

City of Garland, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2011



GARLAND

TEXAS MADE HERE



Prepared by

Department of Finance and the Accounting Office

On the Cover

Top - Since the 1940s, the elegant Plaza Theatre has been a landmark and focal point for Garland. Now, in its finest hour, the Plaza has been completely refurbished in the art deco style to reflect that bygone era. From the spacious domed lobby area featuring a spectacular chandelier, guests enter the 350-seat theatre equipped with state-of-the-art lighting and sound systems. The Plaza provides the ultimate theatre-going experience enhanced with luxurious velvet seating and a motorized waterfall curtain. The Plaza Theatre provides a perfect setting for the finest in stage productions, concerts, business meetings, receptions and all other special events.

Middle - After one year of closure, Firewheel Golf Park reopened its Traditions nine located at The Bridges Course 27-hole golf facility in November 2011. The newly renovated Traditions includes updated bent grass greens, white sand bunkers, a water feature, as well as many aesthetic updates throughout the course.

Bottom - Bradfield Recreation Center is a vital component of the Garland community, providing programs and activities for residents of all abilities and income levels. Bradfield re-opened after renovation in May 2011 with a new front entranceway, enlarged lobby area, and renovated game room. Facilities available to the community are a gymnasium, game room, and classroom that are also available for rentals. Programs offered at Bradfield include martial arts, fitness, arts, and sports for kids and adults. Bradfield Recreation Center is located at 1146 Castle Drive, adjacent to Bradfield Pool and ballfield complex. Visit www.garlandparks.com

CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

CITY COUNCIL

Ronald Jones, Mayor
Douglas Athas, District 1
Laura Perkins Cox, District 2
Preston Edwards, District 3
Larry Jeffus, District 4
John Willis, District 5
Lori Barnett Dodson, District 6
Rick Williams, District 7
Jim Cahill, District 8

CITY MANAGER

William E. Dollar

DIRECTOR OF FINANCIAL SERVICES

David Schuler

Prepared by

Department of Finance
Accounting Office

**CITY OF GARLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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March 28, 2012

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, 2011 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 complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately after the independent auditors' 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 227,726 (as estimated by the City's Planning Department as of January 1, 2011) makes it the eleventh 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 primary government. The Garland Independent School District is excluded from this report because it is a separate governmental entity with a separately elected board of trustees.

The Garland Foundation for Development (GFFD) was organized to promote economic development and other activities within the City of Garland. The City Council serves as the board members for GFFD and the Assistant City Manager is the Executive Director. GFFD is reported as a blended component unit of the non-major enterprise golf fund.

ECONOMIC CONDITIONS AND OUTLOOK

Since 2007, the nation has struggled under a significant downturn in the economy that was initiated by an implosion in the housing market. The recession has led to the downsizing, bankruptcy, or closure of some of the nation's largest businesses and has significantly impacted many others. The recession is also having a significant impact on cities, counties, and school districts as property tax revenues have sharply declined due to falling property values. With the downturn in the real estate market, construction activity is also being impacted which negatively affects a number of City revenues. And finally, as businesses and consumers alike are curtailing spending, communities are also grappling with shrinking sales tax revenue.

The impacts of the ongoing economic challenges are apparent in the planning for the 2012 fiscal year budget. Property values declined for the third consecutive year. The City has also experienced declining sales tax revenue which remains \$2.0 million below prerecession levels. Preliminary projections indicated the General Fund faced a \$3.6 million deficit.

To address the 2012 economic forecast concerns, the City implemented the following measures in the 2011-12 adopted budget:

- Maintain property tax rate at 70.46 cents per \$100 of valuation.
- Maintain current service levels to the highest extent possible.
- Implement cost savings measures where efficiencies can be gained without materially impacting service levels.
- Delay enhancements in employee compensation and benefits (excluding public safety step increases) until a recovery in the tax base is evident.
- Adjust various fees to levels charged by other Dallas metroplex cities.

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 encumbrance's 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 Assistant City Manager. 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 they 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.

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 Assistant City Manager and the City Manager. Monthly expenditure reports are distributed based on the automated accounting system that provide year-to-date expenditure totals for each line item compared to the amount expended at that point in time in the prior year.

Constant review of revenue and expenditure trends is maintained with specific responsibility assigned to department heads, revenue managers, and the Assistant City Manager. 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 in accordance 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.

Long-Term Financial Planning

In order to remain financially strong and provide a framework for prudent financial management, the following financial controls are maintained annually:

- A multi-year financial forecast is prepared projecting revenues and expenditures for all operating funds.
- A multi-year debt service forecast is prepared to project the impact of future debt service payments on the tax rate.
- Rates, fees and charges for services are reviewed and adjusted as necessary to respond to changing financial circumstances.
- Insurance coverages are examined to ensure that policy limits are adequate and in compliance with revenue bond covenants.
- Debt is not used to fund current expenditures.
- Bonds are sold to finance long-term capital projects.
- Total tax-supported debt is maintained so as not to exceed five percent (5%) of the total assessed valuation of taxable property.
- Maintain an ending “fund balance” goal in the General Fund of 30 days of budget-based operating expenditures.
- Maintain an ending “working capital balance” (current assets minus current liabilities) goal in the enterprise funds of 45 days.
- Maintain internal service funds to be fully self-supporting to the extent that any retained earnings deficit shall be recovered in the subsequent fiscal year through increased charges to benefiting departments.

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 2009 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 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, 2010. 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.

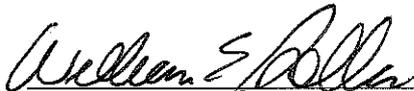
A Certificate of Achievement is valid for a period of one year only. The City of Garland has received a Certificate of Achievement for the last twenty-nine consecutive years. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we will submit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

Acknowledgements

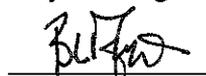
The preparation of this Comprehensive Annual Financial Report was accomplished with the professional and dedicated efforts of the staff of the Accounting Office. Appreciation is also extended to those individuals in other departments who contributed, directly or indirectly, to the development of this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



Bryan L. Bradford
Assistant City Manager



David A. Schuler
Director of Financial Services



Kathryn P. Ritchie
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, 2010

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.

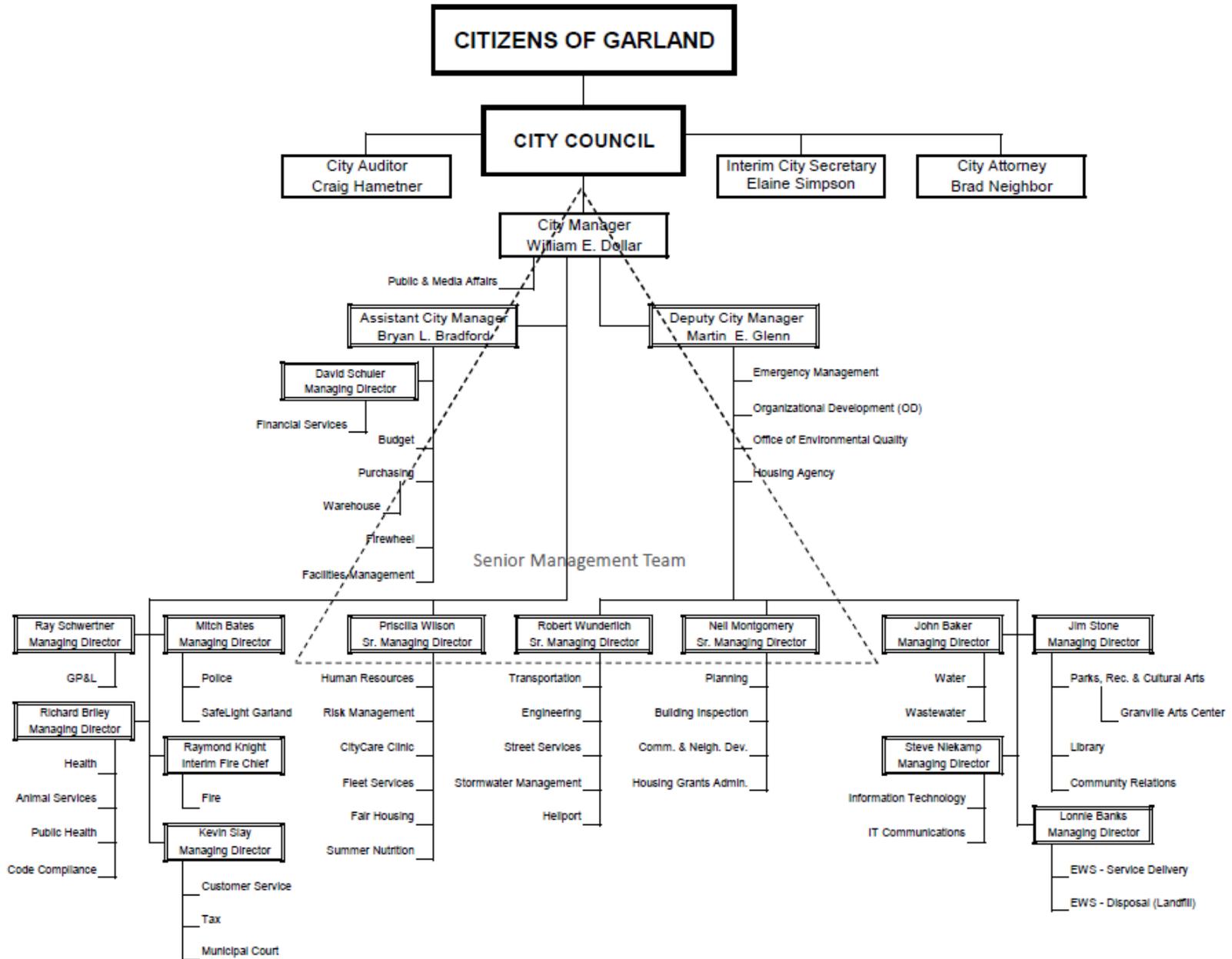


Linda C. Danson

President

Jeffrey R. Enos

Executive Director





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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, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Garland, Texas (the "City"), as of and for the year ended September 30, 2011, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Garland, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I.D, the City adopted the provisions of Statement No. 54 of the Governmental Accounting Standards Board, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective October 1, 2010.

The management's discussion and analysis, the general fund budgetary comparison schedule, and the schedules of funding progress for the Texas Municipal Retirement System and for the other postemployment benefits as described in the table of contents are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 the information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the City's respective financial statements that collectively comprise the City's basic financial statements. 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical information listed in the table of contents have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

March 28, 2012

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, 2011. 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 \$773,365,841. Ending net assets for governmental activities amount to \$154,062,425 and the ending net assets for the business type activities amount to \$619,303,416.
- Net Assets for the governmental activities decreased \$4,065,855 and the net assets for the business type activities increased \$52,692,701 for a total increase in the City's net assets of \$48,626,846. Contributing factors related to the decrease in governmental activities and the increase in business type activities are discussed in the government activities and business type 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 \$33,504,791. Of the combined ending fund balances, \$902,142 is nonspendable, \$13,033,578 is restricted, \$5,973,375 is committed, \$4,730,000 is assigned, and \$8,865,696 is unassigned. GASB 54 was implemented in the 2011 fiscal year which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. Nonspendable fund balances are not in spendable form and include inventories and prepaid items. Restricted fund balances are externally imposed by creditors, grantors, contributors, or laws and regulations or other governments, or imposed by law through constitutional provisions or enabling legislation. Committed fund balances are amounts that can only be used for specific purposes imposed by formal action of the City Council. Assigned fund balances are amounts that are constrained by the City's intent for specific purposes but are not restricted or committed and are determined by City management based on City Council's direction. Unassigned fund balances are the residual fund balances that have not been restricted, committed, or assigned. More information is available on fund balance detail on page 43.

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 22-23 of this report.

Fund financial statements

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 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 statements, it is useful to compare it to the information presented for the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eighteen individual governmental funds. The General Fund, the Debt Service Fund, and the Capital Projects Fund, are considered to be major funds. Major funds are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 24-27 of this report.

Business type funds

The City maintains two different types of business-type 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, 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.

Business-type 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 business type fund financial statements. Individual fund data for the non-major enterprise funds and for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic business-type fund financial statements can be found on pages 28-33 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-75 of this report.

Other information

Required supplementary information concerning the General Fund schedule of revenues, expenditures, and changes in fund balances – budget and actual for the year ended September, 30, 2011, the City's progress in funding its obligation to provide Texas Municipal Retirement System pension benefits and Post Employment Benefits (OPEB) to its employees, are presented on pages 77-79 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, enterprise, and internal service funds are presented on pages 81-104 of this report.

Government-wide Financial Analysis

Total assets at fiscal year-end amount to \$1,747,035,620. Current and other assets comprise 37.34% and capital assets comprise 62.66% of the total assets. Total assets increased \$48,608,846 during the fiscal year primarily as a result of the following.

- Capital assets increased \$2,285,882 as a result of changes in construction in progress, land and systems. Significant additions to fixed asset and construction in progress are described in the capital asset section of this overview and analysis.
- Investments increased \$49,001,539 as a result of availability of additional funds to be invested.

- Other assets decreased \$6,912,643 due to the amortization of the economic benefit related to the City issuing Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010. This economic benefit will be amortized over the economic life of twenty years for this asset. This is the first full year of amortization of this asset.

Total liabilities at the end of the fiscal year amount to \$973,669,779. Long-term liabilities comprise 89.1% and other liabilities comprise 10.9% of the total liabilities. Total liabilities decreased \$18,010 during the fiscal year.

As mentioned 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 (net assets) by \$773,365,841 for the year ended September 30, 2011. The largest portion of the City's net assets (58.5 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 (22.0 percent) represents resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants, the City of Garland Charter, grant contracts and state law. The remaining balance of unrestricted net assets (19.5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

A comparative schedule of condensed government-wide net assets is presented on the following page.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2011

Condensed Schedule of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 148,984,259	\$ 146,506,876	\$ 503,445,468	\$ 459,599,897	\$ 652,429,727	\$ 606,106,773
Capital assets	403,360,714	416,233,832	691,245,179	676,086,179	1,094,605,893	1,092,320,011
Total assets	<u>552,344,973</u>	<u>562,740,708</u>	<u>1,194,690,647</u>	<u>1,135,686,076</u>	<u>1,747,035,620</u>	<u>1,698,426,784</u>
Long-term liabilities						
outstanding	310,754,609	326,215,902	556,613,094	551,386,574	867,367,703	877,602,476
Other liabilities	87,527,939	78,396,526	18,774,137	17,688,787	106,302,076	96,085,313
Total liabilities	<u>398,282,548</u>	<u>404,612,428</u>	<u>575,387,231</u>	<u>569,075,361</u>	<u>973,669,779</u>	<u>973,687,789</u>
Net assets:						
Invested in capital assets, net of related debt	109,150,600	119,059,830	343,566,237	334,698,641	452,716,837	453,758,471
Restricted for:						
Debt Service	4,856,364	4,534,151	1,294,835	744,248	6,151,199	5,278,399
Construction	4,807,453	7,014,576	-	-	4,807,453	7,014,576
Rate Mitigation	-	-	156,229,586	115,366,553	156,229,586	115,366,553
Housing Assistance	3,211,551	2,097,785	-	-	3,211,551	2,097,785
Unrestricted	<u>32,036,457</u>	<u>25,421,938</u>	<u>118,212,758</u>	<u>115,801,273</u>	<u>150,249,215</u>	<u>141,223,211</u>
Total net assets	<u>\$ 154,062,425</u>	<u>\$ 158,128,280</u>	<u>\$ 619,303,416</u>	<u>\$ 566,610,715</u>	<u>\$ 773,365,841</u>	<u>\$ 724,738,995</u>

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2011

The total net assets increased \$48,626,846 in the 2011 fiscal year. Business type activities contributed \$52,692,701 of this increase while the governmental activities decreased this total by \$4,065,855. These increases and decreases are discussed in the governmental activities section and the business type activities section of this overview and analysis.

Schedule of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 39,358,644	\$ 32,520,047	\$ 339,711,505	\$ 334,833,973	\$ 379,070,149	\$ 367,354,020
Operation grants and contributions	21,723,466	21,420,963	-	-	21,723,466	21,420,963
Capital grants and contributions	649,244	974,984	3,213,159	878,483	3,862,403	1,853,467
General Revenues:						
Property taxes	72,960,307	75,675,105	-	-	72,960,307	75,675,105
Sales taxes	21,609,756	21,648,693	-	-	21,609,756	21,648,693
Other taxes	9,306,683	9,277,552	-	-	9,306,683	9,277,552
Unrestricted interest earnings	512,142	730,796	1,045,332	1,426,960	1,557,474	2,157,756
Miscellaneous	89,257	28,089	1,633,765	(353,221)	1,723,022	(325,132)
Total Revenues	<u>166,209,499</u>	<u>162,276,229</u>	<u>345,603,761</u>	<u>336,786,195</u>	<u>511,813,260</u>	<u>499,062,424</u>
Expenses:						
General government	29,640,148	32,846,193	-	-	29,640,148	32,846,193
Public safety	90,653,595	86,168,466	-	-	90,653,595	86,168,466
Public works	42,540,513	41,358,430	-	-	42,540,513	41,358,430
Culture and recreation	21,566,920	19,505,793	-	-	21,566,920	19,505,793
Public health	3,881,311	3,604,317	-	-	3,881,311	3,604,317
Interest and fiscal charges	11,968,097	12,713,773	-	-	11,968,097	12,713,773
Electric	-	-	164,547,930	191,187,490	164,547,930	191,187,490
Water	-	-	38,602,207	34,274,026	38,602,207	34,274,026
Sewer	-	-	34,307,982	33,643,084	34,307,982	33,643,084
Golf	-	-	4,766,551	3,636,869	4,766,551	3,636,869
Heliport	-	-	30,292	39,590	30,292	39,590
Storm Water Management	-	-	3,669,785	3,598,351	3,669,785	3,598,351
Parks Performance	-	-	965,305	778,409	965,305	778,409
Sanitation	-	-	16,045,778	15,943,590	16,045,778	15,943,590
Total expenses	<u>200,250,584</u>	<u>196,196,972</u>	<u>262,935,830</u>	<u>283,101,409</u>	<u>463,186,414</u>	<u>479,298,381</u>
Increase (decrease) in net assets before transfers	(34,041,085)	(33,920,743)	82,667,931	53,684,786	48,626,846	19,764,043
Transfers	<u>29,975,230</u>	<u>28,665,953</u>	<u>(29,975,230)</u>	<u>(28,665,953)</u>	-	-
Increase (decrease) in net assets	(4,065,855)	(5,254,790)	52,692,701	25,018,833	48,626,846	19,764,043
Net assets - beginning	<u>158,128,280</u>	<u>163,383,070</u>	<u>566,610,715</u>	<u>541,591,882</u>	<u>724,738,995</u>	<u>704,974,952</u>
Net assets - ending	<u>\$ 154,062,425</u>	<u>\$ 158,128,280</u>	<u>\$ 619,303,416</u>	<u>\$ 566,610,715</u>	<u>\$ 773,365,841</u>	<u>\$ 724,738,995</u>

Governmental activities

Governmental activities decreased the City's net assets by \$4,065,855. Key factors that contributed to this decrease are discussed below.

Revenues by Source – Governmental Activities

Revenues by Source

	2011		2010		Amount Change	Percentage Change
	Amount	Percentage	Amount	Percentage		
Charges for services	\$ 39,358,644	23.68%	\$ 32,520,047	20.04%	\$ 6,838,597	21.03%
Operation grants and contributions	21,723,466	13.07%	21,420,963	13.20%	302,503	1.41%
Capital grants and contributions	649,244	0.39%	974,984	0.60%	(325,740)	-33.41%
Property taxes	72,960,307	43.90%	75,675,105	46.63%	(2,714,798)	-3.59%
Sales taxes	21,609,756	13.00%	21,648,693	13.34%	(38,937)	-0.18%
Other taxes	9,306,683	5.60%	9,277,552	5.72%	29,131	0.31%
Unrestricted interest earnings	512,142	0.31%	730,796	0.45%	(218,654)	-29.92%
Miscellaneous	89,257	0.05%	28,089	0.02%	61,168	217.76%
Total Revenues	\$ 166,209,499		\$ 162,276,229		\$ 3,933,270	

Charges for services increased \$6,838,597 as a result of the following:

- RTR agreement of \$3,539,272 for reimbursement of expenses related to the Pleasant Valley Bridge.
- Interlocal Cooperative Agreement revenue of \$1,802,000 for reimbursement of expenses related to the transit oriented connectivity project.

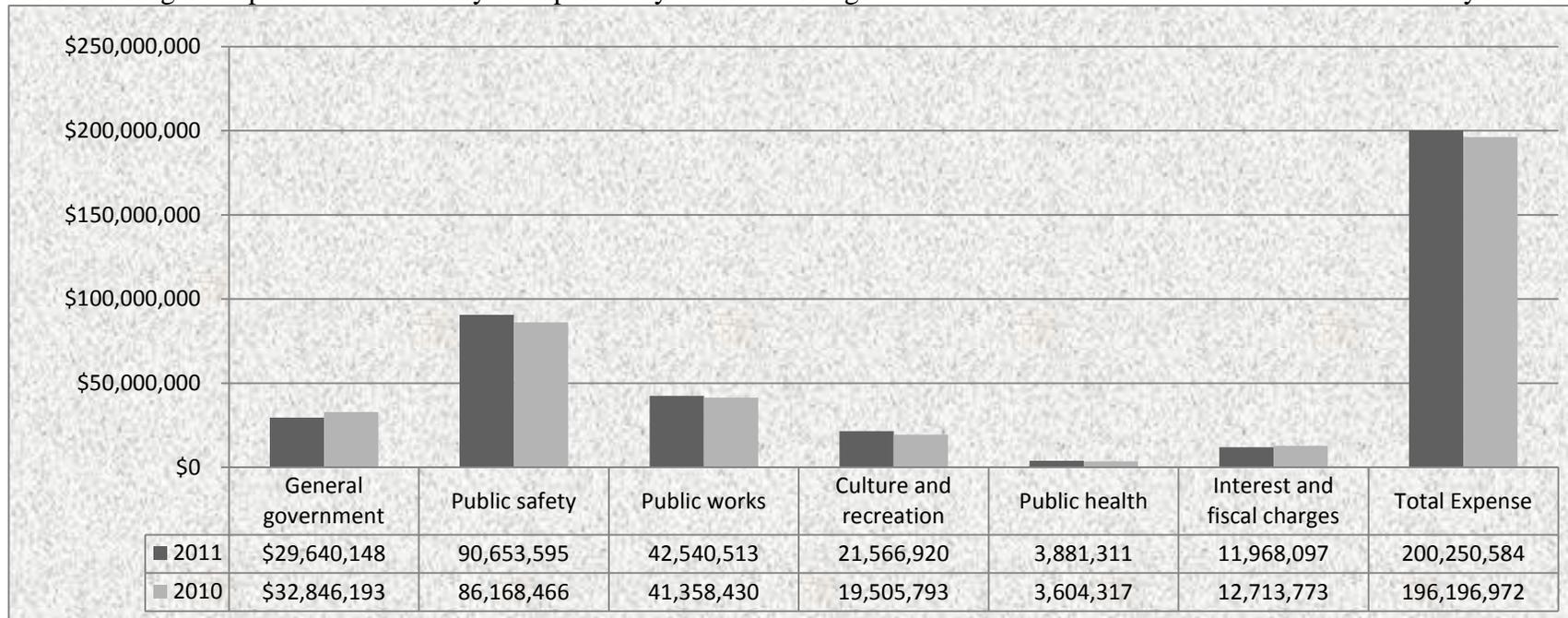
Other changes in revenues by source for the governmental activities include the following.

