

City of Garland, Texas

# Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2005



Prepared by

Department of Finance and the Accounting Office

# On the Cover

Star Spangled Fourth, the City of Garland's premier Fourth of July festival in 2005, featured nationally renowned country, jazz and classic rock artists, a spectacular carnival, artisans and crafters, fabulous food, Kids Corner, and much, much more. The event continues to receive international accolades and recognition, and seeks to provide a unique family friendly Independence Day celebration. More than 150,000 people attend Star Spangled Fourth annually where Texas pride and hometown spirit continue a proud tradition.

**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**

**Table of Contents**

<b>I. Introductory Section - Unaudited</b>	
Letter of Transmittal.....	v
Certificate of Achievement.....	xii
Organizational Chart.....	xiii
<b>II. Financial Section</b>	
Independent Auditors' Report.....	1
<b>A. Management Discussion and Analysis - Unaudited</b> .....	3
<b>B. Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets .....	22
Statement of Activities .....	25
<b>Fund Financial Statements</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet .....	26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	27
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	31
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Assets.....	32
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	34
Statement of Cash Flows .....	36
<b>Notes to the Financial Statements</b> .....	39
<b>Independent Auditor's Report on internal control over financial reporting and compliance and     other matters based on an audit of financial statements performed in accordance with     government auditing standards</b> .....	71

### C. Combining Financial Statements

#### Nonmajor Governmental Funds

Balance Sheet .....	74
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	75
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund .....	76
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Hotel/Motel and Infrastructure Repair Funds .....	77

#### Nonmajor Enterprise Funds

Statement of Net Assets .....	78
Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	80
Statement of Cash Flows .....	82

#### Internal Service Funds

Statement of Net Assets .....	84
Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	85
Statement of Cash Flows .....	87

#### Component Units

Statement of Net Assets .....	88
Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	89
Statement of Cash Flows .....	90

### III. Statistical Section - Unaudited

General Governmental Expenditures by Function .....	91
General Revenues by Source .....	92
Property Tax Levies and Collections .....	93
Assessed and Estimated Actual Value of Taxable Property .....	94
Assessed Values, Levies and Tax Distribution .....	95
Property Tax Rates and Percent of Assessed Valuations of Direct and Overlapping Debt .....	96
Ratio of Net General Obligation Debt to Assessed Valuation and Net General Obligation Debt per Capita .....	97
Principal Taxpayers .....	98
Delinquent Taxes Receivable – by Fund .....	99
Computation of Legal Debt Margin .....	100
Computation of Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes .....	101
Ratio of General Obligation Debt Service to Total General Governmental Expenditures .....	102
Schedule of Revenue Bond Coverage .....	103
Construction and Bank Deposits .....	104
Demographic Statistics .....	105
Miscellaneous Statistical Data .....	106
Schedule of Insurance in Force .....	107

**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 20<sup>th</sup>.

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.

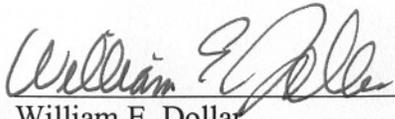
A Certificate of Achievement is valid for a period of one year only. The City of Garland has received a Certificate of Achievement for the last twenty-five consecutive years. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we will submit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

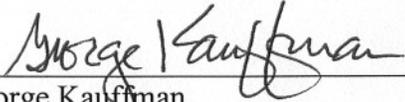
In closing, we also want to thank the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Sincerely,



---

William E. Dollar  
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, 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*

GP&L  
Jim Harder

Police  
Mitch Bates

Budget  
Bryan Bradford

Human Resources  
Priscilla Wilson

Transportation  
Robert Wunderlich

Planning  
Neil Montgomery

Water  
Jack May

Park & Recreation  
Jim Stone

Customer Service

Fire  
Danny Grammer

Purchasing  
Warehouse

Risk Management  
Fleet Services

Engineering  
Street Services

Building Inspection  
Comm. & Neigh. Dev.

Wastewater  
Facilities Mgmt.

Granville Arts Center  
Library

Environmental Svcs.  
John Teel

Finance  
George Kauffman

Firewheel

Fair Housing

Stormwater

Grants Administration

Information Tech.  
Marsha Meeks

Community Relations  
Office of Senior Affairs

Code Compliance

Health

Animal Control

Tax  
Municipal Court  
SafeLight Garland

MIS

GIS/Software Development

Communications

Env. Waste Svcs.  
Lonnie Banks

EWS - Service Delivery

EWS - Landfill

**GARLAND**

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
City of Garland, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Garland, Texas (the "City") as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Garland's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Garland as of September 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison statements for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis as described in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of

the City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

February 24, 2006

**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.

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

**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	(5,114,118)	(3,052,333)	35,223,599	38,559,211	30,109,481	35,506,878
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:

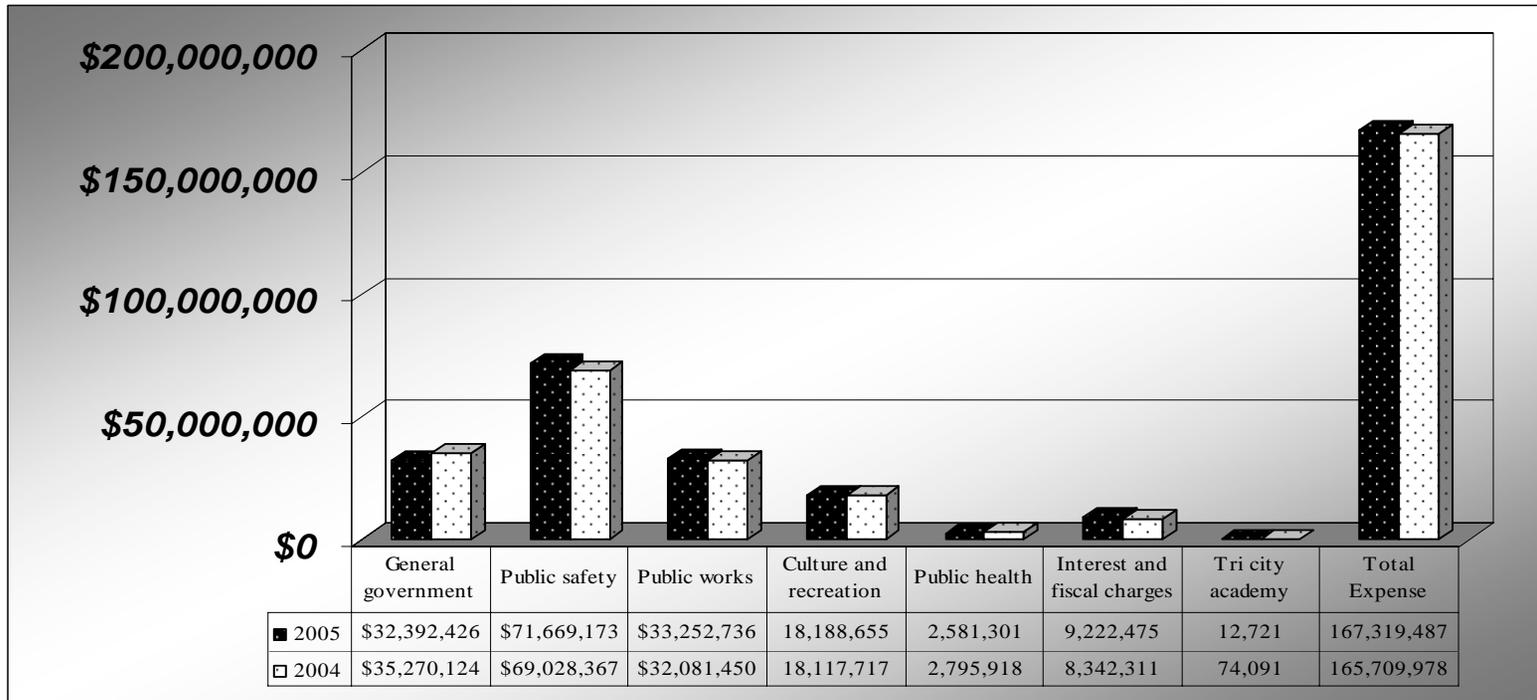
- One time FEMA salary expense reimbursement for 18 firefighters that provided hurricane Katrina assistance.
- Rental assistance revenue increased as a result of higher rent expense for the HUD funded Housing Voucher Program.
- Additional one time Homeland Security grant proceeds.

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:

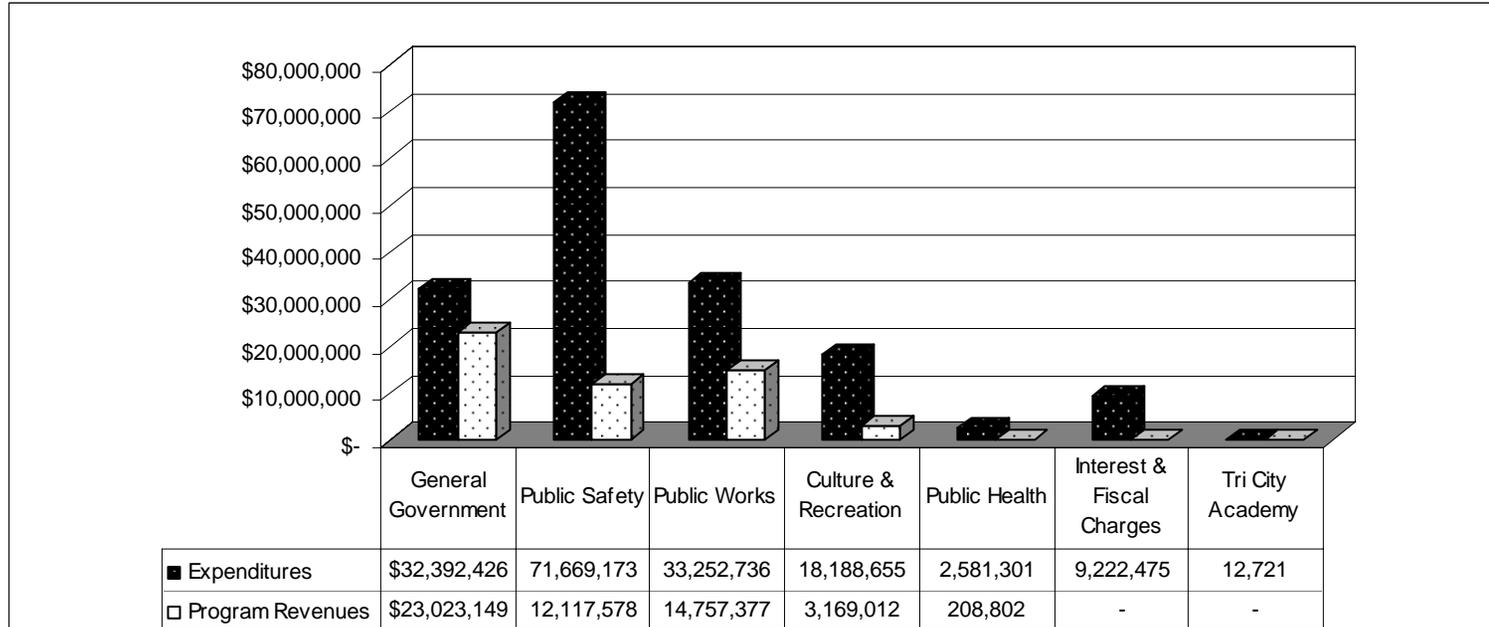
- An increase in Police department expense of \$1,440,000 related to a salary expense increase of \$1,140,000 for filling police officer positions that were vacant in the prior fiscal year. In addition, there was an increase of \$300,000 for fuel expense and vehicle replacement funding.
- An increase 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)
<b>Total</b>	<b>\$ 299,064,777</b>	<b>\$ 266,534,167</b>	<b>\$ 32,530,610</b>	<b>\$ 1,890,046</b>	<b>\$ 2,275,432</b>	<b>\$ (385,386)</b>	<b>\$ 2,719,099</b>	<b>\$ 4,630,530</b>	<b>\$ (1,911,431)</b>

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%
	<b>\$ 291,213,563</b>	<b>\$ 279,199,055</b>	<b>\$ 12,014,508</b>	<b>4.30%</b>

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
<b>Long-term</b>			
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
<b>Short-term</b>			
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		
<b>ASSETS</b>				
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	-
<b>Total assets</b>	<b>\$ 481,526,815</b>	<b>\$ 734,042,567</b>	<b>\$ 1,215,569,382</b>	<b>\$ 2,182,011</b>

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		
<b>LIABILITIES</b>				
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>
<b>NET ASSETS:</b>				
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	
<b>Primary Government</b>								
<b>Governmental activities:</b>								
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>
<b>Business type activities:</b>								
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>
<b>Component units</b>								
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
<b>General revenues:</b>								
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
<b>ASSETS</b>					
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
<b>Total Assets</b>	<b>\$ 26,575,975</b>	<b>\$ 3,244,725</b>	<b>\$ 58,808,409</b>	<b>\$ 17,536,800</b>	<b>\$ 106,165,909</b>
<b>LIABILITIES</b>					
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
<b>Total Liabilities</b>	<b>13,385,767</b>	<b>498,931</b>	<b>27,559,290</b>	<b>5,196,563</b>	<b>46,640,551</b>
<b>FUND BALANCES:</b>					
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
<b>Total Fund Balances</b>	<b>13,190,208</b>	<b>2,745,794</b>	<b>31,249,119</b>	<b>12,340,237</b>	<b>59,525,358</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 26,575,975</b>	<b>\$ 3,244,725</b>	<b>\$ 58,808,409</b>	<b>\$ 17,536,800</b>	<b>\$ 106,165,909</b>

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**

<b>Total fund balances - governmental funds</b>	<b>\$ 59,525,358</b>
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.	(5,448,768)
<b>Total net assets - governmental activities</b>	<b>\$ 156,463,231</b>

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
<b>REVENUES</b>					
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>
<b>EXPENDITURES</b>					
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)
<b>OTHER FINANCING SOURCES (USES)</b>					
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**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
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>
<b>Expenditures:</b>				
<b>Current:</b>				
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>
<b>Other financing sources (uses):</b>				
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
<b>ASSETS</b>						
<b>Current assets:</b>						
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>						
Rate mitigation:						
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>
Construction funds:						
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>
<b>Noncurrent Assets:</b>						
<b>Capital Assets:</b>						
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>
<b>TOTAL ASSETS</b>	<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**

	<b>Business-type Activities</b>					<b>Governmental Activities</b>
	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
<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
<b>Long-term Liabilities:</b>						
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>
<b>NET ASSETS</b>						
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	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES:</b>						
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>
<b>OPERATING EXPENSES:</b>						
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>
<b>Total Operating Income (Loss)</b>	<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
<b>NONOPERATING REVENUES (EXPENSES)</b>						
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)
<b>Income (loss) before transfers and contributions</b>	<b>6,602,653</b>	<b>2,696,085</b>	<b>5,902,989</b>	<b>(509,292)</b>	<b>14,692,435</b>	<b>(1,681,984)</b>
<b>TRANSFERS</b>						
Transfers in	-	-	-	-	-	1,982,138
Transfers out	(12,368,327)	(3,092,101)	(3,685,955)	(171,567)	(19,317,950)	(729)
<b>Net transfers</b>	<b>(12,368,327)</b>	<b>(3,092,101)</b>	<b>(3,685,955)</b>	<b>(171,567)</b>	<b>(19,317,950)</b>	<b>1,981,409</b>
Capital contributions	-	1,321,183	568,863	-	1,890,046	-
<b>NET INCOME (LOSS)</b>	<b>(5,765,674)</b>	<b>925,167</b>	<b>2,785,897</b>	<b>(680,859)</b>	<b>(2,735,469)</b>	<b>299,425</b>
Net assets, beginning of year	211,072,837	66,851,714	118,333,342	25,913,021	422,170,914	18,609,558
<b>Net assets, end of year</b>	<b>\$ 205,307,163</b>	<b>\$ 67,776,881</b>	<b>\$ 121,119,239</b>	<b>\$ 25,232,162</b>	<b>\$ 419,435,445</b>	<b>\$ 18,908,983</b>

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
<b>Cash flows from operating activities:</b>						
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	-
<b>Net cash provided by operations</b>	<b>22,585,316</b>	<b>4,933,356</b>	<b>13,054,338</b>	<b>892,453</b>	<b>41,465,463</b>	<b>2,907,526</b>
<b>Cash flows from noncapital financing activities:</b>						
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)
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(10,687,808)</b>	<b>(2,473,046)</b>	<b>(3,685,955)</b>	<b>35,636</b>	<b>(16,811,173)</b>	<b>2,357,194</b>
<b>Cash flows from capital and related financing activities:</b>						
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
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(5,740,618)</b>	<b>(2,113,604)</b>	<b>(17,209,375)</b>	<b>(821,276)</b>	<b>(25,884,873)</b>	<b>(5,194,406)</b>

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
<b>Cash flows from investing activities:</b>						
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
<b>Net cash provided by (used for) investing activities</b>	<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>
<b>Net increase (decrease) in cash and cash equivalents</b>	(11,980,804)	(219,173)	(2,568,483)	(56,037)	(14,824,497)	(1,008,482)
<b>Cash and cash equivalents at beginning of the year</b>	37,453,649	2,164,847	49,529,279	591,566	89,739,341	7,301,301
<b>Cash and cash equivalents at end of the year</b>	<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>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities</b>						
<b>Operating income (loss)</b>	\$ 8,337,649	\$ 3,297,041	\$ 6,382,492	\$ (472,823)	\$ 17,544,359	\$ (2,136,351)
<b>Adjustments:</b>						
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)
<b>Total adjustments</b>	<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>
<b>Net cash provided by (used for) operating activities</b>	<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>
<b>Noncash investing, capital and financing activities:</b>						
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.

