	-	-	-	-	-	1,926,841
Total adjustments	<u>(1,580,011)</u>	<u>4,255,998</u>	<u>6,722,404</u>	<u>1,476,268</u>	<u>10,874,659</u>	<u>7,795,186</u>
Net cash provided by (used for) operating activities	<u>\$ (2,256,517)</u>	<u>\$ 2,440,782</u>	<u>\$ 11,542,996</u>	<u>\$ 456,458</u>	<u>\$ 12,183,719</u>	<u>\$ 7,908,093</u>
Noncash investing, capital and financing activities:						
Contributions from developers	-	1,329,539	940,143	-	2,269,682	-
Capitalized general & administrative expense	316,783	48,925	130,262	-	495,970	-
Insurance claims payable - increase (decrease)	-	-	-	-	-	1,926,841
Noncash transactions:						
Transfer in	-	-	-	10,193,665	10,193,665	4,374,820
Certificate of obligation bonds transferred to tax supported debt	-	-	-	(7,947,912)	(7,947,912)	(4,374,820)
General obligation bonds transferred to tax supported debt	-	-	-	(2,402,837)	(2,402,837)	-
Unamortized premium of bonds transferred to tax supported debt	-	-	-	157,084	157,084	-

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

GARLAND