- Property taxes decreased \$2,714,798. This decrease is the result of an average 2.8% decrease in assessed value for residential property and an average 4.5% decrease in assessed value for commercial property.
- Interest earnings decreased as a result of lower yields earned on investments.

Expenses by Source

Governmental Activities

The following chart provides a summary of expenses by source for the governmental activities for the 2011 and 2010 fiscal years.



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

General government expenses decreased \$3,206,045 as a result of the following:

- Governmental grant expenses decreased \$3,094,558 due to the following:
 - CDBG expenses decreased \$1,837,866 as a result of expenditures in FY10 related to more entitlement funding and incurring expenses for the new Neighborhood Stabilization Program.
 - Housing assistance expenses decreased \$1,612,799 due to cost savings measures implemented during FY11 which included increasing the number of occupants per bedroom.
- The general government's portion of Internal Service cost increased \$468,709.
- Expenses decreased \$962,072 due to the transfer of the Safelight program from general government to public safety.

Public safety expenses increased \$4,485,129 as a result of the following:

- General public safety expenses increased \$1,538,198 due to restoration of 2010 fiscal year cost cutting measures during the 2011 fiscal year.
- The transfer of the Safelight program from general government to public safety increased expenses \$864,347.
- Internal service cost associated with public safety increased \$2,215,570.

Public works expenses increased \$1,182,083. Contributing factors to this increase are as follows:

- Depreciation expense increased \$1,899,411 as a result of depreciation of new assets.
- Long-term liability expense decreased \$849,622 due to the official closure of the Castle landfill.

Culture and recreation expenses increased \$2,061,127 as a result of the following:

- Expenses increased \$480,700 due to restoration of 2010 fiscal year cost cutting measures during the 2011 fiscal year.
- Internal service cost associated with culture and recreation increased \$757,235.

Business-type Activities

Business-type activities increased the City's net assets by \$52,692,701. Key elements of this change are as follows:

- The electric utility generated a net income of \$42,542,195. The net income for the electric utility increased \$22,666,822 from the prior fiscal year as a result of the following.
 - Charges for services decreased \$9,119,286. This decrease was the result of a decrease in residential and commercial fuel rates.
 - Demand charges decreased \$26,745,714 as a result of lower fixed cost at Texas Municipal Power Agency.
 - Fuel and energy purchase expense decreased \$8,311,039 as a result of low natural gas prices.
 - Amortization of other assets of \$6,912,643 was recorded as a result of amortizing the economic benefit related to the City issuing \$126,885,000 Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010. This bond issue will be discussed further in the debt section of this analysis and overview.
 - Depreciation expense decreased \$1,998,559 as a result of retirements and disposals to certain capital assets of the electric utility's Capital Improvement Program.
 - The loss on disposal of capital assets increased \$652,803. In fiscal year 2011, outdated and inefficient electric generating units were retired.
 - Earning from investments decreased \$209,487 as a result of the low interest rate environment.
 - Interest expense increased \$3,063,076 primarily due to the issue of \$126,885,000 Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010 and a full year of interest expense incurred for this issue.

- The water utility incurred a net income of \$7,954,243. The net income for the water utility was an increase of \$5,312,124 over the net income from the prior year. Key elements to this change are as follows.
 - Charges for services increased \$9,784,123 as a result an increase in consumption and rate increases.
 - Operating expenses increased \$3,536,268 as a result in increased expenses for salaries and benefits, water purchases, general and administrative and depreciation.
 - Interest earnings decreased \$60,946 as a result of the current interest rate environment.
 - Interest expense increased \$528,316 due primarily to a decrease in capitalized interest for the water utility.
- The net income for the sewer utility amounted to \$2,583,664. The net income for the sewer utility increased \$926,022 from the prior year as a result of the following.
 - Charges for services increased \$1,493,276 due to an increase in consumption and rate increases.
 - Operating expense increased \$672,355 as a result in increased expenses for salaries and benefits, maintenance repairs and supplies, general and administrative and depreciation.
 - Interest earnings decreased \$104,937 as a result of the current interest rate environment.
- The combined net income for non-major enterprise funds (golf, heliport, storm water management, parks performance and sanitation) amounted to \$95,752. The City continues to monitor these funds and implement programs and strategies to improve their financial condition.
- The net cost allocated to the business-type activities from the internal service funds amounted to \$2,010,433.

Revenues by Source – Business-type Activities

	Charges for Service			Capital Grants and Contributions			Miscellaneous		
	2011	2010	Change Amount	2011	2010	Change Amount	2011	2010	Change Amount
Electric	\$ 222,638,789	\$ 231,758,075	\$ (9,119,286)	\$ 2,748,668	\$ 623,241	\$ 2,125,427	\$ 866,189	\$ 710,540	\$ 155,649
Water	50,472,770	40,688,647	9,784,123	355,651	224,238	131,413	333,953	189,319	144,634
Sewer	41,809,811	40,316,535	1,493,276	108,840	31,004	77,836	206,567	131,115	75,452
Non-major Enterprise	24,790,135	22,070,716	2,719,419	-	-	-	227,052	145,733	81,319
Total	\$ 339,711,505	\$ 334,833,973	\$ 4,877,532	\$ 3,213,159	\$ 878,483	\$ 2,334,676	\$ 1,633,761	\$ 1,176,707	\$ 457,054

Expenses by Source – Business-type Activities

	2011	2010	Dollar Change	Percentage Change
Electric	\$ 164,547,930	\$ 191,187,490	\$ (26,639,560)	-13.93%
Water	38,602,207	34,274,026	4,328,181	12.63%
Sewer	34,307,982	33,643,084	664,898	1.98%
Non-Major	25,477,711	23,996,809	1,480,902	6.17%
	<u>\$ 262,935,830</u>	<u>\$ 283,101,409</u>	<u>\$ (20,165,579)</u>	-7.12%

Fiduciary funds

In the 2010 fiscal year the City established an Other Post Employment Benefit Trust Fund, which allows the City to capture long-term returns to make progress towards reducing the unfunded liability of post-employment health care. No additional contribution in excess of the pay-as-you-go costs was made to the trust fund during the 2011 fiscal year. The City will make future contributions to this trust fund as economic conditions permit.

Capital Asset and Debt Administration

Capital Assets

At the end of the 2011 fiscal year, the City had \$1,094,605,893 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. This amount represents a net increase of \$2,285,882 or .21% increase from the prior fiscal year. Key elements of this change are as follows:

	Capital Assets at Year-end					
	(Net of Accumulated Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 79,506,485	\$ 79,217,081	\$ 18,660,107	\$ 18,499,745	\$ 98,166,592	\$ 97,716,826
Construction in Progress	22,501,937	37,786,328	54,801,907	52,880,878	77,303,844	90,667,206
Building, Improvements, Equipment and Systems	301,352,292	299,230,423	617,783,165	604,705,556	919,135,457	903,935,979
Total capital assets	<u>\$ 403,360,714</u>	<u>\$ 416,233,832</u>	<u>\$ 691,245,179</u>	<u>\$ 676,086,179</u>	<u>\$ 1,094,605,893</u>	<u>\$ 1,092,320,011</u>

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2011

Major capital asset additions for the current fiscal year include (rounded to the nearest thousand):

Description	Amount
Erosion Control & Storm Drainage Improvements at University Channel	\$ 7,284
Analog Simulcast System	5,550
Rowlett Creek Sewer Relief Line	3,327
Street & Storm Drainage Improvements at Classic & Yale	3,036
GP&L Distribution Underground Line Transformers	3,002
West Garland Community Center Building & Improvements	2,747
Water Utility Field Building Renovation and Improvements	2,659
GP&L Distribution Poles, Towers and Fixtures	2,490
Sewer Relief Line at Northwest Highway - La Prada Drive	2,183
GP&L Distribution UG Conductors and Devices	2,148
Citywide Flooding and Erosion Control	2,052
Wastewater Utility Field Building Renovation and Improvements	1,988
GP&L Sub-station Equipment Transmission	1,910
GP&L Transmission Poles and Fixtures	1,717
Sewer Relief Line at Wellington Hill and Zion Road	1,336
Rowlett Creek Clarifiers Upgrade	1,290
Police In Car Cameras	1,288
Phone System Upgrade	1,242
Citywide Park Playground Improvements	1,226

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2011

A few of the Capital Improvement Program projects under construction as of the end of the current fiscal year include (amounts rounded to the nearest thousand):

Description	Amount
Apollo Road Water Pumping Station	\$ 4,505
Street & Drainage Improvements @ Naaman Forest -Ranger to Brand	3,933
GP&L DART Relocation	3,396
Water Distribution Mains	3,290
Water Main Relocations	2,944
GP&L Underground 200 Amp Loop Replacement	2,706
Rowlett Creek Wastewater Process Improvements	2,636
Sewer Collection Mains	2,209
GP&L Olinger Substation Rebuild	2,054
Infiltration Correction	1,939
GP&L Distribution Lines - Residential	1,857
Lift Station and Relief Sewer Lines	1,824
Utility Service Building	1,573
Sewer Collection Mains Cured in Place Pipe	1,549
Water Distribution Main Replacement	1,260
Sewer Main Relocations	1,209
DGNO Relocation	1,178
Duck Creek Sewer Interceptor Line	1,172
Traffic Signals @ 6th Street	1,134
Water Transmission Mains	1,063

Additional information on the City's capital assets can be found in note IV.C. on pages 54-56 of this report.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2011

Debt

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

Outstanding Debt, at Year-end

	Governmental Activities		Business-type Activities		Total		
	2011	2010	2011	2010	2011	2010	Change
Long-Term:							
General obligation bonds	\$ 173,692,475	\$ 183,442,550	\$ 81,170,000	\$ 79,785,000	\$ 254,862,475	\$ 263,227,550	\$ (8,365,075)
Certificates of obligation	83,830,000	89,971,569	131,930,000	140,758,432	215,760,000	230,730,001	(14,970,001)
Utility system revenue bonds	-	-	316,815,000	304,765,000	316,815,000	304,765,000	12,050,000
Total Long-Term	<u>257,522,475</u>	<u>273,414,119</u>	<u>529,915,000</u>	<u>525,308,432</u>	<u>787,437,475</u>	<u>798,722,551</u>	<u>(11,285,076)</u>
Short-Term:							
Commercial Paper	45,000,000	35,000,000	-	-	45,000,000	35,000,000	10,000,000
Tax Notes	5,440,000	5,050,000	-	-	5,440,000	5,050,000	390,000
Total Short-Term	<u>50,440,000</u>	<u>40,050,000</u>	<u>-</u>	<u>-</u>	<u>50,440,000</u>	<u>40,050,000</u>	<u>10,390,000</u>
Total outstanding debt	<u>\$ 307,962,475</u>	<u>\$ 313,464,119</u>	<u>\$ 529,915,000</u>	<u>\$ 525,308,432</u>	<u>\$ 837,877,475</u>	<u>\$ 838,772,551</u>	<u>\$ (895,076)</u>

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

Current fiscal year debt issues

Issue	Principal	Bond Ratings	
		Standard & Poor's	Fitch IBCA
Long-term			
Certificates of Obligation, Series 2011	\$ 4,260,000	AA+	AAA
General Obligation Refunding Bond, Series 2011	10,860,000	AA+	AAA
Electric Utility System Revenue Refunding Bonds, Series 2011	7,185,000	AA-	AA-
Water & Sewer System Revenue Bonds, Series 2011	19,205,000	AA	AA+
Short-term			
Commercial Paper	45,000,000	A-1+	--
Tax Anticipation Note, Series 2011	5,440,000	private placement	
Total debt financing	<u>\$ 91,950,000</u>		

The proceeds of the Certificates of Obligation, Series 2011 will be used for the following:

- Constructing and improving streets within the City including related traffic signalization, signage, sidewalks, landscaping and drainage improvement, and the acquisition of land and right-of-way therefor and replacement of facilities affected by such street construction and improvement
- Acquiring equipment and vehicles for the Environmental Waste Services Department
- Professional services rendered in connection with this issue.

The proceeds of the Water & Sewer System Revenue Bonds will be used to pay for construction of improvements to the water and sewer systems.

The proceeds of the Electric Utility System Revenue Bond will be used to pay for construction of improvements and extensions to the electric system.

The proceeds of the General Obligation Refunding, Series 2011 were used to advance refund certificates of obligation and general obligation bonds. As a result of the refunding, the City decreased its total debt service payments.

During the 2010 fiscal year, the City along with other TMPA member cities elected to issue bonds based on the percentage of their annual net energy load and placed the proceeds with TMPA. Since the proceeds from the issuance of this debt will benefit the City over future years the City has elected to record an other asset and the corresponding bonds payable liability, reoffering premium, interest and sinking fund deposit, underwriters discount and issuance cost to record this transaction. The other asset of \$138,252,850 is being amortized using a straight-line method over a period of 20 years based on the life of the economic benefit that the City is receiving from this transaction. During the current fiscal year the City amortized \$6,912,643 of amortization resulting in a fiscal yearend balance in other asset of \$127,883,886. This other asset will be reviewed annually to determine if it has been impaired based on changes at TMPA and or changes in the electric industry.

The City's variable rate interest General Obligation Bonds, Series 2007B, are subject to an interest rate cap. The object of this interest rate cap is to provide a 3.8% ceiling on the interest rate paid on these bonds. Under the terms of this interest cap agreement, Bank of America is required to pay the City the amount of interest paid to the bond holders in excess of 3.8%. In addition, this agreement requires the City to pay Bank of America a quarterly fee for this interest rate cap. This interest rate cap agreement results in an interest swap that qualifies this debt instrument as a derivative instrument. To terminate this interest rate cap agreement the City would have to pay Bank of America \$1,030,754 based on the current interest rates and the net present value of the future fees to be paid to Bank of America. GASB 53 requires that the City record a liability and a deferred outflow of resources to reflect this potential liability. The City does not intend to terminate the interest rate swap with Bank of America before it is scheduled to end on August 15, 2015. Therefore, the City does not anticipate having to liquidate this liability with cash. Additional information related to this bond issue can be found in note IV.F. on page 62 of this report.

The City continued the use of short term financing with general obligation commercial paper notes and tax anticipation notes. These financing tools provide interest savings as well as an additional funding source for street improvement projects. During the year, the City issued general obligation commercial paper notes amounting to \$45,000,000 to fund various governmental construction projects. In addition, the City issued \$5,440,000 in tax anticipation notes to fund various street improvements during the 2012 fiscal year.

Additional information on the City's debt can be found in note IV.F. 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 \$33,504,791, a decrease of \$3,320,747 from the prior year. The decrease in the net change in fund balance for the Capital Projects Fund of \$1,549,226 is attributable to capital project expenditures funded by general obligation commercial paper (\$45,000,000) and tax notes (\$5,440,000). These two loan instruments are reported as liabilities on the Capital Projects balance sheet and not as other financing sources revenue on the statement of revenues, expenditures and changes in fund balance. General obligation bond proceeds will be recognized as revenue in the future when the City issues general obligation refunding bonds to refund the outstanding commercial paper and as the tax notes are paid off annually.

The General Fund ended the fiscal year with a fund balance of \$19,374,494, which was a decrease of \$830,030 from the prior year. The original budget projected a decrease in fund balance of \$1,997,083 which was later revised to a decrease of \$5,280,916 in fund balance. Favorable budget variances were experienced for revenues as well as expenditures for the fiscal year. Actual revenues, proceeds from the sale of capital assets and transfers exceeded final budgeted revenues by \$1,670,894 and actual expenditures were under the final budget amount by \$1,653,377. This favorable budget variance was a result of better than anticipated property tax revenues, franchise fees, licenses and permits, sale of capital assets and other operational expenditure savings across General Fund departments.

The Debt Service Fund ended the fiscal year with a fund balance of \$6,265,763 due to a net increase in fund balance for the fiscal year of \$214,316. This increase in fund balance was the result of debt service transfers out decreasing \$759,954.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2011, the City Council amended the budget for the General Fund on several occasions. The amendments were made up of supplemental appropriations and adjusted budgets. Appropriations are adjusted annually for open purchase orders and various grant awards. Budgets are reviewed and adjusted during the fiscal year to address changing operational and/or economic situations. These supplemental appropriations and re-estimated allocations amounted to increasing appropriations by \$420,875.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate at September 30, 2011, was 8.4%, and the State of Texas unemployment rate was 7.8%. The City's estimated population of 227,726 (as estimated at January 1, 2011, by the City's Planning department) remained virtually unchanged from the prior year.

The primary focus of the 2011 Adopted Budget was to absorb the impact of a lingering recession without increasing the Operations and Maintenance (O&M) tax rate. Preliminary projections indicated Garland faced approximately a \$5,000,000 deficit in the General Fund for Fiscal Year 2011. The measures approved to eliminate the Fiscal Year 2011 projected deficit in the General Fund are as follows:

- Implementation of a new Debt Service Management Strategy that allowed the Debt Service Tax Rate to be reduced by one-half cent with a corresponding increase in the Operations and Maintenance Tax Rate of a like amount. The end result was a combined Tax Rate that was unchanged.
- Assessment of a 5% In-Lieu-of Franchise Fee on residential solid waste collections services.
- Assessment of a \$1.50 Emergency Medical Services Fee to be included on monthly utility bills to recover approximately \$1,200,000 of the operating deficit created by that service.
- Elimination of selected vacant positions and reductions in operating expenditures.

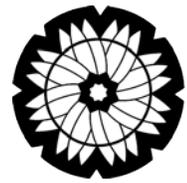
Highlights of the 2012 fiscal year budget are outlined below:

The primary focus of the 2012 Adopted Budget was to absorb the impact of declining revenues without increasing the Ad Valorem Tax rate and at the same time maintain current City service levels. The measures approved to eliminate the Fiscal Year 2012 projected deficit in the General Fund are as follows:

- Maintain property tax rate at 70.46 cents per \$100 of valuation.
- Maintain current service levels to the highest extent possible.
- Implement cost-savings measures where efficiencies can be gained without materially impacting service levels.
- Delay enhancements in employee compensation and benefits (excluding Public Safety step increases) until a recovery in the tax base is evident.
- Adjust various fees to levels charged by other Metroplex cities.

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 Street, Garland, TX 75040 or through the City's internet site (www.garlandtx.gov).



GARLAND
TEXAS MADE HERE

City of Garland, Texas
Statement of Net Assets
September 30, 2011

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and cash equivalents	\$ 84,087,766	\$ 43,166,692	\$ 127,254,458	\$ 1,154,922
Investments	43,793,078	25,049,729	68,842,807	-
Accounts Receivable, net of allowance for uncollectibles	13,482,156	46,404,833	59,886,989	51,613
Due from other governments	2,218,781	-	2,218,781	-
Internal Balances	(12,521,561)	12,521,561	-	-
Inventories	4,907,834	2,847,095	7,754,929	-
Prepaid and other items	902,142	89,937	992,079	-
Restricted Assets:				
Cash and cash equivalents	5,175,924	100,055,809	105,231,733	-
Investments	2,441,906	138,152,907	140,594,813	-
Accrued interest	1,957	118,239	120,196	-
Deferred bond issuance costs	2,331,433	7,154,780	9,486,213	-
Assets held for resale	1,132,089	-	1,132,089	488,728
Capital Assets:				
Land	79,506,485	18,660,107	98,166,592	1,140,710
Construction in Progress	22,501,937	54,801,907	77,303,844	-
Buildings, Improvements, Equipment and System (net of accumulated depreciation)	301,352,292	617,783,165	919,135,457	-
Deferred outflows of resources	1,030,754	-	1,030,754	-
Other Assets	-	127,883,886	127,883,886	-
Total assets	<u>552,344,973</u>	<u>1,194,690,647</u>	<u>1,747,035,620</u>	<u>2,835,973</u>
LIABILITIES				
Accounts payable and accrued liabilities	16,180,676	15,557,473	31,738,149	-
Escrow payable	113,124	-	113,124	-
Retainage payable	928,491	501,777	1,430,268	-
Accrued interest payable	1,409,399	2,714,887	4,124,286	-
Customer deposits	11,205,228	-	11,205,228	-
Tax Note Payable	5,440,000	-	5,440,000	-
Commercial Paper	45,000,000	-	45,000,000	-
Interest rate cap	1,030,754	-	1,030,754	-
Due to other governments	570,496	-	570,496	-
Unearned revenue	5,649,771	-	5,649,771	1,249,750
Noncurrent Liabilities:				
Due within one year	34,367,178	25,856,186	60,223,364	-
Due in more than one year	276,387,431	530,756,908	807,144,339	-
Total liabilities	<u>398,282,548</u>	<u>575,387,231</u>	<u>973,669,779</u>	<u>1,249,750</u>
NET ASSETS				
Invested in capital assets, net of related debt	109,150,600	343,566,237	452,716,837	1,140,710
Restricted for:				
Debt Service	4,856,364	1,294,835	6,151,199	-
Construction	4,807,453	-	4,807,453	-
Rate Mitigation	-	156,229,586	156,229,586	-
Housing	3,211,551	-	3,211,551	-
Unrestricted net assets	32,036,457	118,212,758	150,249,215	445,513
Total net assets	<u>\$ 154,062,425</u>	<u>\$ 619,303,416</u>	<u>\$ 773,365,841</u>	<u>\$ 1,586,223</u>