**GARLAND**

**City of Garland, Texas**  
**Notes to the Financial Statements**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

**Discretely Presented Component Units**

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

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

**B. Government-wide and fund financial statements**

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers sales tax revenue to be available if they are collected within 30 days of the end of the current fiscal period and all other revenues available if they are collected within 60 days of the end of the annual fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund categories:

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

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

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

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

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

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

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

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

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

**D. Assets, liabilities, and net assets or equity**

**1. *Deposits and investments***

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

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

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

**2. *Receivables and payables***

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

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

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

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

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

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

**3. *Inventories and prepaid items***

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

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

**4. *Restricted assets***

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

**5. *Capital assets***

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost of the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of contributed assets, the City values these capital assets at the estimated fair value of the item at the date of its contribution.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest accrued during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current year was \$15,471,207. Of this amount, \$5,642,421 was included as part of the cost of capital assets under construction in connection with electric, water, and sewer construction projects.

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

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	20
Equipment	2 - 10
Systems	10 - 40

**6. *Compensated absences***

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

**7. *Long-term obligations***

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

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

**8. *Fund equity***

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

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

**9. *New accounting principles***

The GASB has issued Statement No. 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*” (“GASB 42”), which will be effective for the City in fiscal year ending September 30, 2006. GASB 42 requires that state and local governments report the effects of capital asset impairments in the financial statements when impairments that are determined to be other than temporary occur. Impairments of capital assets can occur under the following circumstances: changes in the utility of the asset, physical damage, changes in legal or environmental laws and regulations, technological changes or obsolescence, changes in the manner or duration of use, or construction stoppages.

The GASB has also issued Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*” (“GASB 43”), which will be effective for the City in the fiscal year ending September 30, 2007. GASB 43 requires that state and local governments report other postemployment benefits (OPEB) on an accrued basis over the working lifetime of employees.

The GASB has also issued Statement No. 44, “*Economic Condition Reporting: The Statistical Section*” (“GASB 44”), which will be effective for the City in fiscal year 2007. GASB 44 changes the requirements of what must be included in the statistical section of the City’s Comprehensive Annual Financial Report, adding new schedules, eliminating selected schedules, and requiring additional disclosures on certain data included in the statistical section.

The GASB has also issued Statement No. 45, “*Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions*” (“GASB 45”), which will be effective in fiscal year 2008. GASB 45 requires that state and local governments establish standards for the measurement, recognition, and display of other post employment benefits expense/expenditures, related liabilities, and note disclosures in the financial statements.

The GASB has also issued Statement No. 46, “*Net Assets Restricted by Legislation, an Amendment of GASB 34*” (“GASB 46”), which will be effective for the City in fiscal year 2006. GASB 46 clarifies the definition set forth by GASB 34 as it relates to “restricted net assets” in the financial statements. The restriction should be legally enforceable and mandated by parties external to the government (citizens, judiciary).

The GASB has also issued Statement No. 47, “*Accounting for Termination Benefits*” (“GASB 47”). This is effective for the City in two parts: (1) for those benefits that relate to other post-employment benefits, the City is to implement at the same time as GASB 45, and (2) for other termination benefits, the effective date will be in fiscal year 2006 for the City. This statement defines the accounting for voluntary and involuntary termination benefits (i.e. early retirement incentives). For voluntary termination benefits, an accrual of these costs is warranted when the termination terms have been accepted by the employee and the costs can be estimated. For involuntary termination occurrences, the liability should be recorded when the termination costs, such as severance, can be estimated and a plan for involuntary termination has been approved by the City. The plan for involuntary termination should include the number and classes of employees affected, employee location, date of proposed termination, and types of benefits that are expected to be paid to terminated employees.

The City has not yet evaluated the impact of the implementation of these standards on its financial statements.

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

**II. Reconciliation of government-wide and fund financial statements**

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide financial statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$231,465,140 difference are as follows:

General Obligation bonds	\$148,032,971
Certificates of Obligation	83,432,169
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at net assets – governmental activities	\$231,465,140

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$57,254,962 difference are as follows:

Debt issued or incurred:	
Issuance of certificates of obligation	\$ 19,514,033
Issuance of general obligation debt	78,250,588
Principal repayments:	
General obligation debt	(6,335,412)
Certificates of obligation	(5,683,308)
Refunded debt of certificates of obligation	(9,034,621)
Refunded debt of general obligation debt	(20,095,000)
Amortization of bond issue costs	(101,535)
Change in landfill closure liability	258,449
Change in compensated absences liability	481,768
	481,768
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 57,254,962

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

**III. Stewardship, compliance, and accountability**

**A. Budgetary information**

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

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

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

**B. Excess of expenditures over appropriations**

Expenditures for the Infrastructure Repair fund exceeded appropriations by \$90,047. Expenditures for the Narcotic Seizure fund exceeded appropriations by \$72,087.

**C. Deficit fund equity**

The Hotel/Motel Tax Fund deficit of \$243,416 decreased by \$140,218 from the prior year. This deficit will be eliminated through revenues recognized in future years.

The NETLS Fund deficit of \$34,141 will be eliminated through reimbursements for projects in the next fiscal year.

The Police Training Grant deficit of \$64,040 will be eliminated through reimbursements for projects in the next fiscal year.

The Group Health Fund deficit of \$1,386,172 decreased by \$825,171 from the prior year. This deficit will be eliminated through changes to the plan design with higher employee deductibles.

The Self-Insurance Fund deficit of \$3,170,672 decreased by \$225,411 from the prior year. This deficit will be eliminated by increasing charges to other operating funds in future years.

The Long-Term Disability Insurance Fund deficit of \$2,603,379 is the result of an accrual of claims incurred but not reported of \$3,155,212. This accrual was made on the basis of an actuarial analysis completed in December of 2004.

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

The Fleet Services Fund deficit of \$459,160 decreased by \$336,108 from the prior year. This deficit will be eliminated by increasing charges to other operating funds.

**IV. Detailed notes on all funds**

**A. Deposits and investments**

As of September 30, 2005, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
U. S. agencies	\$ 177,554,050	\$ 109,625,945	\$ 67,928,105
Investment Pools – Texpool & LOGIC	83,994,852	83,994,852	-
Money Market Fund	4,262,567	4,262,567	-
Commercial Paper	34,790,989	34,790,989	-
Total fair value	<u>\$ 300,602,458</u>	<u>\$ 232,674,353</u>	<u>\$ 67,928,105</u>

*Interest rate risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy limits at least half of the City’s investment portfolio to maturities of less than three years and a weighted average maturity of two years or less.

*Credit risk.* State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City’s policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2005, the City’s investments in commercial paper were rated A1 by Standard & Poor’s, F-1 by Fitch Ratings, and P-1 by Moody’s Investors Service. The City’s investments in U. S. agencies were rated AAA by Standard & Poor’s and Moody’s Investors Service. The City’s investments in Texpool were rated AAAM by Standard & Poor’s. The City’s investment in LOGIC was rated AAA.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2005, the carrying amount of the City’s deposits was (\$84,857) and the bank balance was \$2,953,280. The City’s bank balance was completely covered by federal depository insurance or by collateral held by the City’s safekeeping agent in the City’s name.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2005, the City’s investments are categorized as insured or registered, or securities held by the City or its agent in the City’s name.

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

**B. Receivables**

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

	General	Debt Service	Capital Projects	Electric	Water	Sewer	Other Funds	Total
Receivables:								
Interest	\$ 130,476	506	206,338	(662)	-	18,036	218,109	\$ 572,803
Taxes	1,250,449	893,035	-	-	-	-	-	2,143,484
Utility Accounts	7,845	-	-	27,754,191	4,569,633	2,227,524	2,319,504	36,878,697
Mowing Liens	831,593	-	-	-	-	-	-	831,593
EMS Accounts	3,566,063	-	-	-	-	-	-	3,566,063
Franchise Fee	1,400,769	-	-	-	-	-	-	1,400,769
Sales Tax	3,380,492	-	-	-	-	-	-	3,380,492
Other Accounts	1,443,742	-	-	9,550,143	245,422	1,062,572	136,557	12,438,436
Assessments	-	-	-	-	-	-	17,548	17,548
Gross Receivables	12,011,429	893,541	206,338	37,303,672	4,815,055	3,308,132	2,691,718	61,229,885
Less: allowance for uncollectibles	(2,064,554)	(353,520)	-	(1,153,651)	(164,757)	(157,151)	(428,317)	(4,321,950)
Net total receivables	\$ 9,946,875	540,021	206,338	36,150,021	4,650,298	3,150,981	2,263,401	\$ 56,907,935

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

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	\$ 698,615	-
Delinquent property taxes receivable (debt service fund)	498,931	-
Other receivables (general fund)	4,669,392	-
Parks service charges for future events	-	\$ 78,777
Faulkner receivable	-	685,010
Grant draw downs prior to meeting all eligibility requirements	-	1,440,046
Special assessments prior to meeting all eligibility requirements	-	288,444
	<u>\$ 5,866,938</u>	<u>\$ 2,492,277</u>

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

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2005, was as follows:

**Primary government**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 54,404,014	\$ 590,615	\$ -	\$ 54,994,629
Construction in progress	41,644,666	42,015,113	(30,287,167)	53,372,612
Total capital assets, not being depreciated	<u>96,048,680</u>	<u>42,605,728</u>	<u>(30,287,167)</u>	<u>108,367,241</u>
Capital assets, being depreciated:				
Buildings	89,251,760	3,566,540	-	92,818,300
Improvements other than buildings	396,522,787	21,332,816	-	417,855,603
Machinery and equipment	112,323,754	8,038,340	(1,669,178)	118,692,916
Internal service buildings, improvements, and equipment	48,613,496	6,007,941	(1,620,679)	53,000,758
Total capital assets being depreciated	<u>646,711,797</u>	<u>38,945,637</u>	<u>(3,289,857)</u>	<u>682,367,577</u>
Less accumulated depreciation for:				
Buildings	(17,615,912)	(2,275,876)	-	(19,891,788)
Improvements other than buildings	(282,995,851)	(13,685,611)	-	(296,681,462)
Machinery, furniture, and equipment	(78,785,921)	(7,524,603)	1,669,178	(84,641,346)
Internal service buildings, improvements, and equipment	(30,212,975)	(4,845,675)	1,584,454	(33,474,196)
Total accumulated depreciation	<u>(409,610,659)</u>	<u>(28,331,765)</u>	<u>3,253,632</u>	<u>(434,688,792)</u>
Total capital assets, being depreciated, net	<u>237,101,138</u>	<u>10,613,872</u>	<u>(36,225)</u>	<u>247,678,785</u>
Governmental activities capital assets, net	<u>\$ 333,149,818</u>	<u>\$ 53,219,600</u>	<u>\$ (30,323,392)</u>	<u>\$ 356,046,026</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 12,312,724	\$ -	\$ -	\$ 12,312,724
Construction in progress	64,087,041	36,364,382	(24,839,376)	75,612,047
Total capital assets, not being depreciated	76,399,765	36,364,382	(24,839,376)	87,924,771
Capital assets, being depreciated:				
Utility systems, improvements, and equipment	751,623,210	33,951,559	(4,465,840)	781,108,929
Total capital assets being depreciated	751,623,210	33,951,559	(4,465,840)	781,108,929
Less accumulated depreciation for:				
Utility systems, improvements, and equipment	(357,239,752)	(24,441,744)	4,413,555	(377,267,941)
Total accumulated depreciation	(357,239,752)	(24,441,744)	4,413,555	(377,267,941)
Total capital assets, being depreciated, net	394,383,458	9,509,815	( 52,285)	403,840,988
Business-type activities capital assets, net	\$ 470,783,223	\$ 45,874,197	\$ (24,891,661)	\$ 491,765,759

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

Governmental activities:	
General government	\$ 1,238,267
Public safety	3,146,067
Public works	16,593,097
Culture and recreation	2,475,852
Public health	32,805
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	4,845,677
Total depreciation expense – governmental activities	\$ 28,331,765

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

Business-type activities:	
Electric	\$ 11,985,835
Water	3,666,408
Sewer	7,299,988
Other non-major business-type activities	1,489,513
Total depreciation expense – business-type activities	\$ 24,441,744

**Construction commitments**

The City has active construction projects as of September 30, 2005. At year-end the City’s commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Electric system	\$ 143,940	\$ 116,960
Sewer system	35,531,902	1,033,454
Information Systems	252,472	1,603,591
Streets and Drainage	18,225,283	1,572,322
Buildings	2,315,061	365,344
Total	\$ 56,468,658	\$ 4,691,671

**Discretely presented component units**

Activity for the GHFDC for the year ended September 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 141,100	\$ -	\$ (141,100)	\$ -
GHFDC capital assets, net	\$ 141,100	\$ -	\$ (141,100)	\$ -

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

Activity for the GHFC for the year ended September 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ -	\$ 900,000	\$ -	\$ 900,000
GHFC capital assets, net	\$ -	\$ 900,000	\$ -	\$ 900,000

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of September 30, 2005, is as follows:

	Interfund Receivable					
	General	Electric	Water	Internal Service	Non-major Governmental	
Capital Project Fund	\$ -	\$ 175,000	\$ 100,000	\$ 359,431	\$ -	\$ 634,431
Electric	1,662,438	-	-	-	-	1,662,438
Water	1,144,852	-	-	-	252	1,145,104
Non-major Business-type	1,491,050	-	-	-	-	1,491,050
Non-major Governmental	1,772,277	-	-	-	-	1,772,277
Internal Service	1,424,449	-	-	-	-	1,424,449
	\$ 7,495,066	\$ 175,000	\$ 100,000	\$ 359,431	\$ 252	\$ 8,129,749

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

The composition of advances to/from at September 30, 2005, is as follows:

	Advance Receivable	
	Electric	Total
Advance Payable		
Internal Service	\$ 2,144,799	\$ 2,144,799
Non-major Business-type fund	91,917	91,917
	\$ 2,236,716	\$ 2,236,716

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

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

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

	Transfers From:		Transfers To:			
	General Fund	Debt Service Fund	Non-major Governmental Funds	Internal Service Funds	Capital Project Fund	Total Transfers
General	\$ -	\$ -	\$ 4,247,217	\$ -	\$ 794,500	\$ 5,041,717
Debt Service Fund	-	-	-	-	4,000,000	4,000,000
Non-major Governmental	-	-	-	10,822	605,000	615,822
Electric	12,151,139	217,188	-	-	-	12,368,327
Water	2,509,012	41,767	541,322	-	-	3,092,101
Sewer	3,045,632	33,414	541,322	65,587	-	3,685,955
Non-major Business-type	121,447	50,120	-	-	-	171,567
Internal Service	-	-	-	729	-	729
Non-Cash Transaction	-	-	-	1,905,000	-	1,905,000
<b>Total</b>	<b>\$ 17,827,230</b>	<b>\$ 342,489</b>	<b>\$ 5,329,861</b>	<b>\$ 1,982,138</b>	<b>\$ 5,399,500</b>	<b>\$ 30,881,218</b>

The non-cash transaction listed above reports the transfer of outstanding certificates of obligation from the Information Technology Fund to governmental activities. Principal and interest for these bonds has been budgeted and will be paid by the Debt Service Fund during the 2006 fiscal year and all future fiscal years.