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

City of Garland, Texas
Statement of Activities
For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 29,640,148	\$ 6,403,716	\$ 19,011,088	\$ -	\$ (4,225,344)	\$ -	\$ (4,225,344)	\$ -
Public safety	90,653,595	12,685,675	1,478,703	-	(76,489,217)	-	(76,489,217)	-
Public works	42,540,513	18,311,836	-	649,244	(23,579,433)	-	(23,579,433)	-
Culture and recreation	21,566,920	1,673,984	801,884	-	(19,091,052)	-	(19,091,052)	-
Public health	3,881,311	283,433	431,791	-	(3,166,087)	-	(3,166,087)	-
Interest and fiscal charges	11,968,097	-	-	-	(11,968,097)	-	(11,968,097)	-
Total governmental activities	<u>200,250,584</u>	<u>39,358,644</u>	<u>21,723,466</u>	<u>649,244</u>	<u>(138,519,230)</u>	<u>-</u>	<u>(138,519,230)</u>	<u>-</u>
Business type activities:								
Electric	164,547,930	222,638,789	-	2,748,668	-	60,839,527	60,839,527	-
Water	38,602,207	50,472,770	-	355,651	-	12,226,214	12,226,214	-
Sewer	34,307,982	41,809,811	-	108,840	-	7,610,669	7,610,669	-
Golf	4,766,551	3,596,869	-	-	-	(1,169,682)	(1,169,682)	-
Heliport	30,292	6,523	-	-	-	(23,769)	(23,769)	-
Storm Water Management	3,669,785	3,775,995	-	-	-	106,210	106,210	-
Parks Performance	965,305	1,004,106	-	-	-	38,801	38,801	-
Sanitation	16,045,778	16,406,642	-	-	-	360,864	360,864	-
Total business-type activities	<u>262,935,830</u>	<u>339,711,505</u>	<u>-</u>	<u>3,213,159</u>	<u>-</u>	<u>79,988,834</u>	<u>79,988,834</u>	<u>-</u>
Total primary government	<u>\$ 463,186,414</u>	<u>\$ 379,070,149</u>	<u>\$ 21,723,466</u>	<u>\$ 3,862,403</u>	<u>(138,519,230)</u>	<u>79,988,834</u>	<u>(58,530,396)</u>	<u>-</u>
Component units								
Garland Housing Finance Corp.	\$ 99,642	\$ 74,788	\$ 26,500	-	-	-	-	1,646
Garland Health Facilities Development Corp.	23,183	25,000	-	-	-	-	-	1,817
Garland Economic Develop. Authority	683	-	-	-	-	-	-	(683)
	<u>\$ 123,508</u>	<u>\$ 99,788</u>	<u>\$ 26,500</u>	<u>\$ -</u>				
General revenues:								
Sales taxes					21,609,756	-	21,609,756	-
Franchise fees					8,255,818	-	8,255,818	-
Property taxes					72,960,307	-	72,960,307	-
Hotel/Motel taxes					687,233	-	687,233	-
Mixed drink taxes					262,941	-	262,941	-
Bingo taxes					100,691	-	100,691	-
Unrestricted investment earnings					512,142	1,045,332	1,557,474	14,550
Miscellaneous					89,257	1,633,765	1,723,022	-
Transfers					29,975,230	(29,975,230)	-	-
Total general revenues and transfers					<u>134,453,375</u>	<u>(27,296,133)</u>	<u>107,157,242</u>	<u>14,550</u>
Net change in net assets					(4,065,855)	52,692,701	48,626,846	17,330
Net assets-beginning					158,128,280	566,610,715	724,738,995	1,568,893
Net assets-ending					<u>\$ 154,062,425</u>	<u>\$ 619,303,416</u>	<u>\$ 773,365,841</u>	<u>\$ 1,586,223</u>

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

**City of Garland, Texas
Governmental Funds
Balance Sheet
September 30, 2011**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 12,613,353	\$ 6,217,687	\$ 31,593,093	\$ 8,828,288	\$ 59,252,421
Investments	7,904,738	-	16,908,302	4,497,236	29,310,276
Receivables:					
Accounts, net	8,172,145	-	-	3,249,163	11,421,308
Taxes, net	593,822	468,124	-	-	1,061,946
Accrued interest	11,259	506	15,783	4,562	32,110
Assessments	17,537	-	-	-	17,537
Due from other funds	3,804,451	-	-	-	3,804,451
Due from other governments	159,700	-	-	2,059,081	2,218,781
Prepaid items	-	-	-	902,142	902,142
Assets held for resale	-	-	-	1,132,089	1,132,089
Total Assets	\$ 33,277,005	\$ 6,686,317	\$ 48,517,178	\$ 20,672,561	\$ 109,153,061
LIABILITIES					
Accounts payable and accrued liabilities	\$ 9,658,690	\$ -	\$ 1,621,280	\$ 633,815	\$ 11,913,785
Escrow payable	-	-	-	113,124	113,124
Due to other funds	-	8,445	891,831	1,548,348	2,448,624
Deferred revenues	4,243,821	412,109	214,383	4,874,289	9,744,602
Due to other governments	-	-	-	570,496	570,496
Retainage payable	-	-	365,941	51,698	417,639
Tax note payable	-	-	5,440,000	-	5,440,000
Commercial paper	-	-	45,000,000	-	45,000,000
Total Liabilities	13,902,511	420,554	53,533,435	7,791,770	75,648,270
FUND BALANCES					
Fund balances:					
Nonspendable	-	-	-	902,142	902,142
Restricted	762,541	6,265,763	-	6,005,274	13,033,578
Committed	-	-	-	5,973,375	5,973,375
Assigned	4,730,000	-	-	-	4,730,000
Unassigned	13,881,953	-	(5,016,257)	-	8,865,696
Total Fund Balances	19,374,494	6,265,763	(5,016,257)	12,880,791	33,504,791
Total Liabilities and Fund Balances	\$ 33,277,005	\$ 6,686,317	\$ 48,517,178	\$ 20,672,561	\$ 109,153,061

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, 2011**

Total fund balances - governmental funds \$ 33,504,791

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. 344,995,722

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. 4,094,831

Bond interest is not accrued at the fund level. (1,218,177)

Deferred bond issuance costs are not reported at the fund level. 1,801,536

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	(221,907,475)
Landfill closure costs	(7,327,000)
Compensated absences	(18,969,540)
Unamortized premium, loss on refunding, and bond issue costs	(4,979,845)
Other Post Employment Benefits liability payable	(5,721,610)

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. Certain assets and liabilities of the internal service funds are included with governmental activities in the statement of net assets. 29,789,192

Total net assets - governmental activities \$ 154,062,425

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, 2011

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 62,379,558	\$ 31,823,985	\$ -	\$ 1,320,132	\$ 95,523,675
Franchise fees	8,255,818	-	-	-	8,255,818
Service charges	18,102,510	-	-	-	18,102,510
Licenses and permits	2,893,000	-	-	-	2,893,000
Earnings on investments	211,524	16,468	119,227	36,900	384,119
Intergovernmental	725,320	-	7,956	19,571,449	20,304,725
Intragovernmental	7,871,534	-	-	-	7,871,534
Fines and forfeits	5,097,867	-	-	-	5,097,867
Rents and concessions	763,023	-	-	(109)	762,914
Assessments	-	-	34,223	-	34,223
Impact Fees	-	-	-	289,553	289,553
Contributions	-	-	5,219,595	-	5,219,595
Program income	-	-	-	193,209	193,209
Special event income	-	-	-	174,578	174,578
Court awarded seizures	-	-	-	467,831	467,831
Miscellaneous and other	-	-	1,232,845	1,015,241	2,248,086
Total revenues	<u>106,300,154</u>	<u>31,840,453</u>	<u>6,613,846</u>	<u>23,068,784</u>	<u>167,823,237</u>
EXPENDITURES					
Current:					
General government	9,137,993	-	277,817	-	9,415,810
Public safety	77,463,425	-	-	-	77,463,425
Public works	19,151,977	-	-	-	19,151,977
Culture and recreation	13,245,845	-	-	-	13,245,845
Public health	3,174,073	-	-	-	3,174,073
Nondepartmental	18,695,922	-	-	-	18,695,922
Operations	-	-	-	17,392,687	17,392,687
Capital outlay	-	-	17,092,331	2,383,462	19,475,793
Debt service:					
Principal	-	16,165,582	-	-	16,165,582
Interest	-	10,215,634	-	-	10,215,634
Issue costs on issuance of debt	-	67,306	40,000	-	107,306
Other and fiscal expenditures	-	758,265	-	-	758,265
Total expenditures	<u>140,869,235</u>	<u>27,206,787</u>	<u>17,410,148</u>	<u>19,776,149</u>	<u>205,262,319</u>
Excess (deficiency) of revenues over (under) expenditures	(34,569,081)	4,633,666	(10,796,302)	3,292,635	(37,439,082)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	25,747	-	-	-	25,747
Transfers in	35,594,921	663,339	11,160,973	20,000	47,439,233
Transfers out	(1,881,617)	(5,586,404)	(4,458,897)	(4,468,442)	(16,395,360)
Proceeds from issuance of debt	-	-	2,545,000	-	2,545,000
Premium on issuance of debt	-	280,745	-	-	280,745
Issuance of refunding bonds	-	4,655,000	-	-	4,655,000
Payment to refunded bonds escrow agent	-	(4,432,030)	-	-	(4,432,030)
Total other financing sources (uses)	<u>33,739,051</u>	<u>(4,419,350)</u>	<u>9,247,076</u>	<u>(4,448,442)</u>	<u>34,118,335</u>
Net change in fund balance	(830,030)	214,316	(1,549,226)	(1,155,807)	(3,320,747)
Fund balances - beginning	20,204,524	6,051,447	(3,467,031)	14,036,598	36,825,538
Fund balances - ending	<u>\$ 19,374,494</u>	<u>\$ 6,265,763</u>	<u>\$ (5,016,257)</u>	<u>\$ 12,880,791</u>	<u>\$ 33,504,791</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, 2011**

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

Net change in fund balances - total governmental funds	\$ (3,320,747)
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.	(10,034,116)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	317,019
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.	15,177,750
Other Post Employment Benefits liability is accrued in the government wide financial statements but not at the fund level.	(1,297,623)
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.	97,518
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>(5,005,656)</u>
Net change in net assets-total governmental activities	<u><u>\$ (4,065,855)</u></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, 2011

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 26,489,898	\$ 4,577,880	\$ 10,720,736	\$ 1,378,178	\$ 43,166,692	\$ 25,811,040
Investments	15,395,078	2,658,466	6,229,979	766,206	25,049,729	14,482,802
Receivable, net of allowance	32,639,981	7,225,350	4,485,777	2,016,561	46,367,669	934,678
Accrued interest	26,626	2,816	6,871	851	37,164	14,577
Inventories	2,847,095	-	-	-	2,847,095	4,907,834
Prepaid Expense	89,937	-	-	-	89,937	-
Total current assets	<u>77,488,615</u>	<u>14,464,512</u>	<u>21,443,363</u>	<u>4,161,796</u>	<u>117,558,286</u>	<u>46,150,931</u>
Noncurrent Assets:						
Restricted assets						
Revenue bond retirement fund:						
Cash and cash equivalents	205,476	-	-	-	205,476	-
Total revenue bond retirement fund	<u>205,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,476</u>	<u>-</u>
Revenue bond reserve fund:						
Cash and cash equivalents	-	413,894	675,465	-	1,089,359	-
Total revenue bond reserve fund	<u>-</u>	<u>413,894</u>	<u>675,465</u>	<u>-</u>	<u>1,089,359</u>	<u>-</u>
Rate mitigation:						
Cash and cash equivalents	47,307,533	-	-	-	47,307,533	-
Investments	108,832,608	-	-	-	108,832,608	-
Accrued interest	89,445	-	-	-	89,445	-
Total rate mitigation	<u>156,229,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,229,586</u>	<u>-</u>
Construction funds:						
Cash and cash equivalents	14,249,411	10,765,162	25,383,020	1,055,848	51,453,441	4,200,228
Investments	7,698,648	6,256,273	14,751,794	613,584	29,320,299	2,441,907
Accrued interest	6,723	6,282	15,022	767	28,794	1,957
Total construction funds	<u>21,954,782</u>	<u>17,027,717</u>	<u>40,149,836</u>	<u>1,670,199</u>	<u>80,802,534</u>	<u>6,644,092</u>
Capital Assets:						
Land	3,643,326	1,491,430	2,338,807	11,186,544	18,660,107	-
Buildings, improvements, equipment and systems	397,729,870	215,896,166	405,854,732	28,590,779	1,048,071,547	101,496,147
Construction in progress	23,518,422	15,121,949	15,413,909	747,627	54,801,907	3,432,821
Less accumulated depreciation	<u>(156,311,108)</u>	<u>(85,811,058)</u>	<u>(171,944,237)</u>	<u>(16,221,979)</u>	<u>(430,288,382)</u>	<u>(46,563,977)</u>
Net capital assets	268,580,510	146,698,487	251,663,211	24,302,971	691,245,179	58,364,991
Unamortized bond issuance cost	3,739,536	1,252,661	2,081,845	80,738	7,154,780	529,898
Other Assets	127,883,886	-	-	-	127,883,886	-
Advance to other funds	3,922,570	-	-	-	3,922,570	-
Total noncurrent assets	<u>582,516,346</u>	<u>165,392,759</u>	<u>294,570,357</u>	<u>26,053,908</u>	<u>1,068,533,370</u>	<u>65,538,981</u>
Total Assets	<u>\$ 660,004,961</u>	<u>\$ 179,857,271</u>	<u>\$ 316,013,720</u>	<u>\$ 30,215,704</u>	<u>\$ 1,186,091,656</u>	<u>\$ 111,689,912</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, 2011**

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES						
Current liabilities:						
<i>Payable from current assets</i>						
Accounts payable and accrued liabilities	\$ 9,057,815	\$ 1,920,004	\$ 619,158	\$ 919,433	\$ 12,516,410	\$ 4,216,707
Due to other funds	-	-	-	1,355,827	1,355,827	-
Insurance claims payable	-	-	-	-	-	7,429,582
Accrued interest payable:						
General obligation bonds	305,432	44,698	135,071	-	485,201	5,411
Certificates of obligation	782,436	3,085	6,495	18,554	810,570	185,811
Revenue bonds	466,383	405,575	547,158	-	1,419,116	-
Customer deposits	-	-	-	-	-	11,205,228
General obligation bonds	4,640,000	705,000	1,920,000	-	7,265,000	40,000
Certificates of obligation	-	165,000	350,000	930,000	1,445,000	2,110,000
Revenue bonds	5,735,000	3,242,080	6,307,920	-	15,285,000	-
Due to other funds	-	-	-	-	-	-
Compensated absences	1,039,900	203,071	297,820	320,395	1,861,186	621,390
Total payable from current assets	<u>22,026,966</u>	<u>6,688,513</u>	<u>10,183,622</u>	<u>3,544,209</u>	<u>42,443,310</u>	<u>25,814,129</u>
<i>Payable from restricted assets</i>						
Accounts payable	1,641,809	359,298	840,974	198,982	3,041,063	50,185
Retainage payable	26,700	208,237	266,840	-	501,777	510,852
Capital lease-current portion	-	-	-	-	-	28,803
Total payable from restricted assets	<u>1,668,509</u>	<u>567,535</u>	<u>1,107,814</u>	<u>198,982</u>	<u>3,542,840</u>	<u>589,840</u>
Total current liabilities	23,695,475	7,256,048	11,291,436	3,743,191	45,986,150	26,403,969
Long-term Liabilities:						
Advances from other funds	-	-	-	26,301	26,301	3,896,269
Revenue bonds payable (net of unamortized premium)	100,676,602	78,383,366	130,299,399	-	309,359,367	-
Certificates of obligation (net of unamortized premium)	138,401,554	360,000	755,000	2,577,761	142,094,315	33,451,335
General obligation bonds (net of unamortized premium and defeased bond costs)	46,943,274	7,521,120	21,910,560	-	76,374,954	877,060
Capital lease	-	-	-	-	-	95,342
Insurance claims payable	-	-	-	-	-	5,936,629
OPEB payable	1,123,005	276,310	448,393	636,890	2,484,598	1,137,000
Compensated absences	324,742	28,614	39,552	50,766	443,674	121,997
Total other liabilities	<u>287,469,177</u>	<u>86,569,410</u>	<u>153,452,904</u>	<u>3,291,718</u>	<u>530,783,209</u>	<u>45,515,632</u>
Total Liabilities	<u>311,164,652</u>	<u>93,825,458</u>	<u>164,744,340</u>	<u>7,034,909</u>	<u>576,769,359</u>	<u>71,919,601</u>
NET ASSETS						
Invested in capital assets, net of related debt	119,355,353	72,782,103	129,162,354	22,266,427	343,566,237	27,977,061
Restricted for:						
Debt Service	205,476	413,894	675,465	-	1,294,835	-
Rate Mitigation	156,229,586	-	-	-	156,229,586	-
Unrestricted	73,049,894	12,835,816	21,431,561	914,368	108,231,639	11,793,250
Total net assets	<u>\$ 348,840,309</u>	<u>\$ 86,031,813</u>	<u>\$ 151,269,380</u>	<u>\$ 23,180,795</u>	609,322,297	<u>\$ 39,770,311</u>
Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.					<u>9,981,119</u>	
Net assets of business type activities					<u>\$ 619,303,416</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, 2011

	Business-type Activities				Governmental	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 222,638,789	\$ 50,472,770	\$ 41,809,811	\$ 24,790,135	\$ 339,711,505	\$ 45,061,171
Insurance premiums	-	-	-	-	-	23,479,971
Other	866,189	333,953	206,567	227,052	1,633,761	3,023,058
Total Operating Revenues	<u>223,504,978</u>	<u>50,806,723</u>	<u>42,016,378</u>	<u>25,017,187</u>	<u>341,345,266</u>	<u>71,564,200</u>
OPERATING EXPENSES:						
Salaries and benefits	22,821,422	4,256,901	6,982,153	9,095,261	43,155,737	16,798,763
Demand charges	24,748,777	-	-	-	24,748,777	-
Amortization of other assets	6,912,643	-	-	-	6,912,643	-
Fuel purchases	61,418,646	-	-	-	61,418,646	-
Water purchases	-	18,669,727	-	-	18,669,727	-
Landfill fees	-	-	-	3,575,750	3,575,750	-
Maintenance, repairs, and supplies	9,781,439	3,754,678	7,229,014	8,111,868	28,876,999	18,197,734
Insurance and other expenses	2,009,196	221,704	364,838	445,922	3,041,660	-
General and administrative	12,166,940	4,023,867	4,055,810	1,939,860	22,186,477	5,816,232
Capitalized general and administrative	(1,440,575)	(217,418)	(350,722)	-	(2,008,715)	-
Premiums	-	-	-	-	-	6,494,907
Claims	-	-	-	-	-	17,893,713
Insurance claims payable	244,524	63,700	101,714	146,920	556,858	1,187,469
Administrative services	-	-	-	-	-	1,110,503
Depreciation	11,663,823	5,494,951	11,457,133	1,992,570	30,608,477	7,257,790
Total Operating Expenses	<u>150,326,835</u>	<u>36,268,110</u>	<u>29,839,940</u>	<u>25,308,151</u>	<u>241,743,036</u>	<u>74,757,111</u>
Total Operating Income (Loss)	<u>\$ 73,178,143</u>	<u>\$ 14,538,613</u>	<u>\$ 12,176,438</u>	<u>\$ (290,964)</u>	<u>\$ 99,602,230</u>	<u>\$ (3,192,911)</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, 2011

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
NONOPERATING REVENUES (EXPENSES)						
Contributions	\$ 2,748,668	\$ -	\$ -	\$ -	\$ 2,748,668	\$ -
Gain (loss) on disposal of capital assets	(2,210,375)	(1,401)	(3,008)	(14,751)	(2,229,535)	178,966
Earnings from investments:						
Current operations	800,570	5,046	43,077	4,331	853,024	102,696
Revenue bond retirement and reserve fund	263	354	587	-	1,204	-
Construction fund	54,002	35,258	97,327	4,517	191,104	25,435
Total earnings on investments	854,835	40,658	140,991	8,848	1,045,332	128,131
Interest expense:						
Revenue bonds	(4,723,852)	(3,191,591)	(5,653,667)	-	(13,569,110)	-
Certificates of obligation	(5,611,749)	(40,034)	(117,980)	(104,542)	(5,874,305)	(1,464,526)
General obligation bonds	(2,322,306)	(357,111)	(1,021,364)	-	(3,700,781)	(62,248)
Advance from other funds	-	-	-	(1,848)	(1,848)	(7,578)
Less capitalized interest	943,028	1,330,147	2,392,767	-	4,665,942	-
Total interest expense	(11,714,879)	(2,258,589)	(4,400,244)	(106,390)	(18,480,102)	(1,534,352)
Income (loss) before transfers and contributions	62,856,392	12,319,281	7,914,177	(403,257)	82,686,593	(4,420,166)
Capital contributions	-	355,651	108,840	-	464,491	-
TRANSFERS						
Transfers in	-	-	-	1,350,000	1,350,000	731,357
Transfers out	(20,314,197)	(4,720,689)	(5,439,353)	(850,991)	(31,325,230)	(1,800,000)
Net transfers	(20,314,197)	(4,720,689)	(5,439,353)	499,009	(29,975,230)	(1,068,643)
NET INCOME (LOSS)	42,542,195	7,954,243	2,583,664	95,752	53,175,854	(5,488,809)
Net assets, beginning of year	306,298,114	78,077,570	148,685,716	23,085,043	556,146,443	45,259,120
Net assets, end of year	<u>\$ 348,840,309</u>	<u>\$ 86,031,813</u>	<u>\$ 151,269,380</u>	<u>\$ 23,180,795</u>	<u>609,322,297</u>	<u>\$ 39,770,311</u>

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

(483,153)

Change in net assets of business-type activities

\$ 52,692,701

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, 2011

	Business-type Activities				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	\$ 219,237,860	\$ 48,813,391	\$ 41,710,683	\$ 24,650,425	\$ 334,412,359	\$ 68,689,482
Cash received for customer deposit	-	-	-	-	-	567,494
Cash paid to suppliers	(109,541,384)	(25,635,124)	(11,366,756)	(14,002,112)	(160,545,376)	(49,046,936)
Cash paid to employees for services	(22,827,009)	(4,280,816)	(6,988,021)	(9,128,512)	(43,224,358)	(16,887,328)
Other operating revenues	3,614,858	333,953	206,567	227,050	4,382,428	3,023,053
Net cash provided by operations	<u>90,484,325</u>	<u>19,231,404</u>	<u>23,562,473</u>	<u>1,746,851</u>	<u>135,025,053</u>	<u>6,345,765</u>
Cash flows from noncapital financing activities:						
Retainage - increase	-	-	-	-	-	2,410
Due to other funds (decreases)	-	-	-	55,819	55,819	(10,500)
Advance to other funds decrease	830,638	-	-	-	830,638	-
Transfers in	-	-	-	1,350,000	1,350,000	731,357
Transfers out	(20,314,198)	(4,720,689)	(5,439,354)	(850,991)	(31,325,232)	(1,800,000)
Net cash provided by (used for) noncapital financing activities	<u>(19,483,560)</u>	<u>(4,720,689)</u>	<u>(5,439,354)</u>	<u>554,828</u>	<u>(29,088,775)</u>	<u>(1,076,733)</u>
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	1,280,000	1,280,000	-
Revenue bonds	7,185,000	11,795,000	7,410,000	-	26,390,000	-
General obligation bonds	3,655,000	515,000	2,470,000	-	6,640,000	15,000
Premium on issuance of debt	563,046	929,634	705,249	35,015	2,232,944	-
Acquisition and construction of capital assets	(21,220,289)	(13,423,029)	(10,596,020)	(2,228,944)	(47,468,282)	(5,472,846)
New obligations under capital lease	-	-	-	-	-	151,576
Principal paid on:						
Revenue bonds	(5,515,000)	(2,953,306)	(5,871,694)	-	(14,340,000)	-
Certificates of obligation	(846,974)	(278,846)	(910,208)	(1,150,000)	(3,186,028)	(2,443,464)
General obligation bonds	(3,500,000)	(525,000)	(1,230,000)	-	(5,255,000)	(35,000)
Advance from other funds	-	-	-	(12,255)	(12,255)	(818,383)
Payment to escrow agent	(3,806,024)	(534,051)	(2,582,328)	-	(6,922,403)	(15,567)
Payment to capital lease	-	-	-	-	-	(27,431)
Interest paid on:						
Revenue bonds	(4,351,002)	(2,085,739)	(3,858,071)	-	(10,294,812)	-
Certificates of obligation	(5,936,526)	(37,177)	(99,865)	(99,402)	(6,172,970)	(1,517,127)
General obligation bonds	(2,300,127)	(234,992)	(715,092)	-	(3,250,211)	(46,855)
Advances from other funds	-	-	-	(1,848)	(1,848)	-
Capital lease	-	-	-	-	-	(7,579)
Bond issue expense	(226,063)	(161,723)	(129,645)	(26,057)	(543,488)	-
Contributions	-	355,651	108,840	-	464,491	-
Proceeds from sales of assets	358,502	713	-	91,744	450,959	235,065
Net cash used for capital and related financing activities	<u>(35,940,457)</u>	<u>(6,637,865)</u>	<u>(15,298,834)</u>	<u>(2,111,747)</u>	<u>(59,988,903)</u>	<u>(9,982,611)</u>

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

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2011

	Business-type Activities				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from investing activities:						
Purchase of investment securities	(222,669,461)	(19,914,901)	(42,678,439)	(2,925,845)	(288,188,646)	(34,531,933)
Proceeds from sale and maturities of investment securities	183,659,416	15,575,049	36,742,474	2,569,458	238,546,397	31,553,448
Interest received on investments	985,705	47,617	167,724	10,600	1,211,646	154,698
Net cash used for investing activities	<u>(38,024,340)</u>	<u>(4,292,235)</u>	<u>(5,768,241)</u>	<u>(345,787)</u>	<u>(48,430,603)</u>	<u>(2,823,787)</u>
Net increase (decrease) in cash and cash equivalents	(2,964,032)	3,580,615	(2,943,956)	(155,855)	(2,483,228)	(7,537,366)
Cash and cash equivalents at beginning of the year	91,216,350	12,176,321	39,723,177	2,589,881	145,705,729	37,548,634
Cash and cash equivalents at end of the year	<u>\$ 88,252,318</u>	<u>\$ 15,756,936</u>	<u>\$ 36,779,221</u>	<u>\$ 2,434,026</u>	<u>\$ 143,222,501</u>	<u>\$ 30,011,268</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	\$ 75,926,812	\$ 14,538,613	\$ 12,176,438	\$ (290,965)	\$ 102,350,898	\$ (3,192,912)
Adjustments:						
Depreciation expense	11,663,823	5,494,951	11,457,133	1,992,570	30,608,477	7,257,790
Change in allowance for uncollectible accounts	93,232	28,669	28,096	(8,699)	141,298	-
Change in assets and liabilities						
(increase) decrease in accounts receivable	(3,494,161)	(1,688,048)	(127,224)	(131,012)	(5,440,445)	148,340
(increase) decrease in inventory	(235,507)	-	-	-	(235,507)	466,614
decrease in other assets	6,912,643	-	-	-	6,912,643	-
(increase) in other prepaid expense	(89,937)	-	-	-	(89,937)	-
increase (decrease) in accounts payable	(531,517)	817,434	(67,816)	71,291	289,392	(462)
increase (decrease) in compensated absences	(5,587)	(23,915)	(5,868)	(33,254)	(68,624)	(88,567)
increase in customer deposits	-	-	-	-	-	567,494
increase in OPEB payable	244,524	63,700	101,714	146,920	556,858	260,962
increase in insurance claims payable	-	-	-	-	-	926,506
Total adjustments	14,557,513	4,692,791	11,386,035	2,037,816	32,674,155	9,538,677
Net cash provided by operating activities	<u>\$ 90,484,325</u>	<u>\$ 19,231,404</u>	<u>\$ 23,562,473</u>	<u>\$ 1,746,851</u>	<u>\$ 135,025,053</u>	<u>\$ 6,345,765</u>
Noncash investing, capital and financing activities:						
Contributions from developers	-	310,891	107,396	-	418,287	-

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

City of Garland, Texas
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2011

	Other Post Employment Benefits Trust Fund
Assets	
Investments:	
Equity mutual funds	\$ 267,718
Fixed income mutual funds	228,596
Money Market fund	19,820
Total Investments	516,134
Total assets	\$ 516,134
 NET ASSETS	
Held in trust for other post employemnet benefits and other purposes	516,134
	\$ 516,134

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

City of Garland, Texas
Fiduciary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2011

	Other Post Employment Benefits Trust Fund
Additions	
Earnings from investments	\$ (8,850)
Employer contributions	3,620,249
Retiree contributions	2,119,105
Total additions	5,730,504
 Deductions	
Administrative expenses	5,942
Payments to beneficiaries	5,739,354
Total deductions	5,745,296
Change in net assets	(14,792)
Net assets, beginning of year	530,926
Net assets, end of year	\$ 516,134

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



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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. The financial statements for each component unit are presented in this report and these component units do not issue separate financial statements.

Blended Component Unit

The Garland Foundation for Development (GFFD) was organized to promote economic development within the City of Garland. The City Council serves as the board members for GFFD and the Assistant City Manager is the Executive Director. GFFD is reported as a blended component unit of the non-major enterprise golf fund.

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 government 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.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

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 fund and fiduciary fund financial statements. 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. Grant revenues are recognized as revenues when all eligibility requirements are met and the funds are available.

Property taxes, franchise taxes, licenses, mowing liens, sales taxes, EMS fees, court fees, 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 to the extent they are available as defined above. 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 Projects Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund categories:

Special revenue funds account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. These specific revenues sources are Community Development Block Grants, Housing Assistance Grants, Neighborhood Services Grants and Funding, Hotel/Motel Tax, Impact Fees, Landfill Closure Funding, Library Grants (NETLS), Police Training, Substandard Perimeter Road Funding, Narcotic Seizure Funding, Library Contributions, Other Housing Assistance, Tax Increment funds, and ARRA Recovery Act grants.

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, fleet services, vehicle replacement, information technology, facilities management, warehouse, and customer services to other departments of the City on a cost reimbursement basis.

The Other Post Employment Benefits trust fund accounts for the activities of the trust fund which accumulates resources for OPEB related benefits, and is excluded from the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide business-type activities, 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.

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

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 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.

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 and the City Council approved investment policy authorize the City to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, reverse repurchase agreements and investment pools.

The deposits and investments of the OPEB trust fund are held separately from those of other City funds by an outside trustee appointed by the City.

Investments for the primary government, as well as for its component units, are reported at fair value. The Texpool, Texpool Prime, TexStar, and Logic 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.

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

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 collection experience. All other allowance for uncollectible accounts is based on accounts outstanding in excess of 360 days of the invoice date and collection experience. The property tax receivable allowance is based on the average collection rate of delinquent taxes over the last five 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 property within the City. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

3. *Inventories and prepaid items*

All inventories are valued at average cost and 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 bonds, 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 or statement of net assets because their use is limited by applicable bond covenants or they are maintained in separate bank accounts due to City Charter requirements. 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.

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

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 and in the proprietary fund 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 a department by department 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. 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 for buildings 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 40 years. The reported

value for infrastructure includes all upgrades and is depreciated over a useful life of 15-45 years. 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 incurred during the construction phase of capital assets of business-type activities is included as part of the capital value of the assets constructed. The total interest expense by the City during the current year was \$30,230,088. Of this amount, \$4,665,942 was included as part of the cost of capital assets under construction in connection with electric, water, and sewer construction projects.

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	15
Equipment	2 – 10
Systems and Infrastructure	15 - 45

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 and proprietary fund financial statements.

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

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 are deferred and amortized over the life of the bonds using 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 using the interest method. Defeased debt costs are amortized using the interest method over the shorter of the remaining life of the old debt or the life of the new 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. Classifications of Fund balance

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, which defines the classifications of fund balances to be used for financial reporting purposes. The City adopted GASB statement 54 as of October 1, 2010.

Fund balances in the governmental funds classified as non-spendable are not in spendable form such as inventories and prepaid items. The restricted fund balances are funds for which restrictions are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Committed fund balances are amounts that can only be used for specific purposes imposed by formal action of the City Council. Assigned fund balances are amounts that are constrained by the City's intent for specific purposes but are not restricted or committed and are determined by City management based on City Council direction. Unassigned fund balance is the residual fund balance that has not been restricted, committed, or assigned in the General Fund.

In order to remain financially strong and provide a framework for prudent financial management, the City maintains a minimum unassigned fund balance goal in the General fund of 30 days of budget-based operating expenditures.

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

Fund balances for governmental activities as of September 30, 2011 are:

<i>Fund Balance</i>	<i>General Fund</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Nonspendable:					
Prepays	\$ -	\$ -	\$ -	\$ 902,142	\$ 902,142
Total Nonspendable	-	-	-	902,142	902,142
Restricted:					
General government	762,541	-	-	1,122,223	1,884,764
Debt service	-	6,265,763	-	-	6,265,763
Housing Assistance	-	-	-	3,577,680	3,577,680
Public Safety	-	-	-	1,305,371	1,305,371
Total Restricted	762,541	6,265,763	-	6,005,274	13,033,578
Committed:					
General government	-	-	-	303,531	303,531
Culture and recreation	-	-	-	1,429,229	1,429,229
Public works	-	-	-	4,240,615	4,240,615
Total Committed	-	-	-	5,973,375	5,973,375
Assigned:					
General government	4,730,000	-	-	-	4,730,000
Total Assigned	4,730,000	-	-	-	4,730,000
Unassigned	13,881,953	-	(5,016,257)	-	8,865,696
Total fund balance	\$ 19,374,494	\$ 6,265,763	\$ (5,016,257)	\$ 12,880,791	\$ 33,504,791

9. Fund net assets

In the fund financial statements, proprietary funds report restricted net assets for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

10. New accounting principles

The City implemented the following new GASB standards during the fiscal year ended September 30, 2011:

The GASB has issued Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”* (“GASB 54”). Statement 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. GASB Statement 54 is effective in fiscal year 2011. The adoption of this statement is reflected on pages 24 and 43.

The GASB has issued Statement No. 59, *“Financial Instruments Omnibus”* (“GASB 59”), which is effective in fiscal year 2011. Statement 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The adoption of this statement had no impact on the financial statements.

GASB issued the following new accounting standards that are expected to be implemented by the City in future years:

The GASB has issued Statement No. 57, *“OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”* (“GASB 57”), which will be effective in fiscal year 2012. The objective of this statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This statement amends Statement No. 45, *“Accounting and Financial Reports by Employers for Postemployment Benefits Other Than Pensions”*, to permit an agent employer that has an individual employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this statement also amends a Statement No. 43, *“Financial Report for Postemployment Benefit Plans Other Than Pension Plan”*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. An amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are not eligible. In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan’s financial reporting requirement. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 60, *“Accounting and Financial Reporting for Service Concession Arrangement”* (“GASB 60”), which will be effective in fiscal year 2013. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The City has not yet evaluated the impact of the implementation of this standard.

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

The GASB has issued Statement No. 61, *“The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34”* (“GASB 61”), which will be effective in fiscal year 2013. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *“The Financial Reporting Entity”*, and the related financial report requirement of Statement No. 34, *“Basis Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 62, *“Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”* (“GASB 62”), which will be effective in fiscal year 2013. The objective of this statement is to incorporate into the GASB’s authoritative literature certain accounting and financial report guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statement and Interpretations, (2) Accounting Principles Board Opinions, and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants’ Committee on Accounting Procedure. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”* (“GASB 63”), which will be effective in fiscal year 2013. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 64, *“Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53”* (“GASB 64”), which will be effective in fiscal year 2012. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue what swap counterparty, or swap counterparty’s credit support provider, is replaced. The City has not yet evaluated the impact of the implementation of this standard.

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 reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide 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 \$221,907,475 difference are as follows:

General Obligation bonds – General Government portion	\$172,737,475
Certificates of Obligation – General Government portion	<u>49,170,000</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at net assets – governmental activities	<u>\$221,907,475</u>

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

The portion of Certificates of Obligation amounting to \$34,660,000 and a portion of General Obligation amounting to \$955,000 was issued for Internal Service fund projects.

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes 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) 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 \$15,177,750 difference are as follows:

Debt issued or incurred:	
Issuance of certificates of obligation - Governmental Funds	\$ (2,980,000)
Issuance of general obligation bonds – Governmental Funds	(4,205,000)
Net premium on issuance of CO bonds	(15,000)
Net premium on issuance of GO bonds	(213,440)
Principal repayments:	
General obligation debt	10,840,075
Certificates of obligation	5,325,507
Refunded debt on certificate of obligation bonds	1,337,030
Refunded debt on general obligation bonds	3,095,000
Amortization of bond issue costs	482,636
Change in landfill closure liability	849,622
Change in compensated absences liability	661,320
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>	\$ 15,177,750

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

Another element of that reconciliation states that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.” The details of this \$10,034,116 difference are as follows:

Capital outlays	\$ 19,475,794
Developers contributions	308,334
General Fund expense outlays	1,558,596
Depreciation expense	(31,294,510)
CIP expense outlays	(71,821)
Loss on disposals of assets	(10,509)
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>	\$(10,034,116)

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.

For the year ended September 30, 2011, the Narcotic Seizure Fund reflected expenditures in excess of budget of \$153,847.

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

B. Deficit fund equity

The NETLS Fund deficit of \$13,126 will be eliminated through reimbursements for projects in the next fiscal year.

The Group Health Fund deficit of \$838,717 will be eliminated by increasing charges to other operating funds in future years.

The Self-Insurance Fund deficit of \$3,206,595 will be eliminated by increasing charges to other operating funds in future years.

The Long-Term Disability Insurance Fund deficit of \$3,020,393 is the result of an accrual of claims incurred but not reported of \$3,891,025. This accrual was made on the basis of an actuarial analysis completed in 2010. This fund is managed and funded on a cash basis. Therefore, this fund will continue to report a deficit.

The Capital Funds deficit of \$5,016,257 will be eliminated when the GO commercial paper is refunded to GO bonds in FY2012.

IV. Detailed notes on all funds

A. Deposits and investments

As of September 30, 2011, the City had the following cash equivalents and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Federal Home Loan Bank	\$ 58,075,382	\$ 4,989,810	\$ 53,085,572
Federal National Mortgage Association	77,654,426	7,991,720	69,662,706
Federal Home Loan Mortgage Corp	38,759,630	2,016,504	36,743,126
Federal Farm Credit Bank	34,948,182	17,967,637	16,980,545
Investment Pools – Texpool & Texpool Prime	126,718,055	126,718,055	-
Investment Pools – Texstar	101,658,393	101,658,393	-
Investment Pools – Logic	5,920	5,920	-
Money Market Fund	3,128,631	3,128,631	-
Total investment fair value	<u>\$ 440,948,619</u>	<u>\$ 264,476,670</u>	<u>\$ 176,471,949</u>

Investment type. The City invests in federal agency discount-amortizing notes, federal agency coupon securities, managed pool accounts, and commercial paper discount-amortizing notes.

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 five years and a weighted average maturity of three years or less.

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

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, 2011, the City held no direct investments in commercial paper. The City's investments in U. S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of September 30, 2011. Due to the economic collapse and credit crisis, it was announced in August 2008 that US Agency debt would be explicitly backed by the US Treasury. The City's investments in Texpool and Texpool Prime were rated AAAm by Standard & Poor's. The City's investments in Texstar and LOGIC were rated AAAm by Standard & Poor's.

The City participates in four Local Government Investment Pools: Texpool, Texpool Prime, Texstar, and Logic. The State Comptroller oversees Texpool and Texpool Prime with Federated Investors managing the daily operations of the pools under a contract with the State Comptroller. Although there is no regulatory oversight with Texstar and Logic, an advisory board consisting of participants or their designees maintains oversight responsibility for Texstar and Logic. JP Morgan Chase and First Southwest Asset Management Inc. manage the daily operations of the pools under a contract with the advisory board.

The City invests in Texpool, Texpool Prime, Texstar, and Logic to meet its daily liquidity needs. Texpool, Texpool Prime, Texstar, and Logic are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool, Texpool Prime, Texstar, and Logic are funds that allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. Texpool, Texpool Prime, Texstar, and Logic are all rated AAAm and must maintain a dollar weighted average maturity not to exceed a 60 day limit. As of September 30, 2011, Texpool, Texpool Prime, Texstar, and Logic had a weighted average maturity of 44 days, 34 days, 40 days, and 42 days respectively. The City considers the holdings in these funds to have a weighted average maturity of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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 follows the State regulations for collateralization of custodial credit risk. As of September 30, 2011, the carrying amount of the City's deposits was \$975,192 and the bank balance was \$2,141,665. On September 30, 2011, the City's bank balance was fully collateralized. Bank balances for the City's component units (Garland Housing Finance Corporation, Garland Health Facilities Development Corporation and Garland Economic Development Authority) were fully collateralized and the carrying value of the component unit's deposits was \$359,924.

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, 2011, the City's investments in U. S. agencies 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)

As of September 30, 2011, the City had the following cash equivalents and investments held by the trust agency Public Agency Retirement Services (PARS) for the OPEB trust fund:

<u>Investment Type</u>	<u>Fair Value</u>
Equity Mutual Funds	\$ 267,718
Fixed Income Mutual Funds	228,596
Money Market Fund	<u>19,820</u>
 Total investment fair value	 <u>\$ 516,134</u>

As of September 30, 2011, the Discretely Presented Component Units of the City had the following cash equivalents:

<u>Garland Housing Finance Corp</u>	<u>Fair Value</u>
Money Market Fund	\$574,723
 <u>Garland Economic Development Authority</u>	 <u>Fair Value</u>
Money Market Fund	\$90,569
 <u>Garland Health Facilities Development Corp</u>	 <u>Fair Value</u>
Money Market Fund	\$129,706

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	\$ 11,259	\$ 506	\$ 15,783	\$ 26,626	\$ 2,816	\$ 6,871	\$ 19,989	\$ 83,850
Taxes	1,374,316	1,083,407	-	-	-	-	-	2,457,723
Utility Accounts	174,644	-	-	25,442,149	7,347,033	3,644,410	3,331,906	39,940,142
Mowing Liens	1,326,431	-	-	-	-	-	-	1,326,431
EMS Accounts	5,084,178	-	-	-	-	-	-	5,084,178
Franchise Fee	1,604,311	-	-	-	-	-	-	1,604,311
Sales Tax	3,080,188	-	-	-	-	-	-	3,080,188
Wholesale & Other Accts	2,218,869	-	-	8,636,560	146,557	1,078,294	3,281,358	15,361,638
Assessments	7,537	-	-	-	-	-	-	17,537
Gross Receivables	14,891,733	1,083,913	15,783	34,105,335	7,496,406	4,729,575	6,633,253	68,955,998
Less: allowance for uncollectibles	(6,096,970)	(615,283)	-	(1,438,728)	(268,240)	(236,927)	(412,861)	(9,069,009)
Net total receivables	\$8,794,763	\$ 468,630	\$ 15,783	\$ 32,666,607	\$ 7,228,166	\$ 4,492,648	\$ 6,220,392	\$59,886,989

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)	\$ 522,766	\$ -
Delinquent property taxes receivable (debt service fund)	412,109	-
Sales tax, mowing liens, EMS, & other receivables (general fund)	3,159,956	-
Parks service charges for future events	-	66,496
Faulkner receivable	-	494,604
Grant drawdowns prior to meeting all eligibility requirements	-	372,198
Homeowner assistance	-	4,417,473
Special assessments prior to meeting all eligibility requirements	-	299,000
	\$ 4,094,831	\$ 5,649,771

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

C. Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

Primary government

	Balance at Oct. 1, 2010	Increases	Decreases	Balance at Sept. 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 79,217,081	\$ 289,404	\$ -	\$ 79,506,485
Construction in progress	27,226,914	19,175,517	(27,333,315)	19,069,116
Internal service construction in progress	10,559,414	1,110,167	(8,236,760)	3,432,821
Total capital assets, not being depreciated	<u>117,003,409</u>	<u>20,575,088</u>	<u>(35,570,075)</u>	<u>102,008,422</u>
Capital assets, being depreciated:				
Buildings	99,560,745	3,018,619	-	102,579,364
Improvements other than buildings	412,033,145	19,971,103	(836,548)	431,167,700
Machinery and equipment	88,549,684	6,149,729	(814,263)	93,885,150
Internal service buildings, improvements, and equipment	96,273,610	11,608,118	(6,385,581)	101,496,147
Total capital assets being depreciated	<u>696,417,184</u>	<u>40,747,569</u>	<u>(8,036,392)</u>	<u>729,128,361</u>
Less accumulated depreciation for:				
Buildings	(29,817,514)	(2,578,587)	-	(32,396,101)
Improvements other than buildings	(257,140,243)	(21,879,972)	836,547	(278,183,668)
Machinery, furniture, and equipment	(64,600,127)	(6,835,951)	803,754	(70,632,324)
Internal service buildings, improvements, and equipment	(45,628,877)	(7,257,790)	6,322,691	(46,563,976)
Total accumulated depreciation	<u>(397,186,761)</u>	<u>(38,552,300)</u>	<u>7,962,992</u>	<u>(427,776,069)</u>
Total capital assets, being depreciated, net	<u>299,230,423</u>	<u>2,195,269</u>	<u>(73,400)</u>	<u>301,352,292</u>
Governmental activities capital assets, net	<u>\$ 416,233,832</u>	<u>\$ 22,770,358</u>	<u>\$ (35,643,476)</u>	<u>\$ 403,360,714</u>

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

	Balance at Oct. 1, 2010	Increases	Decreases	Balance at Sept. 30, 2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 18,499,745	\$ 160,362	\$ -	\$ 18,660,107
Construction in progress	52,880,878	43,147,682	(41,226,653)	54,801,907
Total capital assets, not being depreciated	<u>71,380,623</u>	<u>43,308,044</u>	<u>(41,226,653)</u>	<u>73,462,014</u>
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	1,010,265,325	46,378,242	(8,572,020)	1,048,071,547
Total capital assets being depreciated	<u>1,010,265,325</u>	<u>46,378,242</u>	<u>(8,572,020)</u>	<u>1,048,071,547</u>
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(405,559,769)	(30,608,477)	5,879,864	(430,288,382)
Total accumulated depreciation	<u>(405,559,769)</u>	<u>(30,608,477)</u>	<u>5,879,864</u>	<u>(430,288,382)</u>
Total capital assets, being depreciated, net	<u>604,705,556</u>	<u>15,769,765</u>	<u>(2,692,156)</u>	<u>617,783,165</u>
Business-type activities capital assets, net	<u>\$676,086,179</u>	<u>\$ 59,077,809</u>	<u>\$ (43,918,809)</u>	<u>\$ 691,245,179</u>

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

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

Governmental activities:	
General government	\$ 927,612
Public safety	4,391,193
Public works	22,648,171
Culture and recreation	3,179,552
Public health	147,982
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	7,257,790
Total depreciation expense – governmental activities	\$ 38,552,300
Business-type activities:	
Electric	\$ 11,663,823
Water	5,494,951
Sewer	11,457,133
Other non-major business-type activities	1,992,570
Total depreciation expense – business-type activities	\$ 30,608,477

The City has identified intangible assets related to right of way easements. These assets have been classified as non-depreciating assets and reported in the same method as land assets.