**E. Long-term debt and liabilities**

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2005, is as follows:

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

	Balance at October 1, 2004	Increased	Retired	Balance at September 30, 2005	Due within one year
<b><u>Governmental activities:</u></b>					
General obligation bonds	\$ 98,738,384	75,725,000	26,430,413	148,032,971	7,074,759
Certificates of obligation	82,005,151	20,100,000	15,168,262	86,936,889	6,386,776
Landfill post closure cost	7,122,120	258,449	-	7,380,569	-
Compensated absences	15,519,901	9,014,713	8,512,356	16,022,258	6,917,588
Insurance claims payable	12,251,461	2,892,480	2,996,054	12,147,887	2,892,480
Governmental activity					
Long-term debt	\$ 215,637,017	107,990,642	53,107,085	270,520,574	23,271,603
<b><u>Business-type activities:</u></b>					
Utility System revenue bonds	118,135,000	39,480,000	2,720,000	154,895,000	4,185,000
General obligation bonds	15,346,616	42,310,000	2,074,587	55,582,029	2,170,241
Certificates of obligation	122,004,505	175,000	49,991,187	72,188,318	6,313,397
Compensated absences	1,601,437	2,092,173	2,035,947	1,657,663	1,525,629
Business-type activity					
Long-term debt	\$ 257,087,558	84,057,173	56,821,721	284,323,010	14,194,267

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$668,768 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

A summary of short-term debt transactions for the year ended September 30, 2005, is as follows:

	Balance at October 1, 2004	Increased	Retired	Balance at September 30, 2005
<b><u>Governmental activities:</u></b>				
Tax Notes	\$ 4,000,000	3,640,000	4,000,000	3,640,000
Commercial Paper	25,000,000	20,000,000	25,000,000	20,000,000
Governmental activity				
Short-term debt	\$ 29,000,000	23,640,000	29,000,000	23,640,000

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

Long-term debt at September 30, 2005, includes the following individual issues (not including the unamortized discount, premium, issue, and refunding costs of \$4,587,883):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
General obligation bonds:						
1994 Various purpose	5.25 – 5.50	6/01/1994	8/15/2013	\$ 8,840,000	8,335,000	\$ 505,000
1995 Various purpose	5.50 – 5.70	6/16/1995	8/15/2015	7,005,000	6,660,000	345,000
1995B Refunding	5.25 – 5.50	6/16/1995	8/15/2007	24,325,000	19,935,000	4,390,000
1996 Various purpose	5.10 – 8.10	5/07/1996	2/15/2016	9,520,000	9,080,000	440,000
1997 Various purpose	5.125 – 7.125	5/07/1997	2/15/2017	6,375,000	5,460,000	915,000
1998 Various purpose	4.50 – 5.00	3/15/1998	2/15/2019	48,890,000	6,725,000	42,165,000
1999 Various purpose	4.05 – 5.30	3/30/1999	2/15/2019	18,375,000	12,020,000	6,355,000
1999A Refunding	4.05 – 5.30	2/22/1999	2/15/2016	13,335,000	2,570,000	10,765,000
2000 Various purpose	5.50 – 6.50	2/22/2000	2/15/2020	10,820,000	8,540,000	2,280,000
2001 Various purpose	4.25 – 5.00	4/01/2001	2/15/2021	14,315,000	1,575,000	12,740,000
2002 Refunding	3.75 – 4.50	5/21/2002	2/15/2010	8,050,000	5,230,000	2,820,000
2004 Refunding	3.39 – 10.00	2/13/2004	8/15/2020	1,860,000	-	1,860,000
2005A Refunding	3.5 – 5.25	4/19/2005	2/15/2020	70,615,000	-	70,615,000
2005B Refunding	3.00 – 5.25	4/19/2005	2/15/2022	23,675,000	-	23,675,000
2005B Various purpose	Variable	9/07/2005	2/15/2025	23,745,000	-	23,745,000
				\$ 289,745,000	86,130,000	\$ 203,615,000
Certificates of obligation:						
1995 Various purpose	5.50 – 5.70	3/15/1995	8/15/2015	10,900,000	10,610,000	290,000
1996 Various purpose	5.20 – 8.00	5/01/1996	2/15/2016	18,580,000	17,690,000	890,000
1997 Various purpose	5.00 – 7.00	3/15/1997	2/15/2017	11,930,000	9,940,000	1,990,000
1997B Golf course	5.50 – 5.50	8/15/1997	8/15/2027	600,000	-	600,000
1998 Various purpose	4.50 – 5.50	2/15/1998	2/15/2018	25,295,000	5,838,495	19,456,505
1998TX Electric	6.50 – 6.50	3/15/1998	2/15/2005	1,600,000	1,600,000	-
1999 Various purpose	3.15 – 5.15	2/22/1999	2/15/2019	20,780,000	10,530,000	10,250,000
2000 Various purpose	5.00 – 5.75	2/22/2000	5/15/2020	63,950,000	50,966,298	12,983,702
2001 Various purpose	4.25 – 5.25	4/01/2001	2/15/2021	45,320,000	8,080,000	37,240,000
2002 Various purpose	3.75 – 5.25	5/21/2002	2/15/2022	25,350,000	2,380,000	22,970,000
2003 Various purpose	3.00 – 4.75	4/15/2003	2/15/2023	18,685,000	2,080,000	16,605,000
2004 Various purpose	3.00 – 4.75	4/15/2003	2/15/2023	17,045,000	1,470,000	15,575,000
2005 Various purpose	3.00 – 5.25	4/19/2005	2/15/2025	20,275,000	-	20,275,000
				\$ 280,310,000	121,184,793	\$ 159,125,207

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

	Interest Rate (%)	Issue Date	Maturity Date		Original Issue	Net Retirement	Outstanding
Utility System revenue bonds:							
2003 Electric Utility	3.00 – 5.00	8/01/2003	3/01/2023	\$	13,810,000	265,000	\$ 13,545,000
2003 Water & Sewer	2.00 – 5.00	8/01/2003	3/01/2023		13,680,000	890,000	12,790,000
2004 Electric Utility	2.00 – 5.00	4/15/2004	3/01/2024		19,060,000	770,000	18,290,000
2004A Water & Sewer	2.00 – 5.00	5/25/2004	3/01/2024		38,485,000	-	38,485,000
2004B Water & Sewer	2.00 – 6.00	4/15/2004	3/01/2024		33,540,000	1,235,000	32,305,000
2005 Electric Utility	2.75 – 5.25	4/19/2005	3/1/2025		18,935,000	-	18,935,000
2005 Water & Sewer	2.75 – 5.25	4/19/2005	9/1/2025		20,545,000	-	20,545,000
				\$	<u>158,055,000</u>	<u>3,160,000</u>	<u>\$ 154,895,000</u>

Short-term debt at September 30, 2005, includes the following individual issues:

	Interest Rate (%)	Issue Date	Maturity Date		Original Issue	Net Retirement	Outstanding
Tax anticipation notes:							
2004 Tax anticipation	2.92 – 2.92	9/28/2004	9/30/2005		4,000,000	4,000,000	-
2005 Tax anticipation	3.68 – 3.68	9/07/2005	9/15/2006		3,640,000	-	3,640,000
				\$	<u>7,640,000</u>	<u>4,000,000</u>	<u>\$ 3,640,000</u>

Commercial Paper							
2004 Commercial Paper Issue	1.20 – 1.20	8/08/2004	12/09/2004	\$	15,000,000	15,000,000	\$ -
2004 Commercial Paper Issue	1.00 – 1.00	2/09/2004	10/12/2004		10,000,000	10,000,000	-
2005 Commercial Paper Issue	2.60 – 2.60	9/07/2005	10/18/2005		20,000,000	-	20,000,000
				\$	<u>45,000,000</u>	<u>25,000,000</u>	<u>\$ 20,000,000</u>

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

The annual requirements to amortize outstanding debt and advances from other funds as of September 30, 2005, including interest payments of \$238,216,277 are summarized in the table below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable, and have not been included in the following summary:

Governmental Activities									
Years Ending September 30,	General		Certificates of		Tax Note	TN Interest	Commercial Paper	CP Interest	
	Obligation	GO Interest	Obligation	CO Interest					
2006	\$ 7,074,759	7,363,311	6,386,776	4,391,903	3,640,000	136,557	20,000,000	58,411	
2007	7,765,222	6,558,451	6,476,615	3,700,080	-	-	-	-	
2008	8,572,486	6,166,461	6,786,958	3,403,314	-	-	-	-	
2009	9,207,626	5,752,181	6,248,217	3,096,844	-	-	-	-	
2010	9,149,953	5,333,985	6,036,408	2,811,429	-	-	-	-	
2011-2015	45,703,030	19,980,244	24,177,653	10,370,538	-	-	-	-	
2016-2020	42,444,895	18,162,107	17,668,108	5,461,623	-	-	-	-	
2021-2025	18,115,000	6,102,412	12,556,154	1,427,427	-	-	-	-	
2026-2030	-	-	600,000	66,000	-	-	-	-	
<b>Total</b>	<b>\$ 148,032,971</b>	<b>75,419,152</b>	<b>86,936,889</b>	<b>34,729,158</b>	<b>3,640,000</b>	<b>136,557</b>	<b>20,000,000</b>	<b>58,411</b>	

Proprietary Funds							
Years Ending September 30,		Revenue		General Obligation	GO Interest	Certificates of Obligation	CO Interest
		Revenue	Interest				
2006	\$	4,185,000	6,475,766	2,170,241	2,847,799	6,313,397	3,403,142
2007		6,000,000	6,330,973	3,124,778	2,719,281	5,378,420	3,106,310
2008		6,165,000	6,154,168	802,514	2,571,864	5,583,042	2,837,378
2009		6,355,000	5,956,751	867,374	2,533,560	5,716,783	2,562,245
2010		6,585,000	5,730,034	900,047	2,496,368	5,778,592	2,284,786
2011-2015		36,670,000	24,513,986	20,996,970	9,854,464	20,777,347	8,274,533
2016-2020		44,570,000	15,960,073	26,720,105	3,310,283	18,471,891	3,219,563
2021-2025		44,365,000	4,580,590	-	-	4,168,846	149,082
<b>Total</b>	<b>\$</b>	<b>154,895,000</b>	<b>75,702,341</b>	<b>55,582,029</b>	<b>26,333,619</b>	<b>72,188,318</b>	<b>25,837,039</b>

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

At September 30, 2005, the City has authorized but not issued general obligation bonds in the amount of \$250,356,586 as follows:

	Balance at Oct. 1, 2004	Issued	Balance at Sept. 30, 2005
Streets Improvements	\$ 162,846,500	15,047,421	147,799,079
Park Improvements	27,694,000	-	27,694,000
Drainage Improvements	33,002,000	2,390,143	30,611,857
Municipal Facilities	364,000	-	364,000
Library Improvements	10,279,000	221,012	10,057,988
Public Safety	26,571,086	7,341,424	19,229,662
Economic Development	14,600,000	-	14,600,000
Harbor Point	23,745,000	23,745,000	-
	\$ 299,101,586	48,745,000	250,356,586

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

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

Debt issues for the year are as follows:

Issue	Principal	Net Interest Cost
Certificates of Obligation, Series 2005	\$ 20,275,000	4.615%
Electric Utility System Revenue Bonds, Series 2005	18,935,000	4.602%
Water & Sewer System Revenue Bonds, Series 2005	20,545,000	4.590%
Tax Anticipation Note, Series 2005	3,640,000	3.680%
General Obligation Refunding Bonds, Series 2005	70,615,000	4.416%
General Obligation Refunding Bonds - CP, Series 2005	23,675,000	4.551%
Commercial Paper	20,000,000	2.600%
General Obligation Bonds, Series 2005B	23,745,000	Variable

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

The interest rate for the Series 2005B General Obligation Bonds is adjusted quarterly to be the lesser of 4.04% or the London Inter-bank Offering Rate (LIBOR) plus 0.24% per annum for the first ten years of debt service. The interest rate for the next ten years is adjusted quarterly to be the lesser of 15% or LIBOR plus 0.24% per annum.

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 obligation and general obligation bonds. An amount of \$76,854,095 was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next sixteen years by \$5,376,441 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$3,894,418. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of \$4,174,095.

On April 19, 2005, the City issued \$23,675,000 in General Obligation Refunding Bonds to payoff \$25,000,000 of commercial paper debt.

In prior years, the City defeased certain General Obligation Bonds, Certificates of Obligation and Utility System Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2005, \$24,110,000 of General Obligation Bonds and \$52,647,772 of Certificates of Obligation, all of which are considered defeased, are still outstanding.

**F. Retirement Plans**

**Plan Description**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 801 administered by TMRS, an agent multiple-employer public employee retirement system. A copy of separately audited financial statements of the plan may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

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

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

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

**Contributions**

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

The City's total payroll in fiscal year 2005 was \$129,233,757, and the City's contributions were based on a payroll of \$105,996,982. Both the City and the covered employees made the required contributions, amounting to \$15,909,181 for the City and \$7,419,789 (7 %) for the employees.

A summary of City and employee contributions for the fiscal year ending September 30, 2005, follows:

	Gross Earnings	Normal		Unfunded Actuarial Liability		Death and Disability Benefit		Total Rate	Total Contribution
		Rate	Contribution	Rate	Contribution	Rate	Contribution		
<b>City Contribution:</b>									
Months in calendar year 2004	\$ 28,181,568	10.19%	\$ 2,871,702	4.19%	\$ 1,180,808	0.24%	\$ 67,636	14.62%	\$ 4,120,146
Months in calendar year 2005	77,815,414	10.21%	7,944,954	4.70%	3,657,324	0.24%	186,757	15.15%	11,789,035
Total Fiscal Year	<u>\$ 105,996,982</u>		<u>\$ 10,816,656</u>		<u>\$ 4,838,132</u>		<u>\$ 254,393</u>		<u>\$ 15,909,181</u>
<b>Employee Contribution:</b>									
Months in calendar year 2004	\$ 28,181,568	7.00%	1,972,710	-	-	-	-	7.00%	\$ 1,972,710
Months in calendar year 2005	77,815,414	7.00%	5,447,079	-	-	-	-	7.00%	5,447,079
Total Fiscal Year	<u>\$ 105,996,982</u>		<u>\$ 7,419,789</u>		<u>-</u>		<u>-</u>		<u>\$ 7,419,789</u>
Total City and Employee Contributions			<u>\$ 18,236,445</u>		<u>\$ 4,838,132</u>		<u>\$ 254,393</u>		<u>\$ 23,328,970</u>

**Three Year Trend Information**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 13,930,654	100%	--
2004	14,715,621	100%	--
2005	15,909,181	100%	--

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

**Actuarial Assumptions**

Actuarial Cost Method	- Unit Credit
Amortization Method	- Level Percent of Payroll
Remaining Amortization Period	- 25 Years - Open Period
Asset Valuation Method	- Amortized Cost (to accurately reflect the requirements of GASB stmt., No. 25, paragraphs 36e and 138)
Investment Rate of Return	- 7%
Projected Salary Increases	- None
Includes Inflation At	- 3.5%
Cost-of-living Adjustments	- None

**Schedule of funding progress:**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Percentage Funded</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
12-31-2002	\$ 266,539,224	\$ 345,480,330	77.2%	\$ 78,941,106	\$ 91,566,432	86.2%
12-31-2003	279,286,721	371,329,364	75.2%	92,042,643	95,925,898	96.0%
12-31-2004	298,281,108	395,006,055	75.5%	96,724,947	100,433,506	96.3%

**G. Self Insurance**

Self-insurance for general and auto liability exposure is maintained in the Self-Insurance Fund in the Internal Service Funds. Self-insurance for workers' compensation is also maintained in the Self-Insurance Fund. A private insurance company administers workers' compensation claims and losses for the City. Self-insurance premiums of \$5,457,608 were collected from insured funds. Claims settlement and loss expenses are accrued in the Self-Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto, and worker's compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses as of September 30, 2005, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in November 2004, long-term claims payable is estimated at \$6,100,195.

Long-Term Disability claims are paid from the LTD Insurance Fund, which is funded with City and employee contributions. A private company administers the long-term disability claims and losses for the City. An actuarially determined liability of \$3,155,212 has been established for projected future long-term disability claims.

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

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 2005, a short-term liability of \$2,892,480 was recognized for open claims and claims incurred but not reported.

The City provides post employment health and dental care benefits for all retired employees and their dependents under the same plan as active employees in accordance with City Directives, which are approved by City management. The City contributes \$288 per month for health premiums per retired employee and claims are paid through the Group Health Fund. For the year ended September 30, 2005, claims paid for the 454 retirees in the plan totaled \$3,176,588 and premium contributions received from the retired employees totaled \$2,146,995.