Construction commitments

The City has active construction projects as of September 30, 2011. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Electric System	\$ 2,581,795	\$ 1,133,992
Water System	8,879,496	1,591,875
Sewer System	12,778,595	597,938
Parks and Recreation	884,751	51,545
Streets and Drainage	9,795,996	1,360,590
Buildings	21,327,462	2,729,793
Total	\$ 56,248,095	\$ 7,465,733

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

D. Capital Lease

The City has entered into a lease agreement with Mears Motor Leasing, Inc. to finance the acquisition of four 2011 Chevrolet electric cars. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The leased equipment meets the City's capitalization threshold of \$5,000 and is included in the capital assets at September 30, 2011. The details of this lease are:

	Governmental activities	Total
Total Cost	\$ 151,576	\$ 51,576
Less: accumulated depreciation	(15,158)	(15,158)
	\$ 136,418	\$ 36,418

The following is a schedule of the lease payments required under the capital lease at September 30, 2011:

Fiscal year ending September 30,	Governmental activities
2012	\$ 35,010
2013	35,010
2014	35,010
2015	35,010
Total minimum lease payments	140,041
Less: 5% interest	(15,896)
Present value of minimum lease payments	\$ 124,145

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2011, is as follows:

Interfund Payable	General	Total
Capital Project	\$ 891,831	\$ 891,831
Debt Service	8,445	8,445
Non-Major Business-type	1,355,827	1,355,827
Non-Major Governmental	1,548,348	1,548,348
	\$ 3,804,451	\$ 3,804,451

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

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, 2011, is as follows:

	Advance Receivable	
Advance Payable	Electric	Total
Internal Service	\$ 3,896,269	\$ 3,896,269
Non-Major Business-type	26,301	26,301
	\$ 3,922,570	\$ 3,922,570

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:

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Nonmajor Business-Type Funds	Internal Service Fund	Total Transfers
General Fund	\$ -	\$ 1,344,028	\$ 17,589	\$ 20,000	\$ 500,000	\$ -	\$ 1,881,617
Debt Service Fund	-	5,050,000	-	-	450,000	86,404	5,586,404
Capital Project Fund	4,058,897	-	-	-	400,000	-	4,458,897
Non-major governmental	1,214,703	2,966,945	286,795	-	-	-	4,468,443
Electric	19,451,298	-	227,630	-	-	635,269	20,314,197
Water	4,676,914	-	43,775	-	-	-	4,720,689
Sewer	5,394,649	-	35,020	-	-	9,684	5,439,353
Non-major Business-type	798,461	-	52,530	-	-	-	850,991
Internal Service	-	1,800,000	-	-	-	-	1,800,000
	\$35,894,922	\$11,160,973	\$ 663,339	\$ 20,000	\$ 1,350,000	\$ 731,357	\$ 49,520,591

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations; in-lieu-of franchise fees and ad valorem tax transferred to the general fund by water, wastewater, and solid waste; return on investment transferred to the General Fund from the Electric Fund; debt service transfers for payment of principal and interest as these payments are due; and other miscellaneous transfers in accordance with budgetary authorizations.

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

During the implementation of GASB 54 in fiscal year 2011, the City identified the Infrastructure fund did not meet the definition of a special revenue fund. In fiscal year 2011, the fund balance was transferred to the general fund and is now reported as a component of the general fund.

Long-term liabilities

A summary of long-term liabilities, including current portion, for the year ended September 30, 2011, is as follows:

	Balance at Oct. 1, 2010	Increased	Retired	Balance at Sept. 30, 2011	Due within one year
<u>Governmental activities:</u>					
General obligation bonds	\$ 183,442,550	\$ 4,220,000	\$ (13,970,075)	\$ 173,692,475	\$ 12,792,725
Certificates of obligation	89,971,568	2,980,000	(9,121,568)	83,830,000	6,890,000
Unamortized premium and defeased debt costs	6,422,617	358,818	(938,195)	5,843,240	-
Landfill post closure cost	8,176,622	-	(849,622)	7,327,000	-
Compensated absences	20,462,815	1,617,967	(2,367,855)	19,712,927	7,226,064
Capital lease payable	-	151,576	(27,431)	124,145	28,803
Insurance claims payable	12,439,704	24,559,575	(23,633,067)	13,366,212	7,429,586
OPEB claims payable	5,300,026	1,558,584	-	6,858,610	-
Governmental activities Long-term debt	\$ 326,215,902	\$ 35,446,520	\$ (50,907,813)	\$ 310,754,609	\$ 34,367,178
<u>Business-type activities:</u>					
Utility System revenue bonds	\$ 304,765,000	\$ 26,390,000	\$ (14,340,000)	\$ 316,815,000	\$ 15,285,000
General obligation bonds	79,785,000	6,640,000	(5,255,000)	81,170,000	7,265,000
Certificates of obligation	140,758,432	1,280,000	(10,108,432)	131,930,000	1,445,000
Unamortized premium and defeased debt costs	21,776,923	2,233,986	(2,102,273)	21,908,636	-
Compensated absences	2,373,481	417,773	(486,394)	2,304,860	1,861,186
OPEB claims payable	1,927,738	556,860	-	2,484,598	-
Business-type activities Long-term debt	\$ 551,386,574	\$ 37,518,619	\$ (32,292,099)	\$ 556,613,094	\$ 25,856,186

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end \$955,000 of general obligation bond debt, \$34,660,000 of certificates of obligation, \$743,387 of compensated absences, and \$1,137,000, of OPEB claims payable from the internal service funds are included in the governmental activities general obligation bonds, certificates of obligation, compensated absences and OPEB claims payable. Also, for the governmental activities, compensated absences and OPEB Claims Payable are generally liquidated by the general fund.

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

The proceeds of \$2,545,000 from the sale of certificates of obligation for governmental activities are reported as proceeds from issuance of debt in the capital projects fund.

A summary of short-term debt transactions for the year ended September 30, 2011, is as follows:

	Balance at October 1, 2010	Increased	Retired	Balance at September 30, 2011
<u>Governmental activities:</u>				
Tax Notes	\$ 5,050,000	\$ 5,440,000	\$ (5,050,000)	\$ 5,440,000
Commercial Paper	<u>35,000,000</u>	<u>45,000,000</u>	<u>(35,000,000)</u>	<u>45,000,000</u>
Governmental activities short-term debt	<u>\$ 40,050,000</u>	<u>\$ 50,440,000</u>	<u>\$ (40,050,000)</u>	<u>\$ 50,440,000</u>

Long-term debt at September 30, 2011, includes the following individual issues (not including the unamortized discount, premium, and refunding costs of \$27,751,877):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
General obligation bonds:						
2001 Various purpose	4.25 – 5.00	4/01/2001	2/15/2021	\$ 14,315,000	\$ 14,315,000	\$ -
2005A Refunding	3.5 – 5.25	4/19/2005	2/15/2020	70,615,000	8,125,000	62,490,000
2005B Refunding	3.00 – 5.25	4/19/2005	2/15/2022	23,675,000	5,795,000	17,880,000
2007A Refunding	4.00 – 5.00	2/15/2007	2/15/2025	67,385,000	165,000	67,220,000
2007B Refunding	Variable	2/20/2007	2/15/2025	23,745,000	472,525	23,272,475
2008 Refunding	3.35	4/22/2008	2/15/2019	43,025,000	22,485,000	20,540,000
2008A Refunding	4.00 – 5.00	6/15/2008	2/15/2025	57,760,000	5,160,000	52,600,000
2011 Refunding	2.00 -- 5.00	2/01/2011	2/15/2015	10,860,000	-	10,860,000
				<u>\$ 311,380,000</u>	<u>\$ 56,517,525</u>	<u>\$ 254,862,475</u>

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

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Certificates of Obligation:						
1997B Golf course	5.50 – 5.50	8/15/1997	8/15/2027	\$ 600,000	\$ -	\$ 600,000
2001 Various purpose	4.25 – 5.25	4/01/2001	2/15/2021	45,320,000	45,320,000	-
2002 Various purpose	3.75 – 5.25	5/21/2002	2/15/2022	25,350,000	21,635,000	3,715,000
2003 Various purpose	3.00 – 4.75	4/15/2003	2/15/2023	18,685,000	8,505,000	10,180,000
2004 Various purpose	2.00 – 5.00	4/15/2004	2/15/2024	17,045,000	9,305,000	7,740,000
2005 Various purpose	3.00 – 5.25	4/19/2005	2/15/2025	20,275,000	14,220,000	6,055,000
2006 Various purpose	3.75 – 4.375	3/15/2006	2/15/2026	10,275,000	6,130,000	4,145,000
2007 Various purpose	4.00 – 5.625	5/15/2007	2/15/2022	16,975,000	1,930,000	15,045,000
2008 Various purpose	.3.00 – 4.75	6/15/2008	2/15/2028	15,965,000	3,270,000	12,695,000
2009 Various purpose	.3.00 – 5.25	5/15/2009	2/15/2029	22,985,000	1,515,000	21,470,000
2010 Electric utility	.2.00 – 5.00	3/01/2010	2/15/2030	126,885,000	-	126,885,000
2010 Various purpose	.2.00 – 4.50	4/15/2010	2/15/2030	3,205,000	235,000	2,970,000
2011 Various purpose	2.00 – 4.25	6/15/2011	2/15/2031	4,260,000	-	4,260,000
				<u>\$ 327,825,000</u>	<u>\$ 112,065,000</u>	<u>\$ 215,760,000</u>
Utility System revenue bonds:						
2003 Electric Utility	3.00 – 5.00	8/01/2003	3/01/2023	\$ 13,810,000	\$ 3,705,000	\$ 10,105,000
2003 Water & Sewer	2.00 – 5.00	8/01/2003	3/01/2023	13,680,000	4,090,000	9,590,000
2004 Electric Utility	2.00 – 5.00	4/15/2004	3/01/2024	19,060,000	5,155,000	13,905,000
2004 Water & Sewer	2.00 – 6.00	4/15/2004	3/01/2024	33,540,000	8,360,000	25,180,000
2004 Water & Sewer	2.00 – 5.00	5/25/2004	3/01/2024	38,485,000	8,725,000	29,760,000
2005 Electric Utility	2.75 – 5.25	4/19/2005	3/01/2025	18,935,000	4,260,000	14,675,000
2005 Water & Sewer	2.75 – 5.25	4/19/2005	3/01/2025	20,545,000	4,910,000	15,635,000
2006 Electric Utility	3.50 – 5.00	3/15/2006	3/01/2026	25,045,000	3,920,000	21,125,000
2006 Water & Sewer	4.00 – 4.50	3/15/2006	3/01/2026	16,180,000	2,895,000	13,285,000
2007 Electric Utility	4.00 – 5.625	5/15/2007	3/01/2027	21,050,000	2,320,000	18,730,000
2007 Water & Sewer	4.00 – 5.625	5/15/2007	3/01/2027	29,070,000	3,160,000	25,910,000
2008 Electric Utility	3.25 – 4.75	6/15/2008	3/01/2028	10,115,000	1,215,000	8,900,000
2008 Water & Sewer	3.00 – 5.00	6/15/2008	3/01/2028	39,900,000	3,665,000	36,235,000
2009 Electric Utility	3.25 – 5.25	5/15/2009	3/01/2029	11,760,000	2,130,000	9,630,000
2009 Water & Sewer	2.00 – 4.75	5/15/2009	3/01/2029	18,090,000	1,185,000	16,905,000
2010 Water & Sewer	2.00 – 4.75	4/15/2010	3/01/2030	21,270,000	415,000	20,855,000
2011 Electric Utility	2.00 – 5.00	6/15/2011	3/01/2031	7,185,000	-	7,185,000
2011 Water & Sewer	2.00 – 5.00	6/15/2011	3/01/2031	19,205,000	-	19,205,000
				<u>\$ 376,925,000</u>	<u>\$ 60,110,000</u>	<u>\$ 316,815,000</u>

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

The variable rate General Obligation Bonds, Series 2007B, are subject to an interest rate cap (the cap), which meets the criteria of a cash flow hedge. The objective of the Interest Rate Cap is to provide a ceiling on the cost of funds relating to the City's currently outstanding variable rate General Obligation Refunding Bonds, Taxable Series 2007B.

Terms of the Interest Rate Cap commenced on May 15, 2007, the City shall be entitled to receive a payment from Bank of America on each February 15, May 15, August 15, and November 15. The amount of any such payment by Bank of America shall be based on: i) the amount that the LIBOR rate with a stated maturity of three months exceeds 3.80%; and ii) the currently outstanding notional balance of the Cap. The notional amount of the cap at September 30, 2011 was \$23,272,475. The Cap is scheduled to terminate on August 15, 2015.

The fair value of the Cap, if it were to be terminated, was a negative \$1,030,754 as of September 30, 2011. Caps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair value was determined based on the dollar offset of future cash flows.

As of September 30, 2011, the City was exposed to credit risk by the amount of the Fair Value of the Cap. Since the inception of the Cap agreement, the counter party has maintained their ratings of Aa1, AA and AA by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

Under the terms of the Cap agreement, the City has the right to terminate the agreement at any time. In the event that the City should elect to terminate the Cap agreement, the City will receive the Fair Value of the agreement, if such amount is a positive number, or the City will pay the Fair Value of the agreement, if such amount is a negative number. Bank of America does not have the ability to electively terminate the Cap agreement.

As of September 30, 2011, the City would pay Bank of America \$1,030,754 if the City elected to terminate the agreement.

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

Short-term debt at September 30, 2011, includes the following individual issues:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Tax anticipation notes:						
2010 Tax anticipation	1.35	9/16/2010	11/01/2011	\$ 5,050,000	\$ 5,050,000	\$ -
2011 Tax anticipation	.79	9/29/2011	11/15/2012 *	5,440,000	-	5,440,000
				<u>\$ 10,490,000</u>	<u>\$ 5,050,000</u>	<u>\$ 5,440,000</u>
Commercial Paper						
2010 Commercial Paper Issue	0.32 – 0.32	9/09/2010	10/14/2010	\$ 30,000,000	\$ 30,000,000	\$ -
2010 Commercial Paper Issue	0.30 – 0.30	9/28/2010	10/14/2010	5,000,000	5,000,000	-
2011 Commercial Paper Issue	0.13 – 0.13	7/07/2011	10/04/2011	5,000,000	-	5,000,000
2011 Commercial Paper Issue	0.20 – 0.20	8/11/2010	10/04/2011	2,000,000	-	2,000,000
2011 Commercial Paper Issue	0.27 – 0.27	8/18/2010	10/17/2011	28,000,000	-	28,000,000
2011 Commercial Paper Issue	0.24 – 0.24	8/31/2010	10/17/2011	5,000,000	-	5,000,000
2011 Commercial Paper Issue	0.30 – 0.30	9/09/2010	11/14/2011	5,000,000	-	5,000,000
				<u>\$ 80,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 45,000,000</u>

* The City considers this short-term as final payment was made on March 5, 2012.

Tax anticipation notes are a short-term debt instrument which is used by the City for funding capital projects with short useful lives or a project that the City wishes to pay off within a relatively short period of time. Tax anticipation notes may also be used to manage fluctuations in the Debt Service portion of the ad valorem tax rate.

Commercial paper notes (CP) are short-term instruments that have maturities ranging from 1 to 270 days. Interest is paid at maturity but principal is rolled forward by issuing new CP. This process continues, typically for three years, until general obligation bonds (GOs) are issued to refinance outstanding CP. Only after GOs are issued do principal payments begin. The combined amortization of the CP and the GOs is set to not exceed 20 years. Utilization of CP enables the City to lower overall debt payments due to the deferral of principal payments and by taking advantage of lower interest rates. CP is only issued as the funds are required throughout the year. Only projects that have been approved as part of a bond referendum may be funded by CP.

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

The annual requirements to amortize outstanding debt as of September 30, 2011, including interest payments of \$331,926,748 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 Obligation	GO Interest	Certificates Of Obligation	CO Interest	Tax Note	Tax note Interest	Commercial Paper	CP Interest
2012	\$ 12,792,725	\$ 7,933,617	\$ 6,890,000	\$ 3,549,189	\$ 5,440,000	\$ 174	\$ 45,000,000	\$ 12,817
2013	13,385,398	7,345,178	7,165,000	3,245,456	-	-	-	-
2014	13,153,094	6,725,377	7,110,000	2,946,790	-	-	-	-
2015	13,620,813	6,095,026	5,665,000	2,676,031	-	-	-	-
2016	14,715,445	7,782,079	5,455,000	2,442,549	-	-	-	-
2017-2021	68,260,000	25,610,503	22,805,000	9,049,488	-	-	-	-
2022-2026	37,765,000	6,563,869	19,665,000	4,356,911	-	-	-	-
2027-2031	-	-	9,075,000	583,458	-	-	-	-
Total	\$173,692,475	\$ 68,055,649	\$ 83,830,000	\$ 28,849,872	\$ 5,440,000	\$ 174	\$ 45,000,000	\$ 12,817

Business-type Activities							
Years Ending September 30,	Revenue	Revenue Interest	General Obligation	GO Interest	Certificates of Obligation	CO Interest	
2012	\$ 15,285,000	\$ 14,407,176	\$ 7,265,000	\$ 3,754,193	\$ 1,445,000	\$ 6,422,757	
2013	16,175,000	13,501,348	7,555,000	3,430,817	1,555,000	6,360,055	
2014	16,830,000	12,803,155	7,960,000	3,079,070	1,310,000	6,305,096	
2015	16,090,000	12,091,534	9,650,000	2,693,083	1,870,000	6,237,961	
2016	17,330,000	11,366,481	10,060,000	2,222,121	1,800,000	6,154,786	
2017-2021	101,920,000	43,883,925	37,875,000	4,280,644	17,925,000	29,350,338	
2022-2026	101,825,000	18,416,026	805,000	17,106	53,005,000	20,099,908	
2027-2031	31,360,000	2,662,924	-	-	53,020,000	5,467,732	
Total	\$316,815,000	\$129,132,569	\$81,170,000	\$19,477,034	\$131,930,000	\$ 86,398,633	

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

At September 30, 2011, the City has authorized but not issued general obligation bonds and general obligation commercial paper in the amount of \$145,134,506 as follows:

	Balance at Oct.1, 2010	General Obligation Bonds Issued	GO Commercial Paper Issued	Balance at Sept.30, 2011
Streets Improvements	\$ 111,762,287	-	\$ 21,537,781	\$ 90,224,506
Park Improvements	25,454,000	-	5,214,000	20,240,000
Drainage Improvements	27,376,026	-	12,226,026	15,150,000
Municipal Facilities	11,544,000	-	904,000	10,640,000
Library Improvements	6,043,813	-	3,338,813	2,705,000
Public Safety	4,534,380	-	1,779,380	2,755,000
Economic Development	3,420,000	-	-	3,420,000
	<u>\$ 190,134,506</u>	<u>-</u>	<u>\$ 45,000,000</u>	<u>\$ 145,134,506</u>

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 City has pledged future Electric, Water and Sewer utility revenues, net of specified operating expenses, to repay \$145,903,385 in outstanding Electric Utility Revenue Bonds and \$300,044,184 in outstanding Water & Sewer Utility Revenue Bonds. Proceeds from the revenue bonds provided financing for the acquisition and or construction of various Electric, Water and Sewer assets. The bonds are payable solely from Electric, Water and Sewer customer net revenues and are payable through 2031. Principal paid and interest incurred for the current year was as follows:

Utility Revenue Bonds	Principal	Interest	Total	Pledged Revenue
Electric	\$ 5,515,000	\$ 4,712,434	\$ 10,227,434	\$ 84,776,347
Water & Sewer	8,825,000	9,202,637	18,027,637	43,174,738

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.

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

Debt issues for the year are as follows:

Issue	Principal	Net Interest Cost	Purpose
Certificates of Obligation, Series 2011	\$ 4,260,000	3.134%	Constructing and improving streets and purchasing equipment for EWS
General Obligation Refunding Bond, Series 2011	10,860,000	3.943%	Bond refunding
Electric Utility System Revenue Bonds, Series 2011	7,185,000	4.375%	Construction of improvements and extension to the electric system
Water & Sewer System Revenue Bonds, Series 2011	19,205,000	4.207%	Construction of improvements and extension to the water and sewer systems.
Tax Anticipation Note, Series 2011	5,440,000	1.150%	Short term capital projects
Commercial Paper	45,000,000	.13 – .30%	Short term debt

On February 1, 2011, the City issued \$10,860,000 in General Obligation Refunding Bonds to advance refund \$11,370,000 of outstanding certificates of obligation and general obligation bonds. An amount of \$11,384,213 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 five years by \$847,070 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$810,875. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of \$14,213.

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, 2011, \$29,275,000 of General Obligation Bonds and \$44,250,000 of Certificates of Obligation, all of which are considered defeased, are still outstanding.

As discussed in Note J, in 1976 the City entered into a Power Sales Contract with TMPA to purchase power and energy from TMPA upon the meeting of certain requirements. On March 1, 2010, the City issued Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 20 years for the purpose of prepaying certain of these contractual obligations to TMPA.

The principal amount of the bonds was \$126,885,000 with a reoffering premium and other bond issuance costs of \$11,777,850 for a total of \$138,252,850. Since the proceeds of this debt issuance were placed with TMPA and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Assets in the amount of \$138,252,850. The City is amortizing the Other Asset over a period of 20 years with a half year convention. In 2011, the City recorded amortization expense of \$6,912,643 leaving a balance in the Other Assets account of \$127,883,886 at September 30, 2011.

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

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), an agent multiple-employer public employee retirement system. A copy of separately audited financial statements of the plan can be obtained from the TMRS internet site (tmrs.org) or 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/her 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.

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 portion of an active member's projected benefit allocated annually. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as updated service credits and annuity increases. 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.

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

In December 2007, the TMRS Board of Trustees met and adopted actuarial changes that include a change from the unit credit actuarial cost method to the projected unit credit actuarial cost method for all TMRS city plans as well as a closed amortization period of 30 years. The effect of these changes resulted in an increase in city contribution rates for most Texas cities. Cities will have the option to increase their contributions over an eight year phase-in period. These changes are intended to help the TMRS system remain well-funded, to preserve member's benefits, and to give cities a more complete picture of the cost of benefits currently adopted. The City's required contribution rate for FY11 was increased from 17.07% in calendar 2010 to 17.42% in 2011. Management believes that while these increases will present additional challenges to the City, changes can be made during the budgeting process to mitigate any adverse financial impact to the City.

The City's total payroll in fiscal year 2011 was \$149,688,495, and the City's contributions were based on a payroll of \$121,792,253. Both the City and the covered employees made the required contributions, amounting to \$21,097,855 for the City and \$8,525,457 (7 %) for the employees.