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

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2004 and 2005 are:

<u>Internal Service Fund</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year - End</u>
Self Insurance – 2004	\$ 4,744,435	5,240,577	3,884,817	6,100,195
Self Insurance – 2005	6,100,195	3,396,491	3,396,491	6,100,195
Long-Term Disability – 2004	2,967,763	560,380	372,931	3,155,212
Long-Term Disability – 2005	3,155,212	510,803	510,803	3,155,212
Group Health – 2004	2,612,422	12,367,845	11,984,213	2,996,054
Group Health – 2005	2,996,054	11,569,918	11,673,492	2,892,480

**H. Texas Municipal Power Agency**

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

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

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

Condensed financial information as of and for the year ended September 30, 2005, reported in thousands, for TMPA is as follows:

Description	Amount
Total assets	\$ <u>1,284,353</u>
Total liabilities	1,249,909
Total net assets	<u>34,444</u>
Total liabilities and net assets	\$ <u>1,284,353</u>
Total operating revenues	\$ 234,871
Total operating expenses	<u>98,050</u>
Income from operations	136,821
Total other income(expenses)	4,120
Total interest charges	(76,066)
Deferred cost	(27,928)
Refunds to member Cities	<u>(36,814)</u>
Change in net assets	133
Net assets - beginning balance	<u>34,311</u>
Net assets - ending balance	\$ <u>34,444</u>

Total debt of TMPA at September 30, 2005, amounted to \$1,209,647,000 of which \$90,133,000 represented the current portion. TMPA's Revenue Bonds are payable from and secured by an irrevocable first lien on the TMPA's net revenues and certain other special funds created in the TMPA's Bond Resolution.

TMPA  
 Outstanding Debt Amounts  
 September 30, 2005  
 (reported in thousands)

	<u>Long-Term</u>	<u>Current</u>	<u>Total</u>
Revenue Bonds	\$ 656,875	64,003	720,878
Zero Coupon Interest Payable	262,159	22,130	284,289
Tax Exempt Commercial Paper	191,780	-	191,780
Taxable Commercial Paper	<u>8,700</u>	<u>4,000</u>	<u>12,700</u>
	\$ <u>1,119,514</u>	<u>90,133</u>	<u>1,209,647</u>

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

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

**I. Contracts & Commitments**

Effective October 1, 2000, the City entered into a contract with Phillips Gas Marketing Company (Phillips), which extends through December 31, 2005, for the purpose of providing a non-curtable source of natural gas for the City's electric utility. All of the gas purchased will be used by the City to generate electric energy.

**J. Deferred Compensation Plan**

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

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

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

**K. Component Unit Information**

Condensed financial information for the discretely presented component units as of September 30, 2005, is as follows:

Description	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Corporation	Total
Capital assets, net of depreciation	\$ 900,000	\$ -	\$ -	\$ 900,000
Other assets	756,716	404,012	121,283	1,282,011
Total assets	<u>1,656,716</u>	<u>404,012</u>	<u>121,283</u>	<u>2,182,011</u>
Other liabilities	891,056	-	-	891,056
Total liabilities	<u>891,056</u>	<u>-</u>	<u>-</u>	<u>891,056</u>
Amounts invested in capital assets net of related debt	11,250	-	-	11,250
Unrestricted net assets	<u>754,410</u>	<u>404,012</u>	<u>121,283</u>	<u>1,279,705</u>
Total net assets	<u>\$ 765,660</u>	<u>\$ 404,012</u>	<u>\$ 121,283</u>	<u>\$ 1,290,955</u>
Expenses	\$ (169,333)	\$ (4,509)	\$ (4,509)	\$ (178,351)
Program revenues	158,177	25,000	7,000	190,177
Intergovernmental	40,000	-	-	40,000
Other revenues	43,283	5,402	-	48,685
Gain on sale of assets	-	45,309	-	45,309
Change in net assets	<u>72,127</u>	<u>71,202</u>	<u>2,491</u>	<u>145,820</u>
Beginning net assets	<u>693,533</u>	<u>332,810</u>	<u>118,792</u>	<u>1,145,135</u>
Ending net assets	<u>\$ 765,660</u>	<u>\$ 404,012</u>	<u>\$ 121,283</u>	<u>\$ 1,290,955</u>

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

Each component unit was created to issue revenue bonds to provide financial assistance to qualified homeowners and businesses. Even though the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit bonds by component unit at September 30, 2005, is as follows:

Series	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Corporation	Total
1984	\$ -	\$ -	\$ 7,000,000	\$ 7,000,000
1998	6,423,334	-	-	6,423,334
2000	6,000,000	-	-	6,000,000
2002	1,409,094	-	-	1,409,094
2003	17,627,447	25,019,000	-	42,646,447
2005	13,800,000	-	-	13,800,000
	<u>\$ 45,259,875</u>	<u>\$ 25,019,000</u>	<u>\$ 7,000,000</u>	<u>\$ 77,278,875</u>

**L. Landfill Closure and Postclosure Care Cost**

As of September 30, 2005, the total estimated landfill closure/postclosure cost for the City’s Castle Drive landfill, Hinton landfill, and transfer station is \$8,146,767, \$26,663,543, and \$22,662 respectively. The \$7,380,569 reported as landfill closure and postclosure care liability represents the cumulative amount reported to date based on the use of 100.00% of the estimated capacity of the Castle landfill, 6.06% use of the Hinton landfill, 100.00% of the closure cost for the transfer station, less expenditures to date of \$2,405,129. The City will recognize the remaining estimated closure and postclosure care costs of \$25,047,273 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996, which estimated cost to perform all closure and postclosure care. In addition, the closure and postclosure care cost were adjusted for inflation annually based on the most recent Implicit Price Deflator for Gross National Product published by the United States Department of Commerce. Actual cost may differ from the estimate due to inflation, changes in technology, or regulatory changes. The Hinton landfill has an estimated remaining useful life of 47.9 years.

Since the City’s Landfill operation is a general government function, a special revenue fund was established to account for actual landfill closure and postclosure care funding sources and expenditures as they are incurred. Expenditures to date of \$2,405,129 were paid for landfill closure projects. Based on the City’s current landfill closure financial strategy, \$2.4 million in Certificates of Obligation will be issued to finance the one time closure cost and the on-going post closure care will be paid from operating funds.

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

**M. Contingent Liabilities**

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

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

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

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

**N. GHFC Primrose at Crist Project**

On January 17, 2005, GHFC entered an agreement with Southwest Housing Development Company, Inc., to create a partnership to construct and operate a 204-unit rental residential development for seniors to be known as Primrose at Crist located in the City. The partnership of TX Crist Housing LLP consists of TX Crist GP LLC, Wachovia Affordable Housing Community Development Corporation a Limited Investment Partner and TX Crist Development, SLP, LLC.

GHFC owns 100% of TX Crist GP LLC, and appoints the president and treasurer (officers) of this limited liability corporation. GHFC issued Conduit Debt amounting to \$13,800,000 of variable rate multifamily housing revenue bonds (Primrose at Crist Apartments Project) for the benefit of TX Crist Housing LLP (the bond borrower). GHFC will receive an annual issuer fee of 0.1% of the outstanding variable rate multifamily housing revenue bonds that were issued for TX Crist Housing LLP the bond borrower.

On the closing date of the GHFC Variable Rate Multifamily Housing Revenue, the land for the project was purchased and titled to GHFC. The land and future improvement have been mortgaged to secure repayment to the lender of the GHFC Multifamily notes. In addition, the land was leased to TX Crist Housing LLP over the next 40 years for \$900,000. GHFC reported this land lease transaction as Land \$900,000, deferred revenue of \$888,750, and rent revenue of \$11,250 on their financial statements. The remaining deferred revenue will be amortized over the next 39.5 years as rent revenue.

According to the Primrose at Crist Master Agreement TX Crist GP LLC will receive a developer fee that could amount to \$500,000. After the developers' fee is paid TX Crist GP LLC shall be entitled to receive from net operating cash flow after a \$10,000 asset management fee is paid, any tax credit shortfalls are paid, any operating deficit loans are paid, and any subordinated property management fees are paid, a cumulative fee equal to 2% of gross collected rent. The officers of TX Crist GP LLC will issue annual dividends to GHFC based on the net revenues and expenses of the limited liability corporation. In addition, TX Crist GP LLC owns 0.01% of TX Crist Housing LLP. This equity ownership amounts to less than \$10,000 and is not material to the financial operation of GHFC.

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

Wachovia Affordable Housing Community Development Corporation owns 99.99% of TX Crist Housing LLP. Neither GHFC nor TX Crist GP LLC exercises any control over TX Crist Housing LLP. TX Crist Housing LLP is the borrower of the \$13,800,000 variable rate multifamily housing revenue bonds issued by GHFC. In addition TX Crist Housing LLP is responsible for the apartment project construction and apartment management. TX Crist Housing LLP is responsible for paying the developer fees, the 0.01% issuer fee, and the 2% gross collected rent.

The financial statements for TX Crist GP LLC are blended with the GHFC financial statements as a component unit since GHFC exercises significant financial control over TX Crist GP LLC. The financial statements for TX Crist Housing LLP are not included with neither TX Crist GP LLC nor GHFC financial statements because neither entity exercises control over TX Crist Housing LLP.

**GARLAND**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor, Members of the City Council and City Manager  
City of Garland, Texas

We have audited the basic financial statements of the City of Garland, Texas (the "City") as of and for the year ended September 30, 2005 and have issued our report thereon dated February 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal controls over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated February 24, 2006.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Mayor, City Council members, City management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

February 24, 2006

**GARLAND**

City of Garland, Texas  
 Nonmajor Governmental Funds  
 Balance Sheet  
 September 30, 2005

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Village of Eastgate	Bass Pro TIF	Total Other Governmental Funds
<b>Assets</b>															
Cash and cash equivalents	\$ 530	\$ 72,775	\$ 182,432	\$ -	\$ 1,279,305	\$ 143,056	\$ 275,140	\$ 500	\$ 90,548	\$ 307,241	\$ 304,939	\$ 14,450	\$ 931,370	\$ 1,761,331	\$ 5,363,617
Investments	1,654	227,430	567,457	-	3,997,926	446,124	859,834	-	-	960,151	406,258	45,157	1,364,615	-	8,876,606
Receivables:															
Accrued interest	120	1,726	4,628	-	34,631	4,354	7,704	-	387	7,555	3,266	355	-	-	64,726
Assessments	-	-	-	-	-	17,548	-	-	-	-	-	-	-	-	17,548
Other	-	-	8,071	6,632	-	-	-	-	-	-	-	-	-	-	14,703
Due from other governments	1,096,854	-	52,349	-	-	-	-	575,489	529,123	-	-	-	-	-	2,253,815
Due from other funds	-	-	-	-	-	252	-	-	-	-	-	-	-	-	252
Prepaid items	-	945,533	-	-	-	-	-	-	-	-	-	-	-	-	945,533
<b>Total Current Assets</b>	<b>1,099,158</b>	<b>1,247,464</b>	<b>814,937</b>	<b>6,632</b>	<b>5,311,862</b>	<b>611,334</b>	<b>1,142,678</b>	<b>575,989</b>	<b>620,058</b>	<b>1,274,947</b>	<b>714,463</b>	<b>59,962</b>	<b>2,295,985</b>	<b>1,761,331</b>	<b>17,536,800</b>
<b>Restricted assets:</b>															
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Restricted Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 1,099,158</b>	<b>\$ 1,247,464</b>	<b>\$ 814,937</b>	<b>\$ 6,632</b>	<b>\$ 5,311,862</b>	<b>\$ 611,334</b>	<b>\$ 1,142,678</b>	<b>\$ 575,989</b>	<b>\$ 620,058</b>	<b>\$ 1,274,947</b>	<b>\$ 714,463</b>	<b>\$ 59,962</b>	<b>\$ 2,295,985</b>	<b>\$ 1,761,331</b>	<b>\$ 17,536,800</b>
<b>LIABILITIES</b>															
<b>Current liabilities:</b>															
Accounts payable	241,026	407,157	174,221	64,529	-	188,980	(1)	66,175	98,078	-	4,111	-	51,534	-	\$ 1,295,810
Due to other funds	814,587	-	-	185,519	-	-	-	543,955	111,502	-	-	-	-	116,714	1,772,277
Escrow payable	-	-	-	-	-	-	-	-	-	-	174,940	-	-	-	174,940
Deferred revenues	-	840,307	125,227	-	-	30,499	-	-	474,518	-	-	-	-	-	1,470,551
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	-	482,985	-	482,985
<b>Total Liabilities</b>	<b>1,055,613</b>	<b>1,247,464</b>	<b>299,448</b>	<b>250,048</b>	<b>-</b>	<b>219,479</b>	<b>(1)</b>	<b>610,130</b>	<b>684,098</b>	<b>-</b>	<b>179,051</b>	<b>-</b>	<b>534,519</b>	<b>116,714</b>	<b>5,196,563</b>
<b>FUND BALANCES</b>															
<b>Reserved for:</b>															
Construction	-	-	-	-	5,311,862	-	-	-	-	1,274,947	-	-	-	-	6,586,809
Unreserved	43,545	-	515,489	(243,416)	-	391,855	1,142,679	(34,141)	(64,040)	-	535,412	59,962	1,761,466	1,644,617	5,753,428
<b>Total fund balances</b>	<b>43,545</b>	<b>-</b>	<b>515,489</b>	<b>(243,416)</b>	<b>5,311,862</b>	<b>391,855</b>	<b>1,142,679</b>	<b>(34,141)</b>	<b>(64,040)</b>	<b>1,274,947</b>	<b>535,412</b>	<b>59,962</b>	<b>1,761,466</b>	<b>1,644,617</b>	<b>12,340,237</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,099,158</b>	<b>\$ 1,247,464</b>	<b>\$ 814,937</b>	<b>\$ 6,632</b>	<b>\$ 5,311,862</b>	<b>\$ 611,334</b>	<b>\$ 1,142,678</b>	<b>\$ 575,989</b>	<b>\$ 620,058</b>	<b>\$ 1,274,947</b>	<b>\$ 714,463</b>	<b>\$ 59,962</b>	<b>\$ 2,295,985</b>	<b>\$ 1,761,331</b>	<b>\$ 17,536,800</b>

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

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Village of Eastgate	Bass Pro TIF	Total Other Governmental Funds
<b>REVENUES:</b>															
Taxes	\$ -	\$ -	\$ -	\$ 417,034	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 417,034
Rent	-	-	-	-	-	-	-	-	-	-	-	-	13,275	-	13,275
Earnings on investments	1,439	2,606	19,766	-	115,582	41,504	31,472	-	7,340	25,608	11,862	1,189	4,510	55,979	318,857
Intergovernmental	2,394,121	11,239,817	1,014,582	-	-	-	-	1,400,539	1,230,548	-	-	-	-	-	17,279,607
Assessments	-	-	-	-	-	14,771	-	-	-	-	-	-	-	-	14,771
Impact Fees	-	-	-	-	558,677	-	-	-	-	-	-	-	-	-	558,677
Contributions	-	-	-	-	-	-	-	-	-	-	-	2,183	1,244	-	3,427
Program income	153,846	-	341,194	-	-	-	-	-	36,230	-	-	-	-	-	531,270
Special event income	-	-	-	434,879	-	-	-	-	-	-	-	-	-	-	434,879
Awards	-	-	-	-	-	-	-	-	-	-	93,334	-	-	-	93,334
Miscellaneous and other	-	1,695,501	200,605	5,933	-	85,225	-	2,060	48,614	-	-	-	2,247	-	2,040,185
<b>Total Revenues</b>	<b>2,549,406</b>	<b>12,937,924</b>	<b>1,576,147</b>	<b>857,846</b>	<b>674,259</b>	<b>141,500</b>	<b>31,472</b>	<b>1,402,599</b>	<b>1,322,732</b>	<b>25,608</b>	<b>105,196</b>	<b>3,372</b>	<b>21,276</b>	<b>55,979</b>	<b>21,705,316</b>
<b>EXPENDITURES:</b>															
Current:															
Operations	1,213,930	12,937,924	2,144,412	717,628	-	6,176,047	(47)	1,435,171	600,536	-	72,087	-	1,428,255	116,714	26,842,657
Capital outlay	1,278,080	-	-	-	-	-	393,648	-	814,786	-	-	328	-	-	2,486,842
<b>Total Expenditures</b>	<b>2,492,010</b>	<b>12,937,924</b>	<b>2,144,412</b>	<b>717,628</b>	<b>-</b>	<b>6,176,047</b>	<b>393,601</b>	<b>1,435,171</b>	<b>1,415,322</b>	<b>-</b>	<b>72,087</b>	<b>328</b>	<b>1,428,255</b>	<b>116,714</b>	<b>29,329,499</b>
Excess (deficiency) of revenues over (under) expenditures	57,396	-	(568,265)	140,218	674,259	(6,034,547)	(362,129)	(32,572)	(92,590)	25,608	33,109	3,044	(1,406,979)	(60,735)	(7,624,183)
<b>OTHER FINANCING SOURCES (USES):</b>															
Transfers in	-	-	73,456	-	-	5,256,405	-	-	-	-	-	-	-	-	5,329,861
Transfers out	-	-	-	-	(605,000)	(10,822)	-	-	-	-	-	-	-	-	(615,822)
Proceeds of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	1,705,352	1,705,352
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>73,456</b>	<b>-</b>	<b>(605,000)</b>	<b>5,245,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,705,352</b>	<b>6,419,391</b>
Net change in fund balances	57,396	-	(494,809)	140,218	69,259	(788,964)	(362,129)	(32,572)	(92,590)	25,608	33,109	3,044	(1,406,979)	1,644,617	(1,204,792)
Fund balances - beginning	(13,851)	-	1,010,298	(383,634)	5,242,603	1,180,819	1,504,808	(1,569)	28,550	1,249,339	502,303	56,918	3,168,445	-	13,545,029
<b>Fund balances - ending</b>	<b>\$ 43,545</b>	<b>\$ -</b>	<b>\$ 515,489</b>	<b>\$ (243,416)</b>	<b>\$ 5,311,862</b>	<b>\$ 391,855</b>	<b>\$ 1,142,679</b>	<b>\$ (34,141)</b>	<b>\$ (64,040)</b>	<b>\$ 1,274,947</b>	<b>\$ 535,412</b>	<b>\$ 59,962</b>	<b>\$ 1,761,466</b>	<b>\$ 1,644,617</b>	<b>\$ 12,340,237</b>