A summary of City and employee contributions for the fiscal year ending September 30, 2011, follows:

	Gross Earnings	Normal		Unfunded Actuarial Liability		Death and Disability Benefit		Total	Total
		Rate	Contribution	Rate	Contribution	Rate	Contribution	Rate	Contribution
City Contribution:									
Months in calendar year 2010	\$ 33,815,825	11.30%	\$ 3,821,188	5.56%	\$ 1,880,160	0.21%	\$ 71,013	17.07%	\$ 5,772,361
Months in calendar year 2011	87,976,428	11.44%	10,064,504	5.75%	5,058,644	0.23%	202,346	17.42%	15,325,494
Total Fiscal Year	<u>\$121,792,253</u>		<u>\$ 13,885,692</u>		<u>\$ 6,938,804</u>		<u>\$ 273,359</u>		<u>\$ 21,097,855</u>
Employee Contribution:									
Months in calendar year 2010	\$ 33,815,825	7.00%	\$ 2,367,108	-	-	-	-	7.00%	\$ 2,367,108
Months in calendar year 2011	87,976,428	7.00%	6,158,349	-	-	-	-	7.00%	6,158,349
Total Fiscal Year	<u>\$ 121,792,253</u>		<u>\$ 8,525,457</u>		<u>-</u>		<u>-</u>		<u>\$ 8,525,457</u>
Total City and Employee Contributions			<u>\$22,411,149</u>		<u>\$ 6,938,804</u>		<u>\$ 273,359</u>		<u>\$ 29,623,312</u>

Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$19,740,792	100%	--
2010	\$20,384,137	100%	--
2011	\$21,097,855	100%	--

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

Actuarial Assumptions

Actuarial Valuation Date		12/31/2010 restructured
Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	26.8 Years - Closed Period
Asset Valuation Method	-	10-year Smoothed Market (to accurately reflect the requirements of GASB stmt., No. 25, paragraphs 36e and 138)
Investment Rate of Return	-	7.0%
Projected Salary Increases	-	Varies by age and service
Includes Inflation At	-	3.0%
Cost-of-living Adjustments	-	None

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

Schedule of Funding Information

Actuarial valuation date	12/31/2010
Actuarial value of assets	\$621,330,352
Actuarial accrued liability (AAL)	\$656,017,662
Unfunded actuarial accrued liability (UAAL)	\$34,687,310
Funded ratio	94.7%
Annual covered payroll (actuarial)	\$120,641,657
UAAL as % of covered payroll	28.8%

See required supplemental information for schedule of funding progress.

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

G. Other postemployment benefits

Annual OPEB Cost and Net OPEB Obligation

The City provides other postemployment benefits (OPEB) through a single-employer plan. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information is listed below:

	2009	2010	2011
Annual Required Contribution	\$6,420,936	\$ 5,473,215	\$5,692,690
Interest on Net OPEB Obligation	106,705	227,232	343,319
Adjustment to Annual Required Contribution	(92,478)	(188,226)	(300,316)
Annual OPEB Cost	6,435,163	5,512,221	5,735,693
Employer contribution to trust fund	(250,000)	(250,000)	-
Employer Contributions with interest	(4,068,953)	(2,818,299)	(3,620,249)
Increase in Net OPEB Obligation	2,116,210	2,443,922	2,115,444
Net OPEB Obligation beginning of year	2,667,632	4,783,842	7,227,764
Net OPEB Obligation end of year	<u>4,783,842</u>	<u>\$ 7,227,764</u>	<u>\$ 9,343,208</u>

In addition to the employer contribution, the retirees paid \$2,119,105 in the form of premiums which funded current medical claims.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years (4% discount rate, and level percent of pay amortization)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2009	\$ 6,435,163	\$ 4,318,953	67.1%	\$ 4,783,842
9/30/2010	\$ 5,512,221	\$ 3,068,299	55.7%	\$ 7,227,764
9/30/2011	\$ 5,692,690	\$ 3,620,249	63.6%	\$ 9,343,208

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

Actuarial Assumptions

Actuarial Valuation Date	10/01/2009
Actuarial Cost Method	- Projected Unit Credit
Amortization Method	- Level Percent of Payroll
Remaining Amortization Period	- 27 Years - Closed Period
Investment Rate of Return	- 4.75%
Projected Salary Increases	- Varies by age and service
Includes Healthcare cost trend at	- 9.5%
Inflation rate	- 3.0%
Cost-of-living Adjustments	- None

Schedule of Funding Information

Actuarial valuation date	10/01/2009
Actuarial value of assets	\$516,134
Actuarial accrued liability (AAL)	\$72,834,378
Unfunded actuarial accrued liability (UAAL)	\$72,318,244
Funded ratio	0.7%
Annual covered payroll (actuarial)	\$127,400,000
UAAL as % of covered payroll	57%

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Supplemental Death Benefits Plan (SDBF)

Plan Description: The City participates in the TMRS Supplemental Death Benefits Fund (SDBF), a cost-sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS); this is a separate trust administered by the TMRS Board of Trustees. TMRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial and supplementary information for the SDBF. That report may be obtained from the TMRS website at www.TMRS.com.

Funding Requirements: The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to SDBF for the years ended September 30, 2011, 2010, and 2009 were \$273,359, \$256,308 and \$276,903 respectively.

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

H. 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 \$4,911,346 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 workers' 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, 2010, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2010 long-term claims payable as of September 30, 2011 was estimated at \$2,962,082.

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. Based on a current independent actuarial analysis, an actuarially determined liability of \$2,974,547 has been established for projected future long-term disability claims.

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 2011 a short-term liability of \$3,276,573 was recognized for open claims and claims incurred but not reported. The claims incurred but not reported are calculated based on a monthly average for claims paid during the current fiscal year.

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 2010 and 2011 are:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims	Changes in Estimates	Claim Payments	Balance at Fiscal Year – End	Current Portion
Self Insurance – 2010	\$ 5,713,023	\$ 1,720,872	\$ 485,591	\$ 1,720,872	\$ 6,198,614	\$ 3,236,536
Self Insurance – 2011	6,198,614	2,211,019	-	2,211,019	6,198,614	3,236,536
Long-Term Disability – 2010	3,891,025	345,842	-	345,842	3,891,025	916,478
Long-Term Disability – 2011	3,891,025	299,355	-	299,355	3,891,025	916,478
Group Health – 2010	4,210,165	18,179,136	(1,860,100)	18,179,136	2,350,065	2,350,065
Group Health – 2011	2,350,065	15,383,339	926,508	15,383,339	3,276,573	3,276,572

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

I. 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 (collectively “the Cities”) 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.

Total debt of TMPA at September 30, 2011, amounted to \$853,214,000 of which \$32,198,000 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, 2011
 (reported in thousands)

	Long-Term	Current	Total
Revenue Bonds	\$ 307,829	\$ 8,265	\$ 316,094
Zero Coupon Interest Payable	303,087	23,933	327,020
Tax Exempt Commercial Paper	210,100	-	210,100
	\$ 821,016	\$ 32,198	\$ 853,214

Financial statements for TMPA are available from the TMPA website texasmpa.org or through the City of Garland’s Finance Department.

J. Deferred Compensation Plan

The City offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all permanent City employees, permits participants to contribute \$17,000 annually per IRS limitations on a tax-deferred basis to their 457 qualified accounts. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under this plan, 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. 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. Conduit Debt Information

Each of the discrete component units 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, 2011, is as follows:

Series	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Total
2000	\$ 6,000,000	\$ -	\$ 6,000,000
2002	-	25,019,000	25,019,000
2005	12,697,922	-	12,697,922
	\$ 18,697,922	\$ 25,019,000	\$ 43,716,922

L. Landfill Closure and Postclosure Care Cost

As of September 30, 2011, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is \$2,639,414, \$32,404,905 and \$29,902 respectively. The \$7,327,000 reported as landfill closure and postclosure care liability represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Castle landfill, 14.82% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of \$145,796. The City will recognize the remaining estimated closure and postclosure care costs of \$27,601,426 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996 and updated in 2011, 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 56.5 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. The Castle landfill was officially closed during fiscal year 2011. Expenditures to date of \$5,500,376 were paid for landfill closure projects. Based on the City's current landfill closure financial strategy, \$2.4 million in Certificates of Obligation will be issued to finance the one time closure cost and the on-going post closure care will be paid from operating funds.

M. Commitments and 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.

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

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.

On July 9, 1996, the Department Housing and Urban Development (HUD) conveyed title of the Villages of Eastgate apartment complex to the City through a Special Warranty Deed. According to the Deed the City is required to setup and maintain an escrow account (HAPP account) for a period of 20 years from the date of the Deed to account for the sale proceeds of the apartment complex plus earned interest. The funds in the HAPP account are to be used by the City only in the event that HUD is not able to provide housing assistance in the form of Section 8 to the City for the 89 Walker Participants. The HAPP account began the fiscal year with a balance of \$569,767, earned interest in the amount of \$1,840, and ended the fiscal year with a balance of \$570,496. There were no withdraws from this account during the fiscal year. The fiscal year-end balance of the HAPP account is reported on page 80 of this report as restricted cash and cash equivalents and due to other governments in Nonmajor Governmental Funds Balance Sheet for the Other Housing Assistance Governmental Fund.

Pursuant to Sec.39.904, TEX UTIL. code, the Texas Public Utility Commission (the "PUC") was given the task of developing a plan to construct transmission capacity necessary to deliver to electric customers, in a manner most beneficial and cost-effective to the customers, the electric output from renewable energy technologies in the competitive renewable energy zones. Under this authority, the PUC developed the CREZ Project. In fiscal year 2010, the City entered into an agreement with South Texas Electric Cooperative, Inc. (STEC) for the CREZ Project under which the energy from renewable energy technologies, such as wind generation, will be transmitted within and through competitive renewable energy zones to areas of the state where that energy will be ultimately used by electric customers. Under this agreement, STEC will obtain a certificate of convenience and necessity (CCN) issued by the PUC for construction of the Lines that will be jointly owned by the City and STEC and will require STEC to acquire and build the Lines. The City will pay or reimburse STEC for the acquisition of the CCN and the acquisition and construction of the lines. The CCN and the Lines will be wholly owned by the City by the transfer of ownership from STEC after the Lines achieve Commercial Operation.

The City executed confirmations during the fiscal year, under its International Swaps and Derivatives Association Inc. Master Agreement (ISDA) to purchase electricity under specific terms and conditions. Management believes the purchase of electricity under the specific terms and conditions of the Confirmation were for normal purchases/normal sales and non-speculative in nature.

N. GHFC Primrose at Crist Project

On January 17, 2005, GHFC entered into an agreement, 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 original partnership of TX Crist Housing LLP consisted of TX Crist GP LLC, Wachovia Affordable Housing Community Development Corporation a Limited Investment Partner, and TX Crist Development, SLP, L.L.C a Class B Limited Partner. On April 20, 2008 the original partnership agreement was amended to replace TX Crist Development with CAH-IDA Crist Housing as the Class B Limited Partner.

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

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 0.01% of the outstanding variable rate multifamily housing revenue bonds that were issued by the bond borrower.

On the closing date of the GHFC Variable Rate Multifamily Housing Revenue Bonds, 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 over the next 40 years for \$900,000. At September 30, 2011, GHFC reported this land lease transaction as Land \$900,000, deferred revenue of \$753,750 and rent revenue of \$22,500 on their financial statements. The remaining deferred revenue will be amortized over the next 33.5 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. To date, GHFC has received \$319,901 of the \$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.

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 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 included with neither TX Crist GP LLC nor GHFC financial statements because neither entity exercises control over TX Crist Housing LLP.

O. GHFC HomeTowne at Garland, LP project

In August 2010, GHFC Garland GP, LLC, a Texas limited liability company, of which GHFC is the sole member entered into a Limited Partnership agreement for the formation of HomeTowne at Garland, LP (the "Partnership"). In August 2011, the Limited Partnership agreement was amended and restated whereby the Partnership would be formed to develop, construct, own, maintain, and operate a 144-unit multifamily residential apartment complex intended for rental to Senior Citizens of low and moderate income, to be known as HomeTowne at Garland, and to be located in Garland, Texas. The Partnership shall continue until December 31, 2099 unless the Partnership is sooner dissolved by law.

In August 2011, GHFC entered into an Amended and Restated Ground Lease with the Partnership whereby GHFC would lease land to the Partnership for the construction and development of HomeTowne at Garland. GHFC will continue to own the land and will lease the land to the Partnership over a 75 year period terminating on August 31, 2086. GHFC considers the lease to be an operating lease as GHFC will continue to own the land throughout the term of the lease and there is no bargain purchase option to the Partnership.

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

As of September 30, 2011, GHFC received cash of \$500,000 in up front lease payments that GHFC has recorded as deferred revenue. During FY2011, GHFC recognized revenue of \$14,014 according to the terms of the lease agreement.

P. Subsequent Events

On December 5, 2011, the City issued the following debt refunding bonds: \$17,995,000 in General Obligation Refunding Bonds to refund \$18,205,000 of outstanding Certificates of Obligations and General Obligation bonds; \$41,360,000 in General Obligation Refunding Bonds to refund \$45,000,000 GO commercial paper notes; \$20,830,000 Electric Revenue Refunding Bonds to refund \$22,545,000 of outstanding Revenue bonds; and \$30,150,000 in Water and Sewer Revenue Refunding Bonds to refund \$32,740,000 of outstanding Revenue 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. Each transaction was a current refunding of outstanding debt.

City of Garland, Texas
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2011
(unaudited)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 61,486,315	\$ 61,482,559	\$ 62,379,558	\$ 896,999
Franchise fees	8,183,315	7,709,169	8,255,818	546,649
Service charges	18,111,975	18,088,652	18,102,510	13,858
Licenses and permits	2,729,572	2,670,230	2,893,000	222,770
Earnings on investments	228,592	198,322	211,524	13,202
Intergovernmental	825,929	697,142	725,320	28,178
Intragovernmental	7,873,993	7,873,993	7,871,534	(2,459)
Fines and forfeits	5,614,545	5,043,451	5,097,867	54,416
Rents and concessions	774,217	741,236	763,023	21,787
Total revenues	<u>105,828,453</u>	<u>104,504,754</u>	<u>106,300,154</u>	<u>1,795,400</u>
Expenditures:				
Current:				
General government	9,224,803	9,428,797	9,137,993	290,804
Public safety	77,521,775	77,765,045	77,463,425	301,620
Public works	18,431,067	20,418,524	19,151,977	1,266,547
Culture and recreation	13,304,759	13,571,723	13,245,845	325,878
Public health	3,233,155	3,251,067	3,174,073	76,994
Nondepartmental	17,713,909	17,554,468	18,695,922	(1,141,454)
Total expenditures	<u>139,429,468</u>	<u>141,989,624</u>	<u>140,869,235</u>	<u>1,120,389</u>
Excess of revenues over expenditures	<u>(33,601,015)</u>	<u>(37,484,870)</u>	<u>(34,569,081)</u>	<u>2,915,789</u>
Other financing sources (uses):				
Sale of capital assets	-	-	25,747	25,747
Transfer in	37,228,118	38,483,555	35,594,921	(2,888,634)
Transfers out	(5,624,186)	(6,294,542)	(1,881,617)	4,412,925
Total other financing sources (uses)	<u>31,603,932</u>	<u>32,189,013</u>	<u>33,739,051</u>	<u>1,550,038</u>
Net Change in fund balances	(1,997,083)	(5,295,857)	(830,030)	4,465,827
Fund balance, beginning of year	<u>21,331,136</u>	<u>21,331,136</u>	<u>20,204,524</u>	<u>(1,126,612)</u>
Fund balance, end of year	<u>\$ 19,334,053</u>	<u>\$ 16,035,279</u>	<u>\$ 19,374,494</u>	<u>\$ 3,339,215</u>

See notes to required supplementary information.

City of Garland, Texas
Required Supplementary Information
Schedules of Funding Progress
Last three calendar years
(unaudited)

Schedule of TMRS pension funding progress and contributions
Last three fiscal years

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2008	(1)	\$ 347,564,834	\$ 456,083,557	76.20%	\$ 108,518,723	\$ 119,081,305	91.10%
12/31/2009		366,884,729	483,517,234	75.90%	116,632,505	125,891,786	92.30%
12/31/2010	(2)	621,330,352	656,017,662	94.70%	34,687,310	120,647,657	28.80%

Schedule of other postemployment benefits (OPEB) funding progress
Last three fiscal years

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
10/1/2008		\$ -	\$ 83,522,196	0.00%	\$ 83,522,196	\$ 119,081,305	70.1%
10/1/2009		260,541	69,463,991	0.40%	69,203,450	122,500,000	56.5%
10/1/2010		516,134	72,834,378	0.71%	72,318,244	127,400,000	56.8%

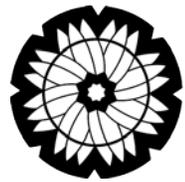
(1) Measured at the new assumptions that went into effect 1/1/08.

(2) Based on the 12/31/10 restructuring

City of Garland, Texas
Notes to Required Supplementary Information

I. Budgets and Budgetary Accounting

Annual appropriations for the General Fund are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.



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City of Garland, Texas Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The City's funds accounted for as Special Revenue Funds are as follows:

Community Development Block Grant Fund – This fund is used to account for Federal grant revenues provided through the Department of Housing and Urban Development for the development of environmental and economic opportunities, principally for persons of low and moderate income.

Housing Assistance Program Fund – This fund is used to account for Federal revenues provided through the Department of Housing and Urban Development for housing assistance payments for low income tenants.

Neighborhood Services Fund – This fund is used to account for Federal, state, and local revenues to improve neighborhoods in low income areas.

Hotel/Motel Tax Fund – This fund is used to account for the receipt of hotel/motel occupancy taxes.

Impact Fees Fund – This fund is used to account for street and water impact fees charged to develop property.

Infrastructure Fund – This fund is used to account for franchise fees transferred from the General Fund to maintain City streets and alley's.

Landfill Closure Fund – This fund is used to account for expenditures related to the landfill closure and postclosure care.

NETLS Fund – (Northeast Texas Library System) This fund is used to account for federal grant revenues provided through the Department of Education for the development of library systems in the Northeast Texas area.

Police Training Fund – This fund is used to account for grant funding of police training.

Substandard Perimeter Road Fund – This fund is used to account for revenue received pending the construction of substandard perimeter roads and streets.

Narcotic Seizure Fund – This fund is used to account for awards and expenditures from assets acquired through narcotics arrests. The expenditures are restricted to law enforcement activities by state law.

Other Housing Assistance – This fund is used to account for one-time housing assistance programs.

TIF Fund – This fund is used to account for the Downtown Tax Increment Fund and the Harbor Point (Bass Pro) Tax Increment Fund. These funds are used to account for revenues and expenditures incurred in administering the tax increment financing programs.

ARRA Recovery Act Fund – This fund is used to account for the for revenues and expenditures incurred in administering the ARRA Recovery Act programs.

City of Garland, Texas
Nonmajor Governmental Funds
Balance Sheet
September 30, 2011

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Other Housing Assistance	TIF's	ARRA Recovery Act	Total Other Governmental Funds
Assets														
Cash and cash equivalents	\$ 19,933	\$ 2,148,538	\$ 127,340	\$ 911,490	\$ 1,638,525	\$ 123,759	\$ 500	\$ 265,992	\$ 918,227	\$ 884,586	\$ 793,715	\$ 693,070	\$ 302,579	\$ 8,828,288
Investments	11,588	1,248,278	73,703	529,701	952,848	71,928	-	94,938	533,650	448,096	129,790	402,696	-	4,497,236
Receivables:														
Accrued interest	8	1,291	63	549	1,156	16	-	107	541	428	-	457	-	4,562
Other	1,114,021	-	2,135,142	-	-	-	-	-	-	-	-	-	-	3,249,163
Due from other governments	1,037,532	-	364,825	-	-	-	348,248	144,550	-	-	-	-	163,926	2,059,081
Prepaid items	-	902,142	-	-	-	-	-	-	-	-	-	-	-	902,142
Assets held for resale	1,132,089	-	-	-	-	-	-	-	-	-	-	-	-	1,132,089
Total Assets	\$ 3,315,171	\$ 4,300,249	\$ 2,701,073	\$ 1,441,740	\$ 2,592,529	\$ 195,703	\$ 348,748	\$ 505,587	\$ 1,452,418	\$ 1,333,110	\$ 923,505	\$ 1,096,223	\$ 466,505	\$ 20,672,561
LIABILITIES														
Current liabilities:														
Accounts payable and accrued liabilities	\$ 77,542	\$ 186,556	\$ 155,387	\$ 12,511	\$ 35	\$ -	\$ 75,921	\$ 40,223	\$ -	\$ 7,781	\$ -	\$ -	\$ 77,859	\$ 633,815
Retainage Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	51,698
Due to other funds	978,399	-	57,666	-	-	-	285,953	-	-	-	-	-	226,330	1,548,348
Escrow payable	-	-	-	-	-	-	-	-	-	113,124	-	-	-	113,124
Deferred revenues	2,246,110	-	2,171,363	-	-	-	-	372,198	-	-	-	-	84,618	4,874,289
Due to other governments	-	-	-	-	-	-	-	-	-	-	570,496	-	-	570,496
Total Liabilities	3,302,051	186,556	2,384,416	12,511	35	-	361,874	412,421	-	120,905	570,496	-	440,505	7,791,770
FUND BALANCES (DEFICITS)														
Fund balances:														
Nonspendable	-	902,142	-	-	-	-	-	-	-	-	-	-	-	902,142
Restricted	13,120	3,211,551	-	-	-	-	-	93,166	-	1,212,205	353,009	1,096,223	26,000	6,005,274
Committed	-	-	316,657	1,429,229	2,592,494	195,703	(13,126)	-	1,452,418	-	-	-	-	5,973,375
Total fund balances (deficits)	13,120	4,113,693	316,657	1,429,229	2,592,494	195,703	(13,126)	93,166	1,452,418	1,212,205	353,009	1,096,223	26,000	12,880,791
Total Liabilities and Fund Balances	\$ 3,315,171	\$ 4,300,249	\$ 2,701,073	\$ 1,441,740	\$ 2,592,529	\$ 195,703	\$ 348,748	\$ 505,587	\$ 1,452,418	\$ 1,333,110	\$ 923,505	\$ 1,096,223	\$ 466,505	\$ 20,672,561

City of Garland, Texas
 Nonmajor Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended September 30, 2011

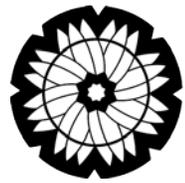
	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Other Housing Assistance	TIF's	ARRA Recovery Act	Total Other Governmental Funds
REVENUES																
Taxes	\$ -	\$ -	\$ -	\$ 687,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 632,899	\$ -	\$ 1,320,132
Rent	-	-	-	-	-	-	-	-	-	-	-	-	(109)	-	-	(109)
Earnings on investments	20	6,445	592	3,330	15,707	-	545	-	502	3,870	2,853	-	-	2,650	386	36,900
Intergovernmental	2,722,268	12,040,826	1,671,888	-	-	-	-	757,250	668,602	-	-	-	-	-	1,710,615	19,571,449
Impact Fees	-	-	-	-	289,553	-	-	-	-	-	-	-	-	-	-	289,553
Program income	93,139	-	100,070	-	-	-	-	-	-	-	-	-	-	-	-	193,209
Special event income	-	-	-	174,578	-	-	-	-	-	-	-	-	-	-	-	174,578
Awards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	467,831
Miscellaneous and other	-	915,949	1,005	-	-	-	-	-	42,918	-	51,878	-	-	-	-	1,015,241
Total Revenues	2,815,427	12,963,220	1,773,555	865,141	305,260	-	545	757,250	712,022	3,870	522,562	-	3,382	635,549	1,711,001	23,068,784
EXPENDITURES																
Current:																
Operations	1,681,000	11,221,548	1,586,932	692,727	-	-	11,088	758,098	420,076	-	153,847	-	-	164,528	702,843	17,392,687
Capital outlay	1,099,999	20,412	-	-	-	-	-	-	280,893	-	-	-	-	-	982,158	2,383,462
Total Expenditures	2,780,999	11,241,960	1,586,932	692,727	-	-	11,088	758,098	700,969	-	153,847	-	-	164,528	1,685,001	19,776,149
Excess (deficiency) of revenues over (under) expenditures	34,428	1,721,260	186,623	172,414	305,260	-	(10,543)	(848)	11,053	3,870	368,715	-	3,382	471,021	26,000	3,292,635
OTHER FINANCING SOURCES (USES)																
Transfers in	-	-	20,000	-	-	-	-	-	-	-	-	-	-	-	-	20,000
Transfers out	-	-	-	-	(2,713,945)	(1,126,611)	-	-	-	-	-	(88,091)	(253,000)	(286,795)	-	(4,468,442)
Total other financing sources (uses)	-	-	20,000	-	(2,713,945)	(1,126,611)	-	-	-	-	-	(88,091)	(253,000)	(286,795)	-	(4,448,442)
Net change in fund balances (deficits)	34,428	1,721,260	206,623	172,414	(2,408,685)	(1,126,611)	(10,543)	(848)	11,053	3,870	368,715	(88,091)	(249,618)	184,226	26,000	(1,155,807)
Fund balances (deficits) - beginning	(21,308)	2,392,433	110,034	1,256,815	5,001,179	1,126,611	206,246	(12,278)	82,113	1,448,548	843,490	88,091	602,627	911,997	-	14,036,598
Fund balances (deficits) - ending	\$ 13,120	\$ 4,113,693	\$ 316,657	\$ 1,429,229	\$ 2,592,494	\$ -	\$ 195,703	\$ (13,126)	\$ 93,166	\$ 1,452,418	\$ 1,212,205	\$ -	\$ 353,009	\$ 1,096,223	\$ 26,000	\$ 12,880,791

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, 2011

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	\$ 31,507,363	\$ 31,665,585	\$ 31,823,985	\$ 158,400
Earnings on investments	50,000	18,000	16,468	(1,532)
Miscellaneous and other	-	70,356	-	(70,356)
Total Revenues	<u>31,557,363</u>	<u>31,753,941</u>	<u>31,840,453</u>	<u>86,512</u>
Expenditures:				
Principal retirement	16,410,507	16,165,583	16,165,582	1
Interest	11,340,743	10,185,679	10,215,634	(29,955)
Issue costs on issuance of debt	-	-	67,306	(67,306)
Fiscal charges and other	158,773	640,000	758,265	(118,265)
Total Expenditures	<u>27,910,023</u>	<u>26,991,262</u>	<u>27,206,787</u>	<u>(215,525)</u>
Excess of revenues over expenditures	<u>3,647,340</u>	<u>4,762,679</u>	<u>4,633,666</u>	<u>(129,013)</u>
Other financing sources:				
Transfers in	605,491	605,491	663,339	57,848
Transfers out	(5,086,404)	(5,086,404)	(5,586,404)	(500,000)
Premium on issuance of debt	-	-	280,745	280,745
Issuance of refunding bonds	-	-	4,655,000	4,655,000
Payment to refunded bonds escrow agent	-	-	(4,432,030)	(4,432,030)
Total other financing sources	<u>(4,480,913)</u>	<u>(4,480,913)</u>	<u>(4,419,350)</u>	<u>61,563</u>
Net change in fund balances	(833,573)	281,766	214,316	(67,450)
Fund balance, beginning of year	<u>6,051,447</u>	<u>6,051,447</u>	<u>6,051,447</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,217,874</u>	<u>\$ 6,333,213</u>	<u>\$ 6,265,763</u>	<u>\$ (67,450)</u>

City of Garland, Texas
Hotel/Motel and Narcotic Seizure Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2011

	<u>Hotel/Motel Tax</u>				<u>Narcotic Seizure</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:								
Occupancy taxes	\$ 431,618	\$ 591,618	\$ 687,233	\$ 95,615	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	3,330	3,330	-	2,484	2,853	369
Awards	-	-	-	-	-	446,451	467,831	21,380
Special event income	10,000	10,000	174,578	164,578	-	-	-	-
Miscellaneous and other	-	-	-	-	-	40,034	51,878	11,844
Total revenues	<u>441,618</u>	<u>601,618</u>	<u>865,141</u>	<u>263,523</u>	<u>-</u>	<u>488,969</u>	<u>522,562</u>	<u>33,593</u>
Expenditures:								
Current:								
Operations	591,604	732,052	692,727	39,325	246,500	246,500	153,847	92,653
Capital	-	-	-	-	-	-	-	-
Total expenditures	<u>591,604</u>	<u>732,052</u>	<u>692,727</u>	<u>39,325</u>	<u>246,500</u>	<u>246,500</u>	<u>153,847</u>	<u>92,653</u>
Excess (deficiency) of revenues over expenditures	<u>(149,986)</u>	<u>(130,434)</u>	<u>172,414</u>	<u>302,848</u>	<u>(246,500)</u>	<u>242,469</u>	<u>368,715</u>	<u>126,246</u>
Net change in fund balances	(149,986)	(130,434)	172,414	302,848	(246,500)	242,469	368,715	126,246
Fund balances, beginning of year	<u>1,256,815</u>	<u>1,256,815</u>	<u>1,256,815</u>	<u>-</u>	<u>843,490</u>	<u>843,490</u>	<u>843,490</u>	<u>-</u>
Fund balances end of year	<u>\$ 1,106,829</u>	<u>\$ 1,126,381</u>	<u>\$ 1,429,229</u>	<u>\$ 302,848</u>	<u>\$ 596,990</u>	<u>\$ 1,085,959</u>	<u>\$ 1,212,205</u>	<u>\$ 126,246</u>



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City of Garland, Texas Nonmajor Enterprise Funds

Nonmajor Enterprise Funds

The 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.

Golf Fund – This fund is used to account for the resources and expense associated with a public golf course, administered by a golf professional under the direct supervision of the City Manager.

Heliport Fund – This fund is used to account for the resources and expenses associated with the operations of a heliport.

Storm Water Management Fund – This fund is used to account for the resources and expenses associated with controlling the quality of storm water discharges into lakes and streams.

Parks Performance Fund – This fund is used to account for the resources and expense associated with the operation of recreation activities that receive revenues from user fees.

Sanitation Fund – This fund is used to account for the resources and expenses associated with the collection and recycling of residential and commercial waste.

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Assets
September 30, 2011

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
ASSETS						
Current assets						
<i>Unrestricted</i>						
Cash and cash equivalents	\$ 59,568	\$ 90,734	\$ 471,354	\$ 145,415	\$ 611,107	\$ 1,378,178
Investments	-	52,731	273,891	84,509	355,075	766,206
Receivable, net of allowance	29,114	-	333,066	480	1,653,901	2,016,561
Accrued interest	-	54	220	57	520	851
Total current assets	88,682	143,519	1,078,531	230,461	2,620,603	4,161,796
Noncurrent assets						
<i>Restricted assets</i>						
Construction funds:						
Cash and cash equivalents	-	-	-	-	1,055,848	1,055,848
Investments	47	-	-	-	613,537	613,584
Accrued interest	23	-	-	-	744	767
Total construction funds	70	-	-	-	1,670,129	1,670,199
Capital Assets						
Land	9,111,400	1,776,208	-	-	298,936	11,186,544
System	14,201,816	746,069	3,367,186	300,911	9,974,797	28,590,779
Construction in progress	609,301	-	-	-	138,326	747,627
Less accumulated depreciation	(6,454,437)	(642,262)	(2,112,751)	(206,584)	(6,805,945)	(16,221,979)
Net capital assets	17,468,080	1,880,015	1,254,435	94,327	3,606,114	24,302,971
Unamortized bond discount and issue cost	-	-	-	-	80,738	80,738
Total noncurrent assets	17,468,150	1,880,015	1,254,435	94,327	5,356,981	26,053,908
Total assets	\$ 17,556,832	\$ 2,023,534	\$ 2,332,966	\$ 324,788	\$ 7,977,584	\$ 30,215,704

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Assets
September 30, 2011

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
LIABILITIES						
Current Liabilities						
<i>Payable from current assets:</i>						
Accounts payable and accrued liabilities	\$ 207,325	\$ -	\$ 290,092	\$ 55,105	\$ 366,911	\$ 919,433
Accrued certificates of obligation interest	-	-	-	-	18,554	18,554
Certificates of obligation	-	-	-	-	930,000	930,000
Due to other funds	1,355,827	-	-	-	-	1,355,827
Compensated absences	75,619	-	53,378	-	191,398	320,395
<i>Total payable from current assets</i>	<u>1,638,771</u>	<u>-</u>	<u>343,470</u>	<u>55,105</u>	<u>1,506,863</u>	<u>3,544,209</u>
<i>Payable from restricted assets:</i>						
Accounts payable	60,656	-	-	-	138,326	198,982
<i>Total payable from restricted assets</i>	<u>60,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,326</u>	<u>198,982</u>
Total current liabilities	<u>1,699,427</u>	<u>-</u>	<u>343,470</u>	<u>55,105</u>	<u>1,645,189</u>	<u>3,743,191</u>
Long-term Liabilities						
Advance from other funds	26,301	-	-	-	-	26,301
Certificates of obligation (net of unamortized premium)	-	-	-	-	2,577,761	2,577,761
Insurance claims payable	127,077	-	112,336	-	397,477	636,890
Compensated absences	33,834	-	10,127	-	6,805	50,766
Total long-term liabilities	<u>187,212</u>	<u>-</u>	<u>122,463</u>	<u>-</u>	<u>2,982,043</u>	<u>3,291,718</u>
Total Liabilities	<u>1,886,639</u>	<u>-</u>	<u>465,933</u>	<u>55,105</u>	<u>4,627,232</u>	<u>7,034,909</u>
NET ASSETS						
Invested in capital assets, net of related debt	17,407,494	1,880,015	1,254,435	94,327	1,630,156	22,266,427
Unrestricted (deficit)	(1,737,301)	143,519	612,598	175,356	1,720,196	914,368
Total net assets	<u>\$ 15,670,193</u>	<u>\$ 2,023,534</u>	<u>\$ 1,867,033</u>	<u>\$ 269,683</u>	<u>\$ 3,350,352</u>	<u>\$ 23,180,795</u>

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2011

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
OPERATING REVENUES						
Charges for services	\$ 3,596,869	\$ 6,523	\$ 3,775,995	\$ 1,004,106	\$ 16,406,642	\$ 24,790,135
Other	56,700	-	3,425	98,240	68,687	227,052
Total Operating Revenues	<u>3,653,569</u>	<u>6,523</u>	<u>3,779,420</u>	<u>1,102,346</u>	<u>16,475,329</u>	<u>25,017,187</u>
OPERATING EXPENSES						
Salaries and benefits	1,872,172	-	1,963,403	115,945	5,143,741	9,095,261
Landfill fees	-	-	-	-	3,575,750	3,575,750
Maintenance, repairs, and supplies	2,173,593	-	1,075,812	806,863	4,055,600	8,111,868
Insurance and other expenses	4,380	-	69,772	-	371,770	445,922
General and administrative	3,412	-	318,450	14,460	1,603,538	1,939,860
Insurance claims payable	28,768	-	25,685	-	92,467	146,920
Depreciation	664,588	30,237	209,732	26,158	1,061,855	1,992,570
Total Operating Expenses	<u>4,746,913</u>	<u>30,237</u>	<u>3,662,854</u>	<u>963,426</u>	<u>15,904,721</u>	<u>25,308,151</u>
Total Operating Income (Loss)	<u>(1,093,344)</u>	<u>(23,714)</u>	<u>116,566</u>	<u>138,920</u>	<u>570,608</u>	<u>(290,964)</u>
NONOPERATING REVENUES (EXPENSES)						
Loss on sale of capital assets	(8,457)	-	-	-	(6,294)	(14,751)
Earnings from investments:						
Current operations	11	373	1,207	354	2,386	4,331
Construction fund	160	-	-	-	4,357	4,517
Total earnings on investments	<u>171</u>	<u>373</u>	<u>1,207</u>	<u>354</u>	<u>6,743</u>	<u>8,848</u>

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
Interest expense:						
Certificates of obligation	-	-	-	-	(104,542)	(104,542)
Advance from other funds	(1,848)	-	-	-	-	(1,848)
Total interest expense	(1,848)	-	-	-	(104,542)	(106,390)
Income (loss) before transfers	(1,103,478)	(23,341)	117,773	139,274	466,515	(403,257)
TRANSFERS						
Transfers in	1,350,000	-	-	-	-	1,350,000
Transfers out	-	-	(8,755)	(100,000)	(742,236)	(850,991)
Total transfers	1,350,000	-	(8,755)	(100,000)	(742,236)	499,009
NET INCOME (LOSS)	246,522	(23,341)	109,018	39,274	(275,721)	95,752
Net assets, beginning of year	15,423,671	2,046,875	1,758,015	230,409	3,626,073	23,085,043
Net assets, end of year	<u>\$ 15,670,193</u>	<u>\$ 2,023,534</u>	<u>\$ 1,867,033</u>	<u>\$ 269,683</u>	<u>\$ 3,350,352</u>	<u>\$ 23,180,795</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2011

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	\$ 3,567,755	\$ 6,524	\$ 3,750,564	\$ 1,004,106	\$ 16,321,476	\$ 24,650,425
Cash payments for goods and services	(2,231,791)	-	(1,379,701)	(789,888)	(9,600,732)	(14,002,112)
Cash payments to employees for services	(1,860,683)	-	(1,984,150)	(115,945)	(5,167,734)	(9,128,512)
Other operating revenues	56,700	-	3,426	98,237	68,687	227,050
Net cash provided (used for) by operating activities	<u>(468,019)</u>	<u>6,524</u>	<u>390,139</u>	<u>196,510</u>	<u>1,621,697</u>	<u>1,746,851</u>
Cash flows from non-capital financing activities:						
Due to other funds	55,819	-	-	-	-	55,819
Transfers in	1,350,000	-	-	-	-	1,350,000
Transfers out	-	-	(8,755)	(100,000)	(742,236)	(850,991)
Net cash provided by (used for) non-capital financing activities	<u>1,405,819</u>	<u>-</u>	<u>(8,755)</u>	<u>(100,000)</u>	<u>(742,236)</u>	<u>554,828</u>
Cash flows from capital and related financing activities:						
Certificate of obligation issues	-	-	-	-	1,280,000	1,280,000
Premium on issuance of debt	-	-	-	-	35,015	35,015
Bond issue expense	-	-	-	-	(26,057)	(26,057)
Acquisition of capital assets	(1,067,341)	-	(182,470)	(82,861)	(896,272)	(2,228,944)
Principal paid on certificates of obligation	-	-	-	-	(1,150,000)	(1,150,000)
Decrease in advance from other funds	(12,255)	-	-	-	-	(12,255)
Interest paid on certificates of obligation	-	-	-	-	(99,402)	(99,402)
Interest paid on advances from other funds	(1,848)	-	-	-	-	(1,848)
Proceeds from sale of fixed assets	98,038	-	-	-	(6,294)	91,744
Net cash used for capital and related financing activities	<u>(983,406)</u>	<u>-</u>	<u>(182,470)</u>	<u>(82,861)</u>	<u>(863,010)</u>	<u>(2,111,747)</u>
Cash flows from investing activities:						
Purchase of investment securities	(47)	(107,151)	(601,775)	(172,467)	(2,044,405)	(2,925,845)
Proceeds from the sale and maturity of investment securities	53,684	92,152	478,487	147,615	1,797,520	2,569,458
Interest received on investments	305	442	1,510	458	7,885	10,600
Net cash provided by (used for) investing activities	<u>53,942</u>	<u>(14,557)</u>	<u>(121,778)</u>	<u>(24,394)</u>	<u>(239,000)</u>	<u>(345,787)</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2011

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Net increase (decrease) in cash and cash equivalents	8,336	(8,033)	77,136	(10,745)	(222,549)	(155,855)
Cash and cash equivalents at beginning of year	51,232	98,767	394,218	156,160	1,889,504	2,589,881
Cash and cash equivalents at end of year	<u>\$ 59,568</u>	<u>\$ 90,734</u>	<u>\$ 471,354</u>	<u>\$ 145,415</u>	<u>\$ 1,666,955</u>	<u>\$ 2,434,026</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (1,093,344)	\$ (23,713)	\$ 116,567	\$ 138,917	\$ 570,608	\$ (290,965)
Adjustments:						
Depreciation	664,588	30,237	209,732	26,158	1,061,855	1,992,570
Provision for uncollectible accounts	-	-	1,106	-	(9,805)	(8,699)
Change in assets and liabilities:						
Increase in accounts receivable	(29,114)	-	(26,537)	-	(75,361)	(131,012)
Increase (decrease) in accounts payable	(50,403)	-	84,333	31,435	5,926	71,291
Increase (decrease) in compensated absences	11,486	-	(20,747)	-	(23,993)	(33,254)
Increase in insurance claims payable	28,768	-	25,685	-	92,467	146,920
Total adjustments	<u>625,325</u>	<u>30,237</u>	<u>273,572</u>	<u>57,593</u>	<u>1,051,089</u>	<u>2,037,816</u>
Net cash provided by (used for) operating activities	<u>\$ (468,019)</u>	<u>\$ 6,524</u>	<u>\$ 390,139</u>	<u>\$ 196,510</u>	<u>\$ 1,621,697</u>	<u>\$ 1,746,851</u>



GARLAND

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City of Garland, Texas Internal Service Funds

Internal Service Funds

The Internal Service Funds account for the financing of goods or services and insurance premiums and claims provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis.

Group Health Fund – This fund is used to account for an employee medical insurance plan which is administered by a third party. The City makes deposits to the fund each pay period for each employee covered by this medical insurance plan and payment of employees' medical claims are made from this fund.

Self Insurance Fund – This fund is used to account for proceeds from other funds for the payment of claims and to provide a loss reserve for potential future major unanticipated claims.

LTD Insurance Fund – This fund is used to account for proceeds from other funds and employees for the payment of long-term disability claims and to provide a loss reserve for potential future claims.

Fleet Services Fund – This fund is used to account for the cost of operating a centralized fleet maintenance garage, which performs repair and maintenance services for City vehicles.

Vehicle Replacement Fund – This fund is used to account for the proceeds from other funds for the systematic replacement of City vehicles.

Information Technology Fund – This fund is used to account for activities related to administration, operation, and maintenance of the City's electronic data processing and communication systems.

Facilities Management Fund – This fund is used to account for activities related to maintenance and management of City buildings and facilities.

Warehouse Fund – This fund is used to account for the activities related to operation of the City's warehouse center for storage and distribution of supplies.

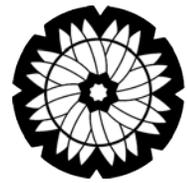
Customer Service Fund – This fund is used to account for activities related to establishing accounts, meter reading, billing and collection of revenue, and responding to customer inquiries from the day to day operations of City utilities.

City of Garland, Texas
Internal Service Funds
Statement of Net Assets
September 30, 2011

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
ASSETS										
Current assets:										
<i>Unrestricted</i>										
Cash and cash equivalents	\$ 1,932,857	\$ 2,364,730	\$ 563,013	\$ 311,387	\$ 6,185,431	\$ 5,257,259	\$ 934,703	\$ -	\$ 8,261,660	\$ 25,811,040
Investments	1,123,689	1,374,509	327,164	180,856	3,594,578	3,055,606	543,299	-	4,283,101	14,482,802
Accrued interest	956	948	342	215	3,592	3,166	513	303	4,542	14,577
Other Receivables	-	-	-	-	-	2,410	-	-	932,268	934,678
Inventories	-	-	-	338,904	-	-	-	4,568,930	-	4,907,834
Total current assets	3,057,502	3,740,187	890,519	831,362	9,783,601	8,318,441	1,478,515	4,569,233	13,481,571	46,150,931
Noncurrent assets:										
<i>Restricted</i>										
Construction funds:										
Cash and cash equivalents	-	-	-	233,645	-	739,648	-	3,510	3,223,425	4,200,228
Investments	-	-	-	135,789	-	430,241	-	2,040	1,873,837	2,441,907
Accrued interest	-	-	-	141	-	444	-	2	1,370	1,957
Total construction funds	-	-	-	369,575	-	1,170,333	-	5,552	5,098,632	6,644,092
Capital assets										
System	21,834	24,844	-	2,279,465	28,378,599	39,504,911	283,184	180,111	30,823,199	101,496,147
Construction in progress	-	-	-	-	-	1,814,320	-	-	1,618,501	3,432,821
Less accumulated depreciation	(17,740)	(24,844)	-	(1,515,730)	(21,252,328)	(21,078,160)	(283,184)	(111,161)	(2,280,830)	(46,563,977)
Net capital assets	4,094	-	-	763,735	7,126,271	20,241,071	-	68,950	30,160,870	58,364,991
Unamortized bond discount and issue cost	-	-	-	38,708	-	184,465	-	111	306,614	529,898
Total noncurrent assets	4,094	-	-	1,172,018	7,126,271	21,595,869	-	74,613	35,566,116	65,538,981
Total assets	3,061,596	3,740,187	890,519	2,003,380	16,909,872	29,914,310	1,478,515	4,643,846	49,047,687	111,689,912
LIABILITIES										
Current Liabilities:										
<i>Payable from current assets</i>										
Accounts payable and accrued liabilities	591,255	662,401	19,887	744,341	41,180	709,062	255,961	489,960	702,660	4,216,707
Accrued interest payable:	-	-	-	491	-	233	-	250	4,437	5,411
General obligation bonds	-	-	-	2,316	-	45,106	-	-	138,389	185,811
Certificates of obligation	-	-	-	-	-	-	-	-	11,205,228	11,205,228
Customer deposits	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Compensated absences	10,303	31,634	-	86,857	-	191,111	89,141	24,855	187,489	621,390
Insurance claims payable	3,276,572	3,236,532	916,478	-	-	-	-	-	-	7,429,582
General obligation bonds	-	-	-	20,000	-	-	-	5,000	15,000	40,000
Certificates of obligation	-	-	-	10,000	-	1,035,000	-	-	1,065,000	2,110,000
Total payable from current assets	3,878,130	3,930,567	936,365	864,005	41,180	1,980,512	345,102	520,065	13,318,203	25,814,129
<i>Payable from restricted assets</i>										
Accounts payable	-	-	-	-	-	46,878	-	-	3,307	50,185
Retainage payable	-	2,410	-	-	-	-	-	-	508,442	510,852
Capital lease	-	-	-	-	28,803	-	-	-	-	28,803
Total payable from restricted assets	-	2,410	-	-	28,803	46,878	-	-	511,749	589,840
Total Current Liabilities	3,878,130	3,932,977	936,365	864,005	69,983	2,027,390	345,102	520,065	13,829,952	26,403,969
Long-term Liabilities:										
Advances from other funds	-	-	-	-	-	-	-	3,896,269	-	3,896,269
Certificates of obligation (net of amortized bond premium)	-	-	-	405,845	-	7,998,171	-	-	25,047,319	33,451,335
General obligation bonds (net of amortized bond premium and defeased debt cost)	-	-	-	81,290	-	31,148	-	40,502	724,120	877,060
Capital lease	-	-	-	-	95,342	-	-	-	-	95,342
Compensated absences	1,127	16,797	-	1,215	-	73,765	23,961	5,132	-	121,997
Insurance claims payable	-	2,962,082	2,974,547	-	-	-	-	-	-	5,936,629
OPEB payable	21,056	34,926	-	163,025	-	285,440	150,022	49,428	433,103	1,137,000
Total Long-term Liabilities	22,183	3,013,805	2,974,547	651,375	95,342	8,388,524	173,983	3,991,331	26,204,542	45,515,632
Total Liabilities	3,900,313	6,946,782	3,910,912	1,515,380	165,325	10,415,914	519,085	4,511,396	40,034,494	71,919,601
NET ASSETS										
Invested in capital assets, net of related debt	4,094	-	-	616,175	7,126,271	12,300,207	-	34,000	7,896,314	27,977,061
Unrestricted	(842,811)	(3,206,595)	(3,020,393)	(128,175)	9,618,276	7,198,189	959,430	98,450	1,116,879	11,793,250
Total net assets	\$ (838,717)	\$ (3,206,595)	\$ (3,020,393)	\$ 488,000	\$ 16,744,547	\$ 19,498,396	\$ 959,430	\$ 132,450	\$ 9,013,193	\$ 39,770,311