**City of Garland, Texas**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended September 30, 2005**

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	\$ 25,560,100	\$ 25,716,460	\$ 25,765,329	\$ 48,869
Earnings on investments	44,000	166,000	200,259	34,259
Total Revenues	<u>25,604,100</u>	<u>25,882,460</u>	<u>25,965,588</u>	<u>83,128</u>
Expenditures:				
Principal retirement	12,705,897	12,064,581	12,018,720	45,861
Interest	8,590,914	8,719,652	8,684,030	35,622
Tri City Academy	73,994	73,994	12,721	61,273
Fiscal charges and other	175,635	131,635	161,471	(29,836)
Total Expenditures	<u>21,546,440</u>	<u>20,989,862</u>	<u>20,876,942</u>	<u>112,920</u>
Excess (deficiency) of revenues over expenditures	<u>4,057,660</u>	<u>4,892,598</u>	<u>5,088,646</u>	<u>196,048</u>
Other financing sources:				
Transfers in	282,808	342,489	342,489	
Transfers out	<u>(4,282,808)</u>	<u>(4,342,489)</u>	<u>(4,000,000)</u>	<u>(342,489)</u>
Total other financing sources	<u>(4,000,000)</u>	<u>(4,000,000)</u>	<u>(3,657,511)</u>	<u>(342,489)</u>
Net change in fund balances	57,660	892,598	1,431,135	(146,441)
Fund balance, beginning of year	<u>1,314,659</u>	<u>1,314,659</u>	<u>1,314,659</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,372,319</u>	<u>\$ 2,207,257</u>	<u>\$ 2,745,794</u>	<u>\$ (146,441)</u>

**City of Garland, Texas**  
**Hotel/Motel, Infrastructure Repair, and Narcotic Seizure Funds**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended September 30, 2005**

	<b>Hotel/Motel Tax</b>				<b>Infrastructure Repair</b>				<b>Narcotic Seizure</b>			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>												
Occupancy taxes	\$ 424,992	\$ 425,884	\$ 417,034	\$ (8,850)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	57,000	45,000	41,504	(3,496)	3,280	3,280	11,862	8,582
Assessments	-	-	-	-	-	-	14,771	14,771	-	-	-	-
Contributions	125,000	120,000	136,029	16,029	-	-	-	-	41,285	41,285	-	(41,285)
Special event income	285,050	279,825	298,850	19,025	-	-	-	-	-	-	-	-
Miscellaneous and other	5,000	5,000	5,933	933	10,000	10,000	85,225	75,225	-	-	93,334	93,334
<b>Total revenues</b>	<b>840,042</b>	<b>830,709</b>	<b>857,846</b>	<b>27,137</b>	<b>67,000</b>	<b>55,000</b>	<b>141,500</b>	<b>86,500</b>	<b>44,565</b>	<b>44,565</b>	<b>105,196</b>	<b>60,631</b>
<b>Expenditures:</b>												
<b>Current:</b>												
Operations	765,153	770,158	717,628	52,530	6,087,880	6,086,000	6,176,047	(90,047)	-	-	72,087	(72,087)
<b>Total expenditures</b>	<b>765,153</b>	<b>770,158</b>	<b>717,628</b>	<b>52,530</b>	<b>6,087,880</b>	<b>6,086,000</b>	<b>6,176,047</b>	<b>(90,047)</b>	<b>-</b>	<b>-</b>	<b>72,087</b>	<b>(72,087)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>74,889</b>	<b>60,551</b>	<b>140,218</b>	<b>79,667</b>	<b>(6,020,880)</b>	<b>(6,031,000)</b>	<b>(6,034,547)</b>	<b>(3,547)</b>	<b>44,565</b>	<b>44,565</b>	<b>33,109</b>	<b>(11,456)</b>
<b>Other financing sources:</b>												
Transfers in	-	-	-	-	5,256,405	5,256,405	5,256,405	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(10,822)	(10,822)	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,256,405</b>	<b>5,256,405</b>	<b>5,245,583</b>	<b>(10,822)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>74,889</b>	<b>60,551</b>	<b>140,218</b>	<b>79,667</b>	<b>(764,475)</b>	<b>(774,595)</b>	<b>(788,964)</b>	<b>(14,369)</b>	<b>44,565</b>	<b>44,565</b>	<b>33,109</b>	<b>(11,456)</b>
<b>Fund balances (deficit), beginning of year</b>	<b>(383,634)</b>	<b>(383,634)</b>	<b>(383,634)</b>	<b>-</b>	<b>1,180,819</b>	<b>1,180,819</b>	<b>1,180,819</b>	<b>-</b>	<b>502,303</b>	<b>502,303</b>	<b>502,303</b>	<b>-</b>
<b>Fund balances (deficit), end of year</b>	<b>\$(308,745)</b>	<b>\$(323,083)</b>	<b>\$(243,416)</b>	<b>\$ 79,667</b>	<b>\$ 416,344</b>	<b>\$ 406,224</b>	<b>\$ 391,855</b>	<b>\$(14,369)</b>	<b>\$ 546,868</b>	<b>\$ 546,868</b>	<b>\$ 535,412</b>	<b>\$(11,456)</b>

City of Garland, Texas  
Nonmajor Enterprise Funds  
Statement of Net Assets  
September 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>					<b>Total Other Enterprise Funds</b>
	<b>Golf</b>	<b>Heliport</b>	<b>Storm Water Management</b>	<b>Parks Performance</b>	<b>Sanitation</b>	
<b>ASSETS</b>						
<b>Current assets:</b>						
<i>Unrestricted</i>						
Cash and cash equivalents	\$ -	\$ 29,488	\$ 149,681	\$ 62,722	\$ 198,244	\$ 440,135
Investments	-	92,153	467,764	196,010	618,591	1,374,518
Receivable, net of allowance	119,423	-	277,446	-	1,284,739	1,681,608
Accrued interest	-	722	3,501	1,444	5,335	11,002
<i>Restricted assets</i>						
Construction funds:						
Cash and cash equivalents	28,462	-	-	-	66,932	95,394
Investments	88,947	-	-	-	209,170	298,117
Accrued interest	718	-	-	-	1,702	2,420
<b>Total current assets</b>	<u>237,550</u>	<u>122,363</u>	<u>898,392</u>	<u>260,176</u>	<u>2,384,713</u>	<u>3,903,194</u>
<b>Capital Assets</b>						
Land	9,111,400	1,776,208	-	-	298,936	11,186,544
System	12,804,155	719,149	3,248,281	171,570	5,997,351	22,940,506
Construction in progress	9,008	-	-	-	( 1,937)	7,071
Less accumulated depreciation	<u>( 3,024,720)</u>	<u>( 471,800)</u>	<u>( 1,624,920)</u>	<u>( 129,253)</u>	<u>( 3,858,486)</u>	<u>( 9,109,179)</u>
<b>Net capital assets</b>	<u>18,899,843</u>	<u>2,023,557</u>	<u>1,623,361</u>	<u>42,317</u>	<u>2,435,864</u>	<u>25,024,942</u>
<b>Total assets</b>	<u>\$ 19,137,393</u>	<u>\$ 2,145,920</u>	<u>\$ 2,521,753</u>	<u>\$ 302,493</u>	<u>\$ 4,820,577</u>	<u>\$ 28,928,136</u>

City of Garland, Texas  
Nonmajor Enterprise Funds  
Statement of Net Assets  
September 30, 2005

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Total Other Enterprise Funds</b>
	<b>Golf</b>	<b>Heliport</b>	<b>Storm Water Management</b>	<b>Parks Performance</b>	<b>Sanitation</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
<i>Payable from current assets</i>						
Accounts payable	\$ 60,763	\$ -	\$ 90,398	\$ 9,713	\$ 192,880	\$ 353,754
Accrued certificates of obligation interest	-	-	-	-	11,428	11,428
Certificates of obligation	-	-	-	-	387,836	387,836
Due to other funds	1,491,050	-	-	-	-	1,491,050
Compensated absences	96,622	-	49,432	-	204,275	350,329
<i>Total payable from current assets</i>	<u>1,648,435</u>	<u>-</u>	<u>139,830</u>	<u>9,713</u>	<u>796,419</u>	<u>2,594,397</u>
<b>Total current liabilities</b>	<u>1,648,435</u>	<u>-</u>	<u>139,830</u>	<u>9,713</u>	<u>796,419</u>	<u>2,594,397</u>
<b>Long-term Liabilities</b>						
Advance from other funds	91,917	-	-	-	-	91,917
Certificates of obligation	-	-	-	-	1,001,561	1,001,561
Unamortized bond issue cost	-	-	-	-	8,099	8,099
<b>Total long-term liabilities</b>	<u>91,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,009,660</u>	<u>1,101,577</u>
<b>Total Liabilities</b>	<u>1,740,352</u>	<u>-</u>	<u>139,830</u>	<u>9,713</u>	<u>1,806,079</u>	<u>3,695,974</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	19,017,970	2,023,557	1,623,361	42,317	1,316,172	24,023,377
Unrestricted	( 1,620,929)	122,363	758,562	250,463	1,698,326	1,208,785
<b>Total net assets</b>	<u>\$ 17,397,041</u>	<u>\$ 2,145,920</u>	<u>\$ 2,381,923</u>	<u>\$ 292,780</u>	<u>\$ 3,014,498</u>	<u>\$ 25,232,162</u>

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

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Total Other Enterprise Funds</b>
	<b>Golf</b>	<b>Heliport</b>	<b>Storm Water Management</b>	<b>Parks Performance</b>	<b>Sanitation</b>	
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 2,133,498	\$ 6,000	\$ 3,088,386	\$ 838,064	\$ 13,159,315	\$ 19,225,263
Other	7,373	-	33,357	25,000	( 4,594)	61,136
<b>Total Operating Revenues</b>	<u>2,140,871</u>	<u>6,000</u>	<u>3,121,743</u>	<u>863,064</u>	<u>13,154,721</u>	<u>19,286,399</u>
<b>OPERATING EXPENSES:</b>						
Salaries and benefits	1,657,353	-	1,443,519	100,552	4,102,637	7,304,061
Landfill fees	-	-	-	-	3,281,025	3,281,025
Maintenance, repairs, and supplies	591,280	-	1,050,165	625,288	4,352,277	6,619,010
Bad debt expense	-	-	23,337	-	147,717	171,054
Insurance and other expenses	-	-	-	-	263,548	263,548
General and administrative	-	458	220,167	13,267	397,119	631,011
Total Operating expenses before depreciation	<u>2,248,633</u>	<u>458</u>	<u>2,737,188</u>	<u>739,107</u>	<u>12,544,323</u>	<u>18,269,709</u>
Depreciation	<u>537,957</u>	<u>28,122</u>	<u>224,560</u>	<u>10,675</u>	<u>688,199</u>	<u>1,489,513</u>
<b>Total Operating Income (Loss)</b>	<u>( 645,719)</u>	<u>( 22,580)</u>	<u>159,995</u>	<u>113,282</u>	<u>( 77,801)</u>	<u>( 472,823)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Earnings from investments:						
Current operations	-	2,385	10,160	3,655	19,422	35,622
Construction fund	3,153	-	-	-	6,346	9,499
Total earnings on investments	<u>3,153</u>	<u>2,385</u>	<u>10,160</u>	<u>3,655</u>	<u>25,768</u>	<u>45,121</u>

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

	<u>Business-Type Activities - Enterprise Funds</u>					<b>Total Other Enterprise Funds</b>
	<b>Golf</b>	<b>Heliport</b>	<b>Storm Water Management</b>	<b>Parks Performance</b>	<b>Sanitation</b>	
Interest expense:						
Certificates of obligation	( 10,123)	-	-	-	( 66,963)	( 77,086)
General obligation bonds	-	-	-	-	( 4,504)	( 4,504)
Total interest expense	<u>( 10,123)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 71,467)</u>	<u>( 81,590)</u>
<b>Income (loss) before operating transfers</b>	<u>( 652,689)</u>	<u>( 20,195)</u>	<u>170,155</u>	<u>116,937</u>	<u>( 123,500)</u>	<u>( 509,292)</u>
<b>TRANSFERS</b>						
Transfers out	-	-	( 8,353)	( 80,000)	( 83,214)	( 171,567)
<b>Net nonoperating revenues (expenses)</b>	<u>-</u>	<u>-</u>	<u>( 8,353)</u>	<u>( 80,000)</u>	<u>( 83,214)</u>	<u>( 171,567)</u>
<b>NET INCOME (LOSS)</b>	<u>(652,689)</u>	<u>(20,195)</u>	<u>161,802</u>	<u>36,937</u>	<u>(206,714)</u>	<u>(680,859)</u>
Net assets, beginning of year	<u>18,049,730</u>	<u>2,166,115</u>	<u>2,220,121</u>	<u>255,843</u>	<u>3,221,212</u>	<u>25,913,021</u>
<b>Net assets, end of year</b>	<u><u>\$ 17,397,041</u></u>	<u><u>\$ 2,145,920</u></u>	<u><u>\$ 2,381,923</u></u>	<u><u>\$ 292,780</u></u>	<u><u>\$ 3,014,498</u></u>	<u><u>\$ 25,232,162</u></u>

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

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 2,135,124	\$ 6,000	\$ 3,095,601	\$ 863,064	\$ 13,179,710	\$ 19,279,499
Cash payments for goods and services	(600,600)	(458)	(1,251,959)	(744,903)	(8,449,302)	(11,047,222)
Cash payments to employees for services	(1,722,856)	-	(1,475,790)	-	(4,222,224)	(7,420,870)
Other operating revenues	-	-	33,357	-	47,689	81,046
<b>Net cash provided (used for) by operating activities</b>	<u>(188,332)</u>	<u>5,542</u>	<u>401,209</u>	<u>118,161</u>	<u>555,873</u>	<u>892,453</u>
<b>Cash flows from non-capital financing activities:</b>						
Due to other governments - (decrease)	-	-	-	-	(1,963)	(1,963)
Due to other funds - (decrease)	209,166	-	-	-	-	209,166
Transfers out	-	-	(8,353)	(80,000)	(83,214)	(171,567)
<b>Net cash provided by (used for) non-capital financing activities</b>	<u>209,166</u>	<u>-</u>	<u>(8,353)</u>	<u>(80,000)</u>	<u>(85,177)</u>	<u>35,636</u>
<b>Cash flows from capital and financing activities:</b>						
Certificate of obligation issues	-	-	-	-	175,000	175,000
Premium from the sale of certificates of obligation	-	-	-	-	5,000	5,000
Acquisition of capital assets	(50,701)	-	(154,881)	(8,493)	(295,630)	(509,705)
Principal paid on certificates of obligation	-	-	-	-	(416,407)	(416,407)
Decrease in advance from other funds	(18,083)	-	-	-	-	(18,083)
Interest paid on certificates of obligation	-	-	-	-	(69,426)	(69,426)
Interest paid on general obligation bonds	-	-	-	-	(4,504)	(4,504)
Interest paid on advances from other funds	(10,123)	-	-	-	-	(10,123)
Proceeds from sale of fixed assets	7,373	-	19,600	-	-	26,972
<b>Net cash provided by (used for) financing activities</b>	<u>(71,534)</u>	<u>-</u>	<u>(135,281)</u>	<u>(8,493)</u>	<u>(605,967)</u>	<u>(821,276)</u>
<b>Cash flows from investing activities:</b>						
Purchase of investment securities	(7,654)	(13,233)	(226,350)	(39,848)	(71,233)	(358,318)
Proceeds from the sale and maturity of investment securities	36,252	2,366	7,983	5,064	98,453	150,118
Interest received on investments	3,250	2,093	8,293	2,940	28,774	45,350
<b>Net cash provided by (used for) investing activities</b>	<u>31,848</u>	<u>(8,774)</u>	<u>(210,074)</u>	<u>(31,844)</u>	<u>55,994</u>	<u>(162,850)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(18,853)	(3,232)	47,501	(2,176)	(79,277)	(56,037)
<b>Cash and cash equivalents at beginning of year</b>	47,315	32,720	102,180	64,898	344,453	591,566
<b>Cash and cash equivalents at end of year</b>	<u>\$ 28,462</u>	<u>\$ 29,488</u>	<u>\$ 149,681</u>	<u>\$ 62,722</u>	<u>\$ 265,176</u>	<u>\$ 535,529</u>

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

	<b>Golf</b>	<b>Heliport</b>	<b>Storm Water Management</b>	<b>Parks Performance</b>	<b>Sanitation</b>	<b>Total Other Enterprise Funds</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
<b>Operating income (loss)</b>	\$ (645,719)	\$ (22,580)	\$ 159,995	\$ 113,282	\$ (77,801)	\$ (472,823)
<b>Adjustments:</b>						
Depreciation	537,957	28,122	224,560	10,675	688,199	1,489,513
Bad debt expense	-	-	-	-	(5,621)	(5,621)
Gain on sale of assets	(7,373)	-	-	-	52,282	44,910
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	1,626	-	7,215	-	26,016	34,857
Increase (decrease) in accounts payable	(72,275)	-	(2,231)	(5,796)	(139,158)	(219,460)
Increase (decrease) in compensated absences	(2,548)	-	11,670	-	11,955	21,077
Total adjustments	<u>457,387</u>	<u>28,122</u>	<u>241,214</u>	<u>4,879</u>	<u>633,673</u>	<u>1,365,276</u>
<b>Net cash provided by (used for) operating activities</b>	<u>\$ (188,332)</u>	<u>\$ 5,542</u>	<u>\$ 401,209</u>	<u>\$ 118,161</u>	<u>\$ 555,872</u>	<u>\$ 892,453</u>

City of Garland, Texas  
Internal Service Funds  
Statement of Net Assets  
September 30, 2005

	Group Health	Self Insurance	LTD Insurance	Print Shop	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
<b>ASSETS</b>											
<b>Current assets:</b>											
<i>Unrestricted</i>											
Cash and cash equivalents	\$ 485,435	\$ 744,787	\$ 132,969	\$ 13,557	\$ 200	\$ 1,651,197	\$ 780,366	\$ 104,402	\$ -	\$ 1,587,846	\$ 5,500,759
Investments	1,517,021	2,327,519	415,540	42,366	-	5,160,122	2,438,706	326,262	-	4,895,751	17,123,287
Accrued interest	14,574	17,453	3,324	218	-	38,861	20,312	3,317	1	44,321	142,381
Other Receivables	-	-	-	-	-	-	-	2,432	-	329,001	331,433
Due from other funds	-	-	-	-	283,577	-	71,275	-	-	4,579	359,431
Inventories	-	-	-	-	261,519	-	-	-	3,124,021	-	3,385,540
<i>Restricted assets</i>											
Construction funds:											
Cash and cash equivalents	-	-	-	-	7,666	-	455,779	-	1,151	327,464	792,060
Investments	-	-	-	-	23,956	-	1,424,348	-	3,598	1,023,354	2,475,256
Accrued interest	-	-	-	-	189	-	11,663	-	28	-	11,880
Total construction funds	-	-	-	-	31,811	-	1,891,790	-	4,777	1,350,818	3,279,196
<b>Total current assets</b>	<b>2,017,030</b>	<b>3,089,759</b>	<b>551,833</b>	<b>56,141</b>	<b>577,107</b>	<b>6,850,180</b>	<b>5,202,449</b>	<b>436,413</b>	<b>3,128,799</b>	<b>8,212,316</b>	<b>30,122,027</b>
<b>Capital assets</b>											
System	21,834	46,918	-	301,757	2,322,069	21,820,407	21,140,315	336,170	179,483	854,122	47,023,075
Construction in progress	-	-	-	-	(8)	-	5,926,680	-	(289)	51,294	5,977,677
Less accumulated depreciation	(1,365)	(45,115)	-	(294,261)	(1,218,465)	(14,925,130)	(16,090,390)	(306,038)	(87,746)	(505,680)	(33,474,190)
<b>Net capital assets</b>	<b>20,469</b>	<b>1,803</b>	<b>-</b>	<b>7,496</b>	<b>1,103,596</b>	<b>6,895,277</b>	<b>10,976,605</b>	<b>30,132</b>	<b>91,448</b>	<b>399,736</b>	<b>19,526,562</b>
<b>Total assets</b>	<b>2,037,499</b>	<b>3,091,562</b>	<b>551,833</b>	<b>63,637</b>	<b>1,680,703</b>	<b>13,745,457</b>	<b>16,179,054</b>	<b>466,545</b>	<b>3,220,247</b>	<b>8,612,052</b>	<b>49,648,589</b>
<b>LIABILITIES</b>											
<b>Current Liabilities:</b>											
<i>Payable from current assets</i>											
Accounts payable	523,000	126,196	-	13,217	670,302	630,259	946,280	77,512	489,143	387,300	3,863,209
Accrued interest	-	-	-	-	1,935	-	22,175	-	391	37,421	61,922
Customer deposits	-	-	-	-	-	-	-	-	-	6,330,466	6,330,466
Retainage payable	-	-	-	-	-	-	176,857	-	-	-	176,857
Due to other funds	-	-	-	-	1,062,436	-	-	-	362,013	-	1,424,449
Compensated absences	8,191	35,843	-	-	84,505	-	247,900	92,226	22,704	177,399	668,768
Insurance claims payable	2,892,480	-	-	-	-	-	-	-	-	-	2,892,480
Certificates of obligation	-	-	-	-	95,605	-	370,000	-	2,744	20,000	488,349
<b>Total Current Liabilities</b>	<b>3,423,671</b>	<b>162,039</b>	<b>-</b>	<b>13,217</b>	<b>1,914,783</b>	<b>630,259</b>	<b>1,763,212</b>	<b>169,738</b>	<b>876,995</b>	<b>6,952,586</b>	<b>15,906,500</b>
<b>Long-term Liabilities:</b>											
Advances from other funds	-	-	-	-	-	-	-	-	2,144,799	-	2,144,799
Certificates of obligation	-	-	-	-	225,080	-	1,340,000	-	61,291	1,390,000	3,016,371
Unamortized bond interest	-	-	-	-	-	-	353,425	-	-	63,104	416,529
Insurance claims payable	-	6,100,195	3,155,212	-	-	-	-	-	-	-	9,255,407
<b>Total Long-term Liabilities</b>	<b>-</b>	<b>6,100,195</b>	<b>3,155,212</b>	<b>-</b>	<b>225,080</b>	<b>-</b>	<b>1,693,425</b>	<b>-</b>	<b>2,206,090</b>	<b>1,453,104</b>	<b>14,833,106</b>
<b>Total Liabilities</b>	<b>3,423,671</b>	<b>6,262,234</b>	<b>3,155,212</b>	<b>13,217</b>	<b>2,139,863</b>	<b>630,259</b>	<b>3,456,637</b>	<b>169,738</b>	<b>3,083,085</b>	<b>8,405,690</b>	<b>30,739,606</b>
<b>NET ASSETS</b>											
Invested in capital assets, net of related debt	20,469	1,803	-	7,496	814,722	6,895,277	10,804,970	30,132	32,190	277,450	18,884,509
Unrestricted	(1,406,641)	(3,172,475)	(2,603,379)	42,924	(1,273,882)	6,219,921	1,917,447	266,675	104,972	(71,088)	24,474
<b>Total net assets (liabilities)</b>	<b>\$ (1,386,172)</b>	<b>\$ (3,170,672)</b>	<b>\$ (2,603,379)</b>	<b>\$ 50,420</b>	<b>\$ (459,160)</b>	<b>\$ 13,115,198</b>	<b>\$ 12,722,417</b>	<b>\$ 296,807</b>	<b>\$ 137,162</b>	<b>\$ 206,362</b>	<b>\$ 18,908,983</b>

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

	Group Health	Self Insurance	LTD Insurance	Print Shop	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
<b>OPERATING REVENUES:</b>											
Charges for services	\$ -	\$ -	\$ -	\$ 275,269	\$ 7,807,550	\$ 3,266,062	\$ 8,196,835	\$ 4,596,494	\$ 938,406	\$ 7,476,371	\$ 32,556,987
Premiums	17,894,396	5,457,608	391,423	-	-	-	-	-	-	-	23,743,427
Other	642,154	70,686	-	24,692	546,320	144,916	42,240	(2,272)	-	198,146	1,666,882
<b>Total Operating Revenues</b>	<b>18,536,550</b>	<b>5,528,294</b>	<b>391,423</b>	<b>299,961</b>	<b>8,353,870</b>	<b>3,410,978</b>	<b>8,239,075</b>	<b>4,594,222</b>	<b>938,406</b>	<b>7,674,517</b>	<b>57,967,296</b>
<b>OPERATING EXPENSES:</b>											
Salaries and benefits	232,307	501,910	-	149,130	1,756,064	-	4,368,397	1,626,314	394,624	4,461,596	13,490,342
Maintenance, repairs, and supplies	147,834	158,480	-	185,743	6,142,183	-	5,689,002	2,851,233	263,914	2,183,159	17,621,548
Premiums	5,433,797	1,241,342	-	-	-	-	-	-	-	-	6,675,139
Claims	11,569,918	3,396,491	510,803	-	-	-	-	-	-	-	15,477,212
Insurance claims payable - increase (decrease)	(103,574)	-	-	-	-	-	-	-	-	-	(103,574)
Administrative services	480,594	53,619	-	-	-	-	-	-	-	-	534,213
Bad Debt Expense	-	-	-	-	-	-	-	-	-	248,801	248,801
General and administrative	-	-	-	-	-	-	488,409	254,915	60,646	510,319	1,314,289
Total Operating expenses before depreciation	17,760,876	5,351,842	510,803	334,873	7,898,247	-	10,545,808	4,732,462	719,184	7,403,875	55,257,970
<b>Operating income (loss) before depreciation</b>	<b>775,674</b>	<b>176,452</b>	<b>(119,380)</b>	<b>(34,912)</b>	<b>455,623</b>	<b>3,410,978</b>	<b>(2,306,733)</b>	<b>(138,240)</b>	<b>219,222</b>	<b>270,642</b>	<b>2,709,326</b>
Depreciation	1,365	530	-	4,998	99,865	2,960,922	1,678,119	11,200	10,869	77,809	4,845,677
<b>Total Operating Income (Loss)</b>	<b>774,309</b>	<b>175,922</b>	<b>(119,380)</b>	<b>(39,910)</b>	<b>355,758</b>	<b>450,056</b>	<b>(3,984,852)</b>	<b>(149,440)</b>	<b>208,353</b>	<b>192,833</b>	<b>(2,136,351)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>											
Earnings from investments:											
Current operations	50,862	49,489	12,185	1,312	(203)	126,632	88,859	13,844	(21)	106,664	449,623
Construction fund	-	-	-	-	845	-	49,211	-	127	21,360	71,543
Interest expense	-	-	-	-	(20,292)	-	(4,710)	-	(3,170)	(38,627)	(66,799)
<b>Total nonoperating revenues (expenses)</b>	<b>50,862</b>	<b>49,489</b>	<b>12,185</b>	<b>1,312</b>	<b>(19,650)</b>	<b>126,632</b>	<b>133,360</b>	<b>13,844</b>	<b>(3,064)</b>	<b>89,397</b>	<b>454,367</b>
<b>Income (loss) before transfers</b>	<b>825,171</b>	<b>225,411</b>	<b>(107,195)</b>	<b>(38,598)</b>	<b>336,108</b>	<b>576,688</b>	<b>(3,851,492)</b>	<b>(135,596)</b>	<b>205,289</b>	<b>282,230</b>	<b>(1,681,984)</b>
<b>TRANSFERS</b>											
Transfers in	-	-	-	-	-	77,138	1,905,000	-	-	-	1,982,138
Transfers out	-	-	-	-	-	-	-	-	-	(729)	(729)
<b>Net transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,138</b>	<b>1,905,000</b>	<b>-</b>	<b>-</b>	<b>(729)</b>	<b>1,981,409</b>
<b>NET INCOME (LOSS)</b>	<b>825,171</b>	<b>225,411</b>	<b>(107,195)</b>	<b>(38,598)</b>	<b>336,108</b>	<b>653,826</b>	<b>(1,946,492)</b>	<b>(135,596)</b>	<b>205,289</b>	<b>281,501</b>	<b>299,425</b>
Net assets (liabilities), beginning of year	(2,211,343)	(3,396,083)	(2,496,184)	89,018	(795,268)	12,461,372	14,668,909	432,403	(68,127)	(75,139)	18,609,558
<b>Net assets (liabilities), end of year</b>	<b>\$ (1,386,172)</b>	<b>\$ (3,170,672)</b>	<b>\$ (2,603,379)</b>	<b>\$ 50,420</b>	<b>\$ (459,160)</b>	<b>\$ 13,115,198</b>	<b>\$ 12,722,417</b>	<b>\$ 296,807</b>	<b>\$ 137,162</b>	<b>\$ 206,362</b>	<b>\$ 18,908,983</b>

**GARLAND**

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

	Group Health	Self Insurance	LTD Insurance	Print Shop	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
<b>Cash flows from operating activities:</b>											
Cash received from customers	\$ 18,536,550	\$ 5,528,918	\$ 391,424	\$ 299,961	\$ 8,353,870	\$ 3,266,062	\$ 8,281,920	\$ 4,594,062	\$ 938,406	\$ 7,599,824	\$ 57,790,997
Cash received for customer deposits	-	-	-	-	-	-	-	-	-	153,171	153,171
Cash payments for goods and services	(17,373,126)	(4,824,762)	(510,804)	(201,262)	(6,062,382)	605,823	(5,914,844)	(3,467,022)	(916,698)	(2,901,812)	(41,566,889)
Cash payments to employees for services	(228,465)	(511,185)	-	(162,952)	(1,765,917)	-	(4,347,751)	(1,617,513)	(384,525)	(4,451,445)	(13,469,753)
<b>Net cash provided (used) by operating activities</b>	<u>934,959</u>	<u>192,971</u>	<u>(119,380)</u>	<u>(64,253)</u>	<u>525,571</u>	<u>3,871,885</u>	<u>(1,980,675)</u>	<u>(490,473)</u>	<u>(362,817)</u>	<u>399,738</u>	<u>2,907,526</u>
<b>Cash flows from non-capital financing activities:</b>											
Due to other government - (decrease)	-	-	-	-	(165)	-	(1,476)	-	-	-	(1,641)
Retainage - increase	-	-	-	-	-	-	117,824	-	-	-	117,824
Due from other funds - increase	-	162,359	-	-	-	-	21,223	-	-	-	183,582
Due to other funds - (decrease)	-	-	-	-	(285,993)	-	-	-	362,013	-	76,020
Transfers in	-	-	-	-	-	77,138	1,905,000	-	-	-	1,982,138
Transfers out	-	-	-	-	-	-	-	-	-	(729)	(729)
<b>Net cash provided by (used for) non-capital financing activities</b>	<u>-</u>	<u>162,359</u>	<u>-</u>	<u>-</u>	<u>(286,158)</u>	<u>77,138</u>	<u>2,042,571</u>	<u>-</u>	<u>362,013</u>	<u>(729)</u>	<u>2,357,194</u>
<b>Cash flows from capital and financing activities:</b>											
Certificate of obligation issues	-	-	-	-	-	-	-	-	-	1,330,000	1,330,000
Acquisition of capital assets	(21,834)	-	-	-	(62,321)	(3,044,359)	(2,829,463)	-	-	(51,294)	(6,009,271)
Principal paid on certificates of obligation	-	-	-	-	(157,710)	-	(575,007)	-	(2,620)	-	(735,337)
Interest paid on certificates of obligation	-	-	-	-	(19,298)	-	(19,781)	-	(3,156)	1,664	(40,571)
Unamortized bond discount	-	-	-	-	-	-	18,285	-	-	63,104	81,389
Proceeds from sale of assets	-	-	-	-	-	177,834	-	-	-	1,550	179,384
<b>Net cash provided by (used for) financing activities</b>	<u>(21,834)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(239,329)</u>	<u>(2,866,525)</u>	<u>(3,405,966)</u>	<u>-</u>	<u>(5,776)</u>	<u>1,345,024</u>	<u>(5,194,406)</u>
<b>Cash flows from investing activities:</b>											
Purchase of investment securities	(794,542)	(460,061)	(32,450)	(3,406)	(2,113)	(1,240,303)	(471,458)	(26,222)	(348)	(1,776,085)	(4,806,988)
Proceeds from the sale and maturity of investment securities	25,890	39,722	85,087	45,667	408	88,063	2,530,242	348,126	3,785	101,016	3,268,006
Interest received on investments	39,723	42,104	11,258	1,484	329	107,659	137,733	12,067	1,462	106,367	460,186
<b>Net cash provided by (used for) investing activities</b>	<u>(728,929)</u>	<u>(378,235)</u>	<u>63,895</u>	<u>43,745</u>	<u>(1,376)</u>	<u>(1,044,581)</u>	<u>2,196,517</u>	<u>333,971</u>	<u>4,899</u>	<u>(1,568,702)</u>	<u>(1,078,796)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>184,196</u>	<u>(22,905)</u>	<u>(55,485)</u>	<u>(20,508)</u>	<u>(1,292)</u>	<u>37,917</u>	<u>(1,147,553)</u>	<u>(156,502)</u>	<u>(1,681)</u>	<u>175,331</u>	<u>(1,008,482)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>301,239</u>	<u>767,692</u>	<u>188,454</u>	<u>34,065</u>	<u>9,158</u>	<u>1,613,280</u>	<u>2,383,698</u>	<u>260,904</u>	<u>2,832</u>	<u>1,739,979</u>	<u>7,301,301</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 485,435</u>	<u>\$ 744,787</u>	<u>\$ 132,969</u>	<u>\$ 13,557</u>	<u>\$ 7,866</u>	<u>\$ 1,651,197</u>	<u>\$ 1,236,145</u>	<u>\$ 104,402</u>	<u>\$ 1,151</u>	<u>\$ 1,915,310</u>	<u>\$ 6,292,819</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>											
<b>Operating income (loss)</b>	\$ 774,309	\$ 175,922	\$ (119,380)	\$ (39,910)	\$ 355,758	\$ 450,056	\$ (3,984,852)	\$ (149,440)	\$ 208,353	\$ 192,833	\$ (2,136,351)
<b>Adjustments:</b>											
Depreciation	1,365	530	-	4,998	99,865	2,960,922	1,678,119	11,200	10,869	77,809	4,845,677
Gain on sale of assets	-	624	-	-	-	(144,915)	-	2,271	-	(1,550)	(143,570)
Provision for uncollectible accounts	-	-	-	-	-	-	-	-	-	(1,027)	(1,027)
Change in assets and liabilities:											
Decrease in inventory	-	-	-	-	(159,379)	-	-	-	(496,284)	-	(655,663)
Decrease (increase) in accounts receivable	-	-	-	-	-	-	42,845	(2,432)	-	(73,667)	(33,254)
Increase (decrease) in accounts payable	259,017	25,170	-	(15,519)	239,180	605,822	262,567	(360,873)	(95,854)	44,320	963,830
Increase in customer deposits	-	-	-	-	-	-	-	-	-	153,171	153,171
Increase (decrease) in compensated absences	3,842	(9,275)	-	(13,822)	(9,853)	-	20,646	8,801	10,099	7,849	18,287
Increase in insurance claims payable	(103,574)	-	-	-	-	-	-	-	-	-	(103,574)
Total adjustments	<u>160,650</u>	<u>17,049</u>	<u>-</u>	<u>(24,343)</u>	<u>169,813</u>	<u>3,421,829</u>	<u>2,004,177</u>	<u>(341,033)</u>	<u>(571,170)</u>	<u>206,905</u>	<u>5,043,877</u>
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 934,959</u>	<u>\$ 192,971</u>	<u>\$ (119,380)</u>	<u>\$ (64,253)</u>	<u>\$ 525,571</u>	<u>\$ 3,871,885</u>	<u>\$ (1,980,675)</u>	<u>\$ (490,473)</u>	<u>\$ (362,817)</u>	<u>\$ 399,738</u>	<u>\$ 2,907,526</u>
<b>Non-cash investing:</b>											
Insurance claims payable - increase (decrease)	(103,574)	-	-	-	-	-	-	-	-	-	(103,574)
<b>Non-cash transactions:</b>											
Transfer in	-	-	-	-	-	77,138	1,905,000	-	-	-	1,982,138
Certificate of obligation bonds transferred to tax supported debt	-	-	-	-	-	-	(1,905,000)	-	-	-	(1,905,000)

**Component Units**  
**Combining Statement of Net Assets**  
**September 30, 2005**

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Corporation	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 381,186	\$ 378,958	\$ 114,283	\$ 874,427
Accounts receivable, net of allowance for uncollectibles	75,000	25,000	7,000	107,000
Accrued interest receivable	-	54	-	54
Asset held for sale	300,530	-	-	300,530
Noncurrent assets:				
Land	900,000	-	-	900,000
Total assets	<u>1,656,716</u>	<u>404,012</u>	<u>121,283</u>	<u>2,182,011</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,306	-	-	2,306
Noncurrent liabilities:				
Deferred Revenue	888,750	-	-	888,750
Total liabilities	<u>891,056</u>	<u>-</u>	<u>-</u>	<u>891,056</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	11,250	-	-	11,250
Unrestricted	754,410	404,012	121,283	1,279,705
Total net assets	<u>\$ 765,660</u>	<u>\$ 404,012</u>	<u>\$ 121,283</u>	<u>\$ 1,290,955</u>

**Component Units**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Year Ended September 30, 2005**

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Corporation	Total
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 158,177	\$ 25,000	\$ 7,000	\$ 190,177
Rental income	11,250	-	-	11,250
Other	28,822	-	-	28,822
Total operating revenues	<u>198,249</u>	<u>25,000</u>	<u>7,000</u>	<u>230,249</u>
<b>OPERATING EXPENSES:</b>				
Operations	<u>169,333</u>	<u>4,509</u>	<u>4,509</u>	<u>178,351</u>
Total operating expenses	<u>169,333</u>	<u>4,509</u>	<u>4,509</u>	<u>178,351</u>
Operating income	<u>28,916</u>	<u>20,491</u>	<u>2,491</u>	<u>51,898</u>
Nonoperating revenues (expenses):				
Intergovernmental	40,000	-	-	40,000
Earnings on investments	3,211	5,402	-	8,613
Gain on sale of property	-	45,309	-	45,309
Total net non-operating income	<u>43,211</u>	<u>50,711</u>	<u>-</u>	<u>93,922</u>
Net income (loss)	72,127	71,202	2,491	145,820
Net assets, beginning of year	693,533	332,810	118,792	1,145,135
Net assets, end of year	<u>\$ 765,660</u>	<u>\$ 404,012</u>	<u>\$ 121,283</u>	<u>\$ 1,290,955</u>

**Component Units**  
**Combining Statement of Cash Flows**  
**For the Year Ended September 30, 2005**

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Corporation	Total
Cash flows from operating activities:				
Cash received from customers	\$ 111,999	\$ 25,000	\$ 9,500	\$ 146,499
Cash paid to suppliers for goods and services	(164,693)	(4,509)	(4,509)	(173,711)
Cash paid for down payments	(25,000)	-	-	(25,000)
Net cash provided by operating activities	<u>(77,694)</u>	<u>20,491</u>	<u>4,991</u>	<u>(52,212)</u>
Cash flows from noncapital financing activities:				
Cash received from primary government	115,000	-	-	115,000
Cash paid on assets held for sale	(3,297)	-	-	(3,297)
Net cash used for noncapital financing activities	<u>111,703</u>	<u>-</u>	<u>-</u>	<u>111,703</u>
Cash flows from capital and related financing activities:				
Sale of capital assets	-	186,409	-	186,409
Net cash provided for capital and related financing activities	<u>-</u>	<u>186,409</u>	<u>-</u>	<u>186,409</u>
Cash flows from investing activities:				
Earnings on investments	3,211	5,376	-	8,587
Net cash provided (used) by investing activities	<u>3,211</u>	<u>5,376</u>	<u>-</u>	<u>8,587</u>
Net increase (decrease) in cash and cash equivalents	37,220	212,276	4,991	254,487
Cash and cash equivalents at beginning of year	343,966	166,682	109,292	619,940
Cash and cash equivalents at end of year	<u>\$ 381,186</u>	<u>\$ 378,958</u>	<u>\$ 114,283</u>	<u>\$ 874,427</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 28,916	\$ 20,491	\$ 2,491	\$ 51,898
Adjustments to reconcile operating income to net cash provided by operating activities:				
Land lease rental	(11,250)	-	-	(11,250)
Change in assets and liabilities:				
Increase in accounts receivable	(75,000)	-	-	(75,000)
Decrease in accounts receivable	-	-	2,500	2,500
Decrease in accounts payable and accrued liabilities	(20,360)	-	-	(20,360)
Total adjustments	<u>(106,610)</u>	<u>-</u>	<u>2,500</u>	<u>(104,110)</u>
Net cash provided by operating activities	<u>\$ (77,694)</u>	<u>\$ 20,491</u>	<u>\$ 4,991</u>	<u>\$ (52,212)</u>
Noncash investing, capital and financing activities:				
Land titled to GHFC	\$ 900,000	-	-	\$ 900,000
Deferred land lease revenue	(888,750)	-	-	(888,750)

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

<b>Fiscal Year</b>	<b>Total (1)</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Culture and Recreation</b>	<b>Public Health</b>	<b>Non-Departmental</b>	<b>Debt Service Principal</b>	<b>Debt Service Interest</b>
1996	\$ 82,001,278	\$ 5,548,582	\$ 38,234,754	\$ 5,254,675	\$ 7,596,174	\$ 1,406,283	\$ 6,812,160	\$ 10,583,736	\$ 6,564,914
1997	87,894,870	5,978,433	40,923,961	5,250,281	7,985,678	1,604,782	7,938,775	11,433,622	6,779,338
1998	91,262,311	6,131,216	42,356,996	5,512,871	8,254,917	1,664,745	8,142,153	12,027,874	7,171,539
1999	97,747,094	6,779,219	46,142,166	5,756,813	9,264,169	1,898,471	9,594,409	11,434,315	6,877,532
2000	103,859,914	7,011,395	48,246,794	5,848,079	9,619,379	2,076,463	10,741,459	11,983,282	8,333,063
2001	109,746,670	7,468,670	50,676,933	6,131,095	10,332,719	2,088,095	11,396,820	11,869,987	9,782,351
2002	115,137,685	7,771,073	52,504,755	6,584,672	10,644,306	2,061,934	12,959,772	14,606,500	8,004,673
2003	117,704,756	8,265,797	56,389,366	6,912,917	11,084,087	2,201,729	11,702,099	13,350,239	7,798,522
2004	121,837,702	8,547,721	59,878,602	7,306,230	11,306,781	2,429,705	13,949,955	10,622,833	7,795,875
2005	125,424,077	9,241,252	62,364,342	7,080,641	11,072,061	2,136,542	12,826,489	12,018,720	8,684,030

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

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

<b>Fiscal Year</b>	<b>Total (1)</b>	<b>Taxes</b>	<b>Franchise Fees</b>	<b>Service Charges</b>	<b>Licenses and Permits</b>	<b>Earnings on Investments</b>	<b>Inter-governmental</b>	<b>Intra-governmental (2)</b>	<b>Fines and Forfeits</b>	<b>Rents and Concessions</b>
1996	\$ 71,802,164	\$ 35,794,387	\$ 5,047,098	\$ 8,291,093	\$ 1,240,380	\$ 954,787	\$ 559,265	\$ 16,103,339	\$ 3,298,595	\$ 513,220
1997	75,203,911	38,338,894	5,891,237	8,340,283	1,491,530	1,054,250	546,108	15,564,843	3,475,742	501,024
1998	81,654,026	40,809,175	5,596,099	10,903,390	1,363,638	1,262,620	449,890	16,821,824	3,924,364	523,026
1999	86,070,579	43,406,301	6,150,311	11,961,917	1,603,990	1,164,771	327,382	17,190,353	3,765,551	500,003
2000	90,616,518	46,238,520	6,248,115	11,207,515	1,510,857	1,321,639	334,126	19,174,705	4,036,751	544,290
2001	95,965,457	48,064,858	7,671,616	11,494,440	1,769,018	1,793,299	364,992	20,012,800	4,168,074	626,360
2002	86,014,915	50,741,506	7,876,575	13,790,894	1,787,051	1,083,967	292,216	5,618,359	4,290,574	533,773
2003	87,652,424	52,690,783	7,781,687	13,048,766	2,138,200	768,216	318,041	5,835,277	4,488,485	582,969
2004	89,540,959	53,424,386	7,146,208	14,026,350	2,151,482	555,026	329,748	6,065,514	5,194,326	647,919
2005	94,095,540	55,655,912	7,268,396	14,600,925	2,701,470	691,143	555,665	5,790,632	6,073,988	757,409

(1) Includes only general fund revenues.

**Table 3****CITY OF GARLAND, TEXAS****Property Tax Levies and Collections - Unaudited  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collection</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collection (1)</b>	<b>Total Tax Collection</b>	<b>Percent of Total Tax Collection to Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percent of Delinquent Taxes to Tax Levy (2)</b>
1996	\$ 37,340,146	\$ 37,076,378	99.29%	\$ 286,996	\$ 37,363,374	100.06%	\$ 1,451,121	3.89%
1997	39,348,913	38,886,723	98.83%	124,085	39,010,808	99.14%	1,446,423	3.68%
1998	41,710,227	41,216,156	98.82%	483,752	41,699,908	99.98%	1,179,595	2.83%
1999	44,116,195	43,678,152	99.01%	260,829	43,938,981	99.60%	1,414,623	3.21%
2000	45,857,853	45,422,322	99.05%	470,672	45,892,994	100.08%	1,325,961	2.89%
2001	50,228,511	49,773,440	99.09%	57,586	49,831,025	99.21%	1,613,942	3.21%
2002	55,160,051	54,389,283	98.60%	530,631	54,919,914	99.56%	1,057,466	1.92%
2003	58,814,787	57,706,425	98.12%	542,008	58,248,433	99.04%	866,802	1.47%
2004	59,188,532	58,271,696	98.45%	744,405	59,016,101	99.71%	953,753	1.61%
2005	61,180,242	60,547,257	98.97%	684,800	61,232,057	100.08%	856,766	1.40%

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

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

Source: City of Garland, Texas - Tax Office

**Table 4**

**CITY OF GARLAND, TEXAS**

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

<b>Fiscal Year</b>	<b>Real Property Assessed Value</b>	<b>Personal Property Assessed Value</b>	<b>Total Assessed Value</b>
1996	\$ 4,737,117,530	\$ 1,164,177,640	\$ 5,901,295,170
1997	5,010,446,838	1,221,683,610	6,232,130,448
1998	5,332,452,428	1,250,601,090	6,583,053,518
1999	5,751,199,307	1,211,583,940	6,962,783,247
2000	6,149,931,191	1,323,643,287	7,473,574,478
2001	6,526,753,690	1,400,725,976	7,927,479,666
2002	7,064,158,639	1,539,811,256	8,603,969,895
2003	7,773,381,089	1,404,942,190	9,178,323,279
2004	7,870,545,111	1,361,794,930	9,232,340,041
2005	8,196,928,513	1,346,082,250	9,543,010,763

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

Source: City of Garland, Texas - Tax Office

**Table 5**

**CITY OF GARLAND, TEXAS**

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

Fiscal Year	Assessed Values			Tax Rate	Total Tax Levy	Tax Distribution		Percentage Assessed to Full Value
	Real Property	Personal Property	Total			General Fund	Debt Service Fund	
1996	\$ 4,737,117,530	\$ 1,164,177,640	\$ 5,901,295,170	.6336	\$ 37,340,146	.3628	.2708	100
1997	5,010,446,838	1,221,683,610	6,232,130,448	.6336	39,348,913	.3628	.2708	100
1998	5,332,452,428	1,250,601,090	6,583,053,518	.6336	41,710,227	.3628	.2708	100
1999	5,751,199,307	1,211,583,940	6,962,783,247	.6336	44,116,195	.3790	.2546	100
2000	6,149,931,191	1,323,643,287	7,473,574,478	.6136	45,857,853	.3690	.2446	100
2001	6,526,753,690	1,400,725,976	7,927,479,666	.6336	50,228,511	.3740	.2596	100
2002	7,064,158,639	1,539,811,256	8,603,969,895	.6411	55,160,051	.3740	.2671	100
2003	7,773,381,089	1,404,942,190	9,178,323,279	.6411	58,842,231	.3740	.2671	100
2004	7,870,545,111	1,361,794,930	9,232,340,041	.6411	59,188,532	.3740	.2671	100
2005	8,196,928,513	1,346,082,250	9,543,010,763	.6411	61,180,242	.3740	.2671	100

Source: City of Garland, Texas - Tax Office

**Table 6**

**CITY OF GARLAND, TEXAS**

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

Fiscal Year	City of Garland		Garland Independent School District		Dallas County		Dallas County Hospital District		Dallas County Community College District		Dallas Independent School District		Richardson Independent School District		Mesquite Independent School District	
	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation	Tax Rate	Percent of Assessed Valuation
1996	.6336	100	1.4428	83.22	.21640	7.29	.194092	7.29	.05206	7.29	1.46053	0.18	1.5698	3.17	1.5000	2.61
1997	.6336	100	1.4872	83.22	.20100	7.29	.185800	7.29	.05000	7.29	1.46050	0.18	1.6000	3.17	1.5300	2.61
1998	.6336	100	1.5445	83.22	.20317	7.29	.179900	7.29	.05000	7.29	1.46053	0.18	1.6257	3.17	1.5800	2.61
1999	.6336	100	1.5445	83.22	.19720	7.29	.179900	7.29	.05000	7.29	1.4605	0.18	1.6257	3.17	1.5800	2.61
2000	.6136	100	1.4784	83.22	.19600	7.29	.19600	7.29	.05000	7.29	1.4605	0.18	1.6486	3.17	1.5800	2.61
2001	.6336	100	1.4053	83.22	.19600	7.29	.2540	7.29	.05000	7.29	1.5475	0.18	1.6683	3.17	1.5800	2.61
2002	.6411	100	1.4717	83.22	.19600	7.29	.2540	7.29	.06000	7.29	1.5475	0.18	1.7993	3.17	1.5800	2.61
2003	.6411	100	1.4586	83.22	.19600	7.29	.2540	7.29	.06000	7.29	1.5875	0.18	1.8081	3.17	1.6200	2.61
2004	.6411	100	1.5585	83.22	.20390	7.29	.2540	7.29	0.0778	7.29	1.6395	0.18	1.8200	3.17	1.6700	2.61
2005	.6411	100	1.6214	83.22	.20390	7.29	.2540	7.29	0.0803	7.29	1.6694	0.18	1.8200	3.17	1.7600	2.61

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

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

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

<b>Fiscal Year</b>	<b>Assessed Valuation (a)</b>	<b>Total General Obligation Debt (b) (1)</b>	<b>Less Proprietary General Obligation and Certificates of Obligation</b>	<b>Less Amount Available in Debt Service Fund</b>	<b>Net General Obligation Debt</b>	<b>Ratio of Net General Obligation Debt to Assessed Valuation</b>	<b>Population (c)</b>	<b>Per Capita Net General Obligation</b>
1996	\$ 5,901,295,170	\$ 156,641,628	\$ 40,937,619	\$ 3,394,749	\$ 112,309,260	1.90%	197,281	569.29
1997	6,232,130,448	161,521,627	44,911,240	3,408,382	113,202,005	1.82%	200,106	565.71
1998	6,583,053,518	192,741,628	63,820,750	3,076,198	125,844,680	1.91%	201,824	623.54
1999	6,962,783,247	218,016,628	76,185,065	2,787,011	139,044,552	2.00%	203,883	681.98
2000	7,473,574,478	276,528,188	130,784,159	1,205,296	144,538,733	1.93%	205,869	702.09
2001	7,927,479,666	319,435,000	161,882,889	299,996	157,252,115	1.98%	215,768	728.80
2002	8,603,969,895	323,185,000	166,519,012	4,547,009	152,118,979	1.77%	220,946	688.49
2003	9,178,323,279	320,275,000	158,379,250	712,233	161,183,517	1.76%	222,651	723.93
2004	9,232,340,041	318,094,656	140,261,175	1,314,659	176,518,822	1.91%	222,350	793.88
2005	9,543,010,763	362,740,207	131,275,067	2,745,794	228,719,346	2.40%	221,588	1,032.18

(1) Includes currently outstanding Certificates of Obligation

Sources:

(a) City of Garland, Texas - Tax Office

(b) City of Garland, Texas - Accounting Office

(c) City of Garland, Texas - Planning Department

**Table 8****CITY OF GARLAND, TEXAS****Principal Taxpayers - Unaudited  
Fiscal Year 2005**

<b>Name of Taxpayer</b>	<b>Nature of Property</b>	<b>2004 Assessed Valuation</b>	<b>Percent of Total Assessed Valuation (1)</b>
Wal-Mart	Retail	\$ 85,994,840	0.89%
Sears Roebuck & Company	Warehouse, Service Center	73,484,209	0.76%
Eckerd Corporation	Warehouse, Retail	62,975,861	0.65%
Verizon	Public Utility	60,429,730	0.62%
SST Truck Co.	Truck Manufacturer	59,915,600	0.62%
Simpson Financing	Financial	46,395,660	0.48%
Kraft Corporation	Warehouse, Food Processing	41,910,825	0.43%
Valspar, Inc.	Paint Manufacturer	36,117,131	0.37%
Stoneleigh	Real Estate	35,000,000	0.36%
Old Dominion Real Estate	Real Estate	34,500,000	0.36%
		<u>\$ 536,723,856</u>	<u>5.55%</u>

(1) Total Taxable Value October 1, 2004 - \$9,543,010,763

Source: City of Garland, Texas - Tax Office

**Table 9**

**CITY OF GARLAND, TEXAS**

**Delinquent Taxes Receivable - by Fund - Unaudited  
Fiscal Year 2005**

	<u>Total</u>	<u>Funds</u>	
		<u>General</u>	<u>Debt Service</u>
<b>Taxes, by year of levy:</b>			
1996 and prior	\$ 370,633	\$ 216,217	\$ 154,416
1997	37,793	22,047	15,746
1998	40,860	23,837	17,023
1999	34,594	20,181	14,413
2000	45,321	26,439	18,882
2001	152,720	89,093	63,627
2002	237,507	138,555	98,952
2003	367,290	214,267	153,023
2004	<u>856,766</u>	<u>499,813</u>	<u>356,953</u>
Total delinquent taxes	2,143,484	1,250,449	893,035
Less estimated uncollectible taxes	<u>(848,527)</u>	<u>(495,007)</u>	<u>(353,520)</u>
Net taxes receivable	<u><u>\$1,294,957</u></u>	<u><u>\$755,442</u></u>	<u><u>\$539,515</u></u>

**CITY of GARLAND, TEXAS**

**Computation of Legal Debt Margin – Unaudited**

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

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

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

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

The tax rate at September 30, 2005, is \$0.6411 per \$100 of assessed valuation with assessed valuation being 100% of appraised value.

**Table 11**

**CITY OF GARLAND, TEXAS**

**Computation of Direct and Overlapping Funded Debt Payable from Ad Valorem Taxes - Unaudited  
September 30, 2005**

<u>Taxing Jurisdiction</u>	<u>Total Funded Debt</u>	<u>Estimated Percent Applicable</u>	<u>Overlapping Funded Debt</u>
City of Garland	\$ 195,249,480	100.00%	\$ 195,249,480
Garland Independent School District	380,134,340	83.22%	316,347,798
Dallas County	120,342,395	7.29%	8,772,961
Dallas County Community College District	110,500,000	7.29%	8,055,450
Dallas Independent School District	931,099,255	0.18%	1,675,979
Richardson Independent School District	396,318,552	3.17%	12,563,298
Mesquite Independent School District	394,724,255	2.61%	<u>10,302,303</u>
Total estimated overlapping bonded debt			\$ <u><u>552,967,269</u></u>
Ratio overlapping debt to 100% assessed valuation			<u><u>5.72%</u></u>
Per capita overlapping bonded debt			\$ <u><u>2,429</u></u>

Source: First Southwest Co.

**Table 12**

**CITY OF GARLAND, TEXAS**

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total General Obligation Debt Service (1)</b>	<b>Total General Fund Expenditures</b>	<b>Total Debt Service and General Fund Expenditures</b>	<b>Ratio of General Obligation Debt Service to Total General Governmental Expenditures</b>
1996	\$ 10,583,736	\$ 6,564,914	\$ 17,148,650	\$ 64,852,628	\$ 82,001,278	20.91%
1997	11,433,622	6,779,338	18,212,960	69,681,910	87,894,870	20.72%
1998	12,027,874	7,171,539	19,199,413	72,062,898	91,262,311	21.04%
1999	11,434,315	6,877,532	18,311,847	79,435,247	97,747,094	18.73%
2000	11,983,282	8,333,063	20,316,345	83,543,569	103,859,914	19.56%
2001	11,869,987	9,782,351	21,652,338	88,094,332	109,746,670	19.73%
2002	14,606,500	8,248,132	22,854,632	92,526,512	115,381,144	19.81%
2003	13,350,239	7,750,648	21,100,887	96,555,995	117,656,882	17.93%
2004	10,622,833	7,795,875	18,418,708	103,418,994	121,837,702	15.12%
2005	12,018,720	8,684,030	20,702,750	104,721,327	125,424,077	16.51%

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

Source: City of Garland, Texas - Tax Office

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

<b>Fiscal Year</b>	<b>Total Revenue (1)</b>	<b>Operating and Administrative Expense (2)</b>	<b>Net Income Available for Debt Service</b>	<b>Average Annual Requirements</b>	<b>Times Coverage</b>	<b>Depreciation</b>	<b>Bond Interest Expense (3)</b>	<b>In Lieu-of-Tax Payments (4)</b>	<b>Net Income (5)</b>
1996	\$ 196,808,834	\$ 144,187,520	\$ 52,621,314	\$ 4,839,258	10.87	\$ 15,433,384	\$ 2,314,993	\$ 12,018,967	\$ 17,407,443
1997	194,473,068	144,350,698	50,122,370	3,641,250	13.77	16,101,044	2,669,442	11,538,215	17,656,399
1998	208,145,139	150,998,567	57,146,572	3,822,446	14.95	16,691,185	2,171,629	12,295,686	23,357,526
1999	207,921,142	155,594,897	52,326,245	3,253,739	16.08	17,375,627	1,761,690	12,041,092	18,141,481
2000	235,461,345	175,378,118	60,083,227	2,625,238	22.89	17,910,632	1,529,969	13,722,478	20,469,870
2001	244,900,896	198,512,513	46,388,383	1,914,904	24.22	18,719,164	1,088,074	14,523,694	13,696,789
2002	220,658,999	180,241,690	40,417,309	1,199,312	33.70	19,595,703	684,343	14,024,779	4,703,522
2003	235,178,542	207,268,781	27,909,761	2,132,671	13.09	20,782,032	460,168	14,890,682	(11,757,643)
2004	249,502,285	227,405,043	22,097,242	9,114,774	2.42	22,037,810	1,471,371	15,689,002	(23,268,311)
2005	283,961,327	241,528,064	42,433,263	11,922,793	3.56	22,952,231	6,937,267	17,705,783	(2,054,610)

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

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

(3) Net of capitalized interest.

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

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

Source: *City of Garland, Texas - Accounting Office.*

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

<b>Fiscal Year</b>	<b>Total Property Value</b>	<b>Residential (a)</b>		<b>Commercial/Industrial (a)</b>		<b>Combined Bank Deposits (000's) (b)</b>
		<b>Number of Units</b>	<b>Value</b>	<b>Number of Units</b>	<b>Value</b>	
1996	\$ 5,901,295,170	699	\$ 88,612,630	56	\$ 32,316,639	(c)
1997	6,232,130,448	667	94,811,701	51	32,435,693	(c)
1998	6,583,053,518	541	77,618,326	48	23,935,359	(c)
1999	6,962,783,247	506	70,480,807	30	13,243,973	(c)
2000	7,473,574,478	501	75,801,514	27	22,180,700	(c)
2001	7,927,479,666	751	114,209,686	53	44,953,173	(c)
2002	8,603,969,895	672	106,641,032	64	29,318,686	(c)
2003	9,178,323,279	611	107,590,044	87	47,249,326	(c)
2004	9,232,340,041	401	73,163,157	48	43,304,812	(c)
2005	9,543,010,763	289	56,812,988	42	44,964,792	(c)

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

**Table 15**

**CITY OF GARLAND, TEXAS**

**Demographic Statistics - Unaudited  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population (a)</b>	<b>Per Capita Income</b>	<b>Median Age (b)</b>	<b>Education (b)</b>	<b>School Enrollment (c)</b>	<b>Unemployment (e)</b>
1996	197,281	(d)	30.2	12.9	45,060	3.5%
1997	200,106	(d)	30.2	12.9	46,487	3.2%
1998	201,824	(d)	30.2	12.9	48,139	2.8%
1999	203,883	(d)	33.0	12.9	49,154	2.7%
2000	205,869	(d)	33.0	12.9	50,250	2.6%
2001	215,768	(d)	31.7	12.9	51,884	4.7%
2002	220,946	(d)	31.7	12.9	53,612	5.9%
2003	222,651	(d)	31.7	12.9	54,868	5.3%
2004	222,350	(d)	31.7	12.9	56,568	5.0%
2005	221,588	(d)	31.7	12.9	57,265	5.4%

*Sources:*

*(a) City of Garland, Texas - Planning Department*

*(b) U.S. Census*

*(c) Garland Independent School District, Garland, Texas*

*(d) Information not available*

*(e) Texas Employment Commission*

**Table 16**

**CITY OF GARLAND, TEXAS**

**Miscellaneous Statistical Data - Unaudited  
September 30, 2005**

Date of incorporation	1891
Form of government	Council - Manager
Area	57 square miles
Miles of streets	687.60
Number of street lights	11,228
Fire Protection:	
Number of stations	10
Number of firemen and officers (exclusive of volunteers)	254
Police Protection:	
Number of stations	1
Number of sworn police officers	321
Municipal water department:	
Number of accounts	66,487
Average daily consumption	29,965,652 gallons
Miles of water mains	1,086
Municipal electric department:	
Number of accounts	67,761
Average daily usage	5,532,836 KWH
Miles of lines	2,007
Municipal wastewater department:	
Number of accounts	64,146
Miles of sewer mains	985
Building permits issued:	
Residential (single-family)	721
Industrial/Commercial	512
Multi-family	23
Other	2,325
Recreation and culture:	
Number of parks	68 parks comprising 2,865 Acres
Number of libraries	5
Number of volumes	521,952 volumes in all formats

**Table 17**

**CITY OF GARLAND, TEXAS**

**Schedule of Insurance in Force - Unaudited  
September 30, 2005**

<u>Insuring Company</u>	<u>Policy Number</u>	<u>From</u>	<u>To</u>	<u>Description</u>	<u>Type</u>	<u>Amount</u>
Allianz Insurance Co.	TBD	10/1/2005	10/1/2006	Real/Personal Property	All Risk / \$100,000 ded. per occ/\$250,000 power plants	\$ 200,000,000
State National Insurance Co.	MDB0266821	10/1/2005	10/1/2006	Excess Liability Package Policy (includes, GL, AL, Law Enforcement, Public Officials, Emp. Benefits, & Worker's Comp.	\$500,000 SIR	\$ 9,500,000
Chubb	6801-8884	12/3/2005	12/3/2006	Public Employees Dishonesty	\$25,000 Deductible	\$ 1,000,000
Travelers Insurance Co.	BAEEBM21303D3252PHX05	10/1/2005	10/1/2006	Boiler/Machinery/Transformers	Combined physical damage. Deductible varies by location and equipment	\$ 20,000,000
Evanston Ins. Co.	SM833833	4/2/2005	4/2/2006	Medical Professional Liability	\$1,000 Deductible	\$ 3,000,000
Great American Assurance	GLO000056892401	10/15/2005	10/15/2006	Special Events Liability	\$0 Deductible	\$ 5,000,000
Great American Assurance	EXC0000566196102	10/15/2005	10/15/2006	Special Events Excess Liability	Excess over underlying special events	\$ 1,000,000