City of Garland, Texas
Internal Service Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2011

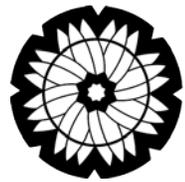
	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
OPERATING REVENUES:										
Charges for services	\$ -	\$ -	\$ -	\$ 7,715,447	\$ 3,427,749	\$ 14,742,017	\$ 6,273,145	\$ 1,048,220	\$ 11,854,593	\$ 45,061,171
Premiums	18,104,014	4,911,346	464,611	-	-	-	-	-	-	23,479,971
Other	2,582,981	63,919	-	7,169	-	65,456	-	18,283	285,250	3,023,058
Total Operating Revenues	20,686,995	4,975,265	464,611	7,722,616	3,427,749	14,807,473	6,273,145	1,066,503	12,139,843	71,564,200
OPERATING EXPENSES:										
Salaries and benefits	501,827	779,333	-	2,111,823	-	5,470,164	1,814,452	581,441	5,539,723	16,798,763
Maintenance, repairs, and supplies	220,080	917,887	-	4,726,304	4,059	6,158,664	4,393,918	123,370	1,653,452	18,197,734
Premiums	4,905,285	1,589,622	-	-	-	-	-	-	-	6,494,907
Claims	15,383,339	2,211,019	299,355	-	-	-	-	-	-	17,893,713
Insurance claims payable - increase	933,698	8,219	-	36,987	-	63,700	33,905	11,301	99,659	1,187,469
Administrative services	1,060,553	49,950	-	-	-	-	-	-	-	1,110,503
General and administrative	111,710	126,369	-	654,763	99,360	1,298,176	395,292	218,045	2,912,517	5,816,232
Depreciation	2,729	-	-	101,919	3,030,748	2,774,284	193	10,455	1,337,462	7,257,790
Total Operating Expenses	23,119,221	5,682,399	299,355	7,631,796	3,134,167	15,764,988	6,637,760	944,612	11,542,813	74,757,111
Total Operating Income (Loss)	(2,432,226)	(707,134)	165,256	90,820	293,582	(957,515)	(364,615)	121,891	597,030	(3,192,911)
NONOPERATING REVENUES (EXPENSES):										
Earnings from investments:										
Current operations	9,740	9,096	2,102	1,239	23,706	23,890	4,817	721	27,385	102,696
Construction fund	-	-	-	1,099	-	5,744	-	17	18,575	25,435
Interest expense:										
Certificates of obligation	-	-	-	(15,853)	-	(383,731)	-	(360)	(1,064,582)	(1,464,526)
General Obligation bonds	-	-	-	(4,087)	-	(2,559)	-	(1,746)	(53,856)	(62,248)
Advance to other funds	-	-	-	-	(7,578)	-	-	-	-	(7,578)
Gain (loss) on sale of capital assets	-	-	-	-	202,178	(30,007)	-	-	6,795	178,966
Total nonoperating revenues (expenses)	9,740	9,096	2,102	(17,602)	218,306	(386,663)	4,817	(1,368)	(1,065,683)	(1,227,255)
Income (loss) before transfers	(2,422,486)	(698,038)	167,358	73,218	511,888	(1,344,178)	(359,798)	120,523	(468,653)	(4,420,166)
TRANSFERS										
Transfers in	-	-	-	-	74,684	-	-	-	656,673	731,357
Transfers out	-	-	-	-	-	(500,000)	-	-	(1,300,000)	(1,800,000)
Net transfers	-	-	-	-	74,684	(500,000)	-	-	(643,327)	(1,068,643)
NET INCOME (LOSS)	(2,422,486)	(698,038)	167,358	73,218	586,572	(1,844,178)	(359,798)	120,523	(1,111,980)	(5,488,809)
Net assets, beginning of year	1,583,769	(2,508,557)	(3,187,751)	414,782	16,157,975	21,342,574	1,319,228	11,927	10,125,173	45,259,120
Net assets, end of year	\$ (838,717)	\$ (3,206,595)	\$ (3,020,393)	\$ 488,000	\$ 16,744,547	\$ 19,498,396	\$ 959,430	\$ 132,450	\$ 9,013,193	\$ 39,770,311



GARLAND
TEXAS MADE HERE

City of Garland, Texas
Internal Service Funds
Statement of Cash Flows
For the Year Ended September 30, 2011

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
Cash flows from operating activities:										
Cash received from customers	\$ 18,104,014	\$ 4,911,346	\$ 464,612	\$ 7,715,447	\$ 3,427,748	\$ 14,740,742	\$ 6,273,145	\$ 1,048,220	\$12,004,208	\$ 68,689,482
Cash received for customer deposits	-	-	-	-	-	-	-	-	567,494	567,494
Cash payments for goods and services	(21,688,131)	(4,986,726)	(279,468)	(5,528,561)	(288,089)	(7,317,823)	(4,752,530)	362,470	(4,568,078)	(49,046,936)
Cash payments to employees for services	(499,401)	(777,030)	-	(2,108,907)	-	(5,523,261)	(1,827,407)	(587,959)	(5,563,363)	(16,887,328)
Other operating revenues	2,582,983	63,919	-	7,166	-	65,457	-	18,280	285,248	3,023,053
Net cash provided by (used for) operating activities	(1,500,535)	(788,491)	185,144	85,145	3,139,659	1,965,115	(306,792)	841,011	2,725,509	6,345,765
Cash flows from non-capital financing activities:										
Retainage - increase	-	2,410	-	-	-	-	-	-	-	2,410
Due to other funds - decrease	(10,500)	-	-	-	-	-	-	-	-	(10,500)
Transfers in	-	-	-	-	74,684	-	-	-	656,673	731,357
Transfers out	-	-	-	-	-	(500,000)	-	-	(1,300,000)	(1,800,000)
Net cash provided by (used for) non-capital financing activities	(10,500)	2,410	-	-	74,684	(500,000)	-	-	(643,327)	(1,076,733)
Cash flows from capital and financing activities:										
General obligation issues	-	-	-	-	-	-	-	15,000	-	15,000
Acquisition of capital assets	-	-	-	(39,502)	(2,586,237)	(2,188,097)	-	(17,595)	(641,415)	(5,472,846)
Obligations under capital lease	-	-	-	-	151,576	-	-	-	-	151,576
Principal paid on certificates of obligation	-	-	-	(10,000)	-	(1,390,000)	-	(3,464)	(1,040,000)	(2,443,464)
Principal paid on general obligation bonds	-	-	-	(20,000)	-	-	-	-	(15,000)	(35,000)
Decrease in advance from other funds	-	-	-	-	-	-	-	(818,383)	-	(818,383)
Decrease in capital lease	-	-	-	-	(27,431)	-	-	-	-	(27,431)
Interest paid on certificates of obligation	-	-	-	(18,857)	-	(384,178)	-	(480)	(1,113,612)	(1,517,127)
Interest paid on general obligations	-	-	-	(4,136)	-	(2,559)	-	(1,237)	(38,923)	(46,855)
Interest paid on capital lease	-	-	-	-	(7,579)	-	-	-	-	(7,579)
Payment to escrow agent	-	-	-	-	-	-	-	(15,567)	-	(15,567)
Proceeds from sale of assets	-	-	-	-	235,065	-	-	-	-	235,065
Net cash used for financing activities	-	-	-	(92,495)	(2,234,606)	(3,964,834)	-	(841,726)	(2,848,950)	(9,982,611)
Cash flows from investing activities:										
Purchase of investment securities	(2,248,341)	(2,750,705)	(704,461)	(633,772)	(7,448,668)	(6,985,781)	(1,087,267)	(4,083)	(12,668,855)	(34,531,933)
Proceeds from the sale and maturity of investment securities	2,383,796	2,623,950	571,533	556,528	6,279,040	6,802,038	1,035,729	3,572	11,297,262	31,553,448
Interest received on investments	12,483	11,426	2,364	2,767	27,742	36,731	5,791	733	54,661	154,698
Net cash provided by (used for) investing activities	147,938	(115,329)	(130,564)	(74,477)	(1,141,886)	(147,012)	(45,747)	222	(1,316,932)	(2,823,787)
Net increase in cash and cash equivalents	(1,363,097)	(901,410)	54,580	(81,827)	(162,149)	(2,646,731)	(352,539)	(493)	(2,083,700)	(7,537,366)
Cash and cash equivalents at beginning of year	3,295,954	3,266,140	508,433	626,859	6,347,580	8,643,638	1,287,242	4,003	13,568,785	37,548,634
Cash and cash equivalents at end of year	\$ 1,932,857	\$ 2,364,730	\$ 563,013	\$ 545,032	\$ 6,185,431	\$ 5,996,907	\$ 934,703	\$ 3,510	\$11,485,085	\$ 30,011,268
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:										
Operating income (loss)	\$ (2,432,226)	\$ (707,135)	\$ 165,257	\$ 90,819	\$ 293,581	\$ (957,513)	\$ (364,615)	\$ 121,891	\$ 597,029	\$ (3,192,912)
Adjustments:										
Depreciation	2,729	-	-	101,919	3,030,748	2,774,284	193	10,455	1,337,462	7,257,790
Change in assets and liabilities:										
Increase (decrease) in inventory	-	-	-	(61,826)	-	-	-	528,440	-	466,614
Decrease in accounts receivable	-	-	-	-	-	(1,275)	-	-	149,615	148,340
Increase (decrease) in accounts payable	(7,162)	(91,878)	19,887	(85,670)	(184,670)	139,017	36,680	175,443	(2,109)	(462)
Increase in customer deposits	-	-	-	-	-	-	-	-	567,494	567,494
Increase (decrease) in compensated absences	2,426	2,303	-	2,916	-	(53,097)	(12,955)	(6,519)	(23,641)	(88,567)
Increase in OPEB payable	7,192	8,219	-	36,987	-	63,699	33,905	11,301	99,659	260,962
Increase (decrease) in insurance claims payable	926,506	-	-	-	-	-	-	-	-	926,506
Total adjustments	931,691	(81,356)	19,887	(5,674)	2,846,078	2,922,628	57,823	719,120	2,128,480	9,538,677
Net cash provided by (used for) operating activities	\$ (1,500,535)	\$ (788,491)	\$ 185,144	\$ 85,145	\$ 3,139,659	\$ 1,965,115	\$ (306,792)	\$ 841,011	\$ 2,725,509	\$ 6,345,765



GARLAND
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City of Garland, Texas Discretely Presented Component Units

Component Units

Each component units 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.

Garland Housing Finance Corporation (GHFC) – This component unit 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.

Garland Health Facilities Development Corporation (GHFDC) – This component unit was organized to provide tax-exempt revenue bond financing for eligible health-related business in the City.

Garland Economic Development Authority (GEDA) – This component unit was organized to provide tax-exempt revenue bond financing for eligible business locating or expanding in the City.

Component Units
Combining Statement of Net Assets
September 30, 2011

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 667,305	\$ 362,306	\$ 125,311	\$ 1,154,922
Accounts receivable, net of allowance for uncollectibles	-	25,000	-	25,000
Accrued interest receivable	10,014	-	-	10,014
Due from primary government	-	-	-	-
Loans receivable	16,599	-	-	16,599
Asset held for sale	488,728	-	-	488,728
Total current assets:	<u>1,182,646</u>	<u>387,306</u>	<u>125,311</u>	<u>1,695,263</u>
Noncurrent assets:				
Land	1,140,710	-	-	1,140,710
Total noncurrent assets:	<u>1,140,710</u>	<u>-</u>	<u>-</u>	<u>1,140,710</u>
Total assets	<u>2,323,356</u>	<u>387,306</u>	<u>125,311</u>	<u>2,835,973</u>
LIABILITIES				
Noncurrent liabilities:				
Deferred Revenue	1,249,750	-	-	1,249,750
Total liabilities	<u>1,249,750</u>	<u>-</u>	<u>-</u>	<u>1,249,750</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,140,710	-	-	1,140,710
Unrestricted	(67,104)	387,306	125,311	445,513
Total net assets	<u>\$ 1,073,606</u>	<u>\$ 387,306</u>	<u>\$ 125,311</u>	<u>\$ 1,586,223</u>

Component Units
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2011

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
PROGRAM REVENUES				
Charges for services	\$ 74,788	\$ 25,000	\$ -	\$ 99,788
Operating grants and contributions	26,500	-	-	26,500
Total operating revenues	<u>101,288</u>	<u>25,000</u>	<u>-</u>	<u>126,288</u>
EXPENSES				
Operations	<u>95,518</u>	<u>23,183</u>	<u>683</u>	<u>119,384</u>
Total operating expenses	<u>95,518</u>	<u>23,183</u>	<u>683</u>	<u>119,384</u>
Operating loss	<u>5,770</u>	<u>1,817</u>	<u>(683)</u>	<u>6,904</u>
General revenues:				
Unrestricted investment earnings	11,868	2,113	569	14,550
Loss on sale of property	<u>(4,124)</u>	<u>-</u>	<u>-</u>	<u>(4,124)</u>
Total net non-operating income	<u>7,744</u>	<u>2,113</u>	<u>569</u>	<u>10,426</u>
Change in net assets	13,514	3,930	(114)	17,330
Net assets, beginning of year	1,060,092	383,376	125,425	1,568,893
Net assets, end of year	<u>\$ 1,073,606</u>	<u>\$ 387,306</u>	<u>\$ 125,311</u>	<u>\$ 1,586,223</u>

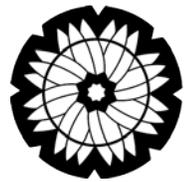
Component Units
Combining Statement of Cash Flows
For the Year Ended September 30, 2011

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
Cash flows from operating activities:				
Cash received from customers	\$ 74,788	\$ 25,000	\$ -	\$ 99,788
Cash paid for salaries and related activities	(72,336)	-	-	(72,336)
Cash paid to suppliers for goods and services	(23,582)	(23,183)	(683)	(47,448)
Net cash provided (used) by operating activities	(21,130)	1,817	(683)	(19,996)
Cash flows from noncapital financing activities:				
Cash received from loans receivable	959	-	-	959
Cash received from partnership	500,000	-	-	500,000
Proceeds from sale of land held for sale	100,000	-	-	100,000
Loss on sale of land held for sale	(4,124)	-	-	(4,124)
Cash paid on assets held for sale	(4,426)	-	-	(4,426)
Net cash provided (used) for noncapital financing activities	592,409	-	-	592,409
Cash flows from investing activities:				
Earnings on investments	1,854	2,113	569	4,536
Net cash provided by investing activities	1,854	2,113	569	4,536
Net decrease in cash and cash equivalents	573,133	3,930	(114)	576,949
Cash and cash equivalents at beginning of year	94,172	358,376	125,425	577,973
Cash and cash equivalents at end of year	\$ 667,305	\$ 362,306	\$ 125,311	\$ 1,154,922
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 5,770	\$ 1,817	\$ (683)	\$ 6,904
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Land lease rental	(26,500)	-	-	(26,500)
Change in assets and liabilities:				
Increase (decrease) in accounts payable and accrued liabilities	(400)	-	-	(400)
Total adjustments	(26,900)	-	-	(26,900)
Net cash provided (used) by operating activities	\$ (21,130)	\$ 1,817	\$ (683)	\$ (19,996)

**CITY OF GARLAND, TEXAS
Statistical Section
(Unaudited)**

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	107
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	113
Debt Capacity These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	117
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	122
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	124

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



GARLAND
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**City of Garland
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)**

Table 1

	2002	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$ 121,384,580	\$ 159,562,356	\$ 154,170,896	\$ 152,244,746	\$ 150,638,419	\$ 146,152,849	\$ 152,134,216	\$ 151,311,862	\$ 119,059,830	\$ 109,150,600
Restricted	4,547,009	9,915,653	1,921,608	9,332,603	11,148,268	16,539,955	24,872,761	18,134,847	13,646,512	12,875,368
Unrestricted	33,142,813	3,773,762	3,439,609	(5,114,118)	3,205,798	3,861,767	(8,120,300)	(6,063,639)	25,421,938	32,036,457
Total governmental activities net assets	\$ 159,074,402	\$ 173,251,771	\$ 159,532,113	\$ 156,463,231	\$ 164,992,485	\$ 166,554,571	\$ 168,886,677	\$ 163,383,070	\$ 158,128,280	\$ 154,062,425
Business-type activities										
Invested in capital assets, net of related debt	\$ 254,893,648	\$ 319,873,430	\$ 317,711,532	\$ 316,840,492	\$ 321,262,146	\$ 357,951,642	\$ 355,663,983	\$ 337,930,445	\$ 334,698,641	\$ 343,566,237
Restricted	69,072,047	69,675,800	70,686,549	72,202,545	73,218,539	77,356,305	80,549,836	82,525,231	116,110,801	157,524,421
Unrestricted	128,126,679	48,296,779	38,559,211	35,223,599	85,484,980	64,523,017	71,341,607	121,136,206	115,801,273	118,212,758
Total business-type activities net assets	\$ 452,092,374	\$ 437,846,009	\$ 426,957,292	\$ 424,266,636	\$ 479,965,665	\$ 499,830,964	\$ 507,555,426	\$ 541,591,882	\$ 566,610,715	\$ 619,303,416
Primary government										
Invested in capital assets, net of related debt	\$ 376,278,228	\$ 479,435,786	\$ 471,882,428	\$ 469,085,238	\$ 471,900,565	\$ 504,104,491	\$ 507,798,199	\$ 489,242,307	\$ 453,758,471	\$ 452,716,837
Restricted	73,619,056	79,591,453	72,608,157	81,535,148	84,366,807	93,896,260	105,422,597	100,660,078	129,757,313	170,399,789
Unrestricted	161,269,492	52,070,541	41,998,820	30,109,481	88,690,778	68,384,784	63,221,307	115,072,567	141,223,211	150,249,215
Total primary government activities net assets	\$ 611,166,776	\$ 611,097,780	\$ 586,489,405	\$ 580,729,867	\$ 644,958,150	\$ 666,385,535	\$ 676,442,103	\$ 704,974,952	\$ 724,738,995	\$ 773,365,841

**City of Garland
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)**

Table 2

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 24,202,192	\$ 25,448,260	\$ 35,270,124	\$ 32,392,426	\$ 30,790,105	\$ 37,623,390	\$ 31,821,475	\$ 31,153,948	\$ 32,846,193	\$ 29,640,148
Public safety	60,351,565	62,999,309	69,028,367	71,669,173	80,537,648	82,379,317	85,948,538	88,837,476	86,168,466	90,653,595
Public works	32,738,057	30,529,070	32,081,450	33,252,736	35,936,678	39,645,423	41,491,649	40,530,087	41,358,430	42,540,513
Culture and recreation	18,079,673	17,091,792	18,117,717	18,188,655	19,160,660	19,159,881	19,925,775	19,849,963	19,505,793	21,566,920
Public health	2,463,345	2,525,006	2,795,918	2,581,301	2,771,112	3,085,931	3,346,806	3,455,498	3,604,317	3,881,311
Interest and fiscal charges	8,571,287	8,117,822	8,342,311	9,222,475	10,348,493	10,686,236	10,476,757	12,888,091	12,713,773	11,968,097
Tri-City Academy	74,061	73,957	74,091	12,721	-	-	-	-	-	-
Total governmental activities expenses	<u>146,480,180</u>	<u>146,785,216</u>	<u>165,709,978</u>	<u>167,319,487</u>	<u>179,544,696</u>	<u>192,580,178</u>	<u>193,011,000</u>	<u>196,715,063</u>	<u>196,196,972</u>	<u>200,250,584</u>
Business-type activities:										
Electric	163,654,263	190,479,543	209,650,788	222,883,550	222,703,702	212,231,176	255,025,955	183,527,066	191,187,490	164,547,930
Water	21,687,201	23,212,750	25,800,512	25,806,273	25,540,630	28,221,876	29,979,447	33,000,743	34,274,026	38,602,207
Sewer	20,249,731	21,483,043	22,865,652	22,685,980	24,768,707	26,661,625	29,021,769	30,838,009	33,643,084	34,307,982
Golf	3,102,011	3,548,906	3,607,795	2,796,283	2,953,267	2,844,792	2,827,100	2,801,539	3,636,869	4,766,551
Heliport	40,068	30,526	34,457	28,576	76,842	28,007	27,335	27,482	39,590	30,292
Storm water management	2,872,805	3,022,324	2,953,322	2,961,292	3,535,492	3,227,420	3,192,094	3,176,002	3,598,351	3,669,785
Parks performance	584,615	614,297	721,368	749,667	773,516	718,131	702,176	818,781	778,409	965,305
Sanitation	12,607,400	12,717,666	13,565,161	13,301,942	13,399,591	14,741,829	15,618,088	15,558,875	15,943,590	16,045,778
Total business-type activities expenses	<u>224,798,094</u>	<u>255,109,055</u>	<u>279,199,055</u>	<u>291,213,563</u>	<u>293,751,747</u>	<u>288,674,856</u>	<u>336,393,964</u>	<u>269,748,497</u>	<u>283,101,409</u>	<u>262,935,830</u>
Total primary government expenses	<u>\$ 371,278,274</u>	<u>\$ 401,894,271</u>	<u>\$ 444,909,033</u>	<u>\$ 458,533,050</u>	<u>\$ 473,296,443</u>	<u>\$ 481,255,034</u>	<u>\$ 529,404,964</u>	<u>\$ 466,463,560</u>	<u>\$ 479,298,381</u>	<u>\$ 463,186,414</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 7,397,381	\$ 5,812,636	\$ 7,318,626	\$ 6,676,910	\$ 6,858,486	\$ 6,611,850	\$ 6,687,922	\$ 6,010,639	\$ 6,086,998	6,403,716
Public safety	8,778,000	9,076,549	8,579,287	10,202,599	10,803,372	10,568,258	9,335,039	12,015,983	11,904,259	12,685,675
Public works	11,843,394	10,129,500	10,571,408	11,200,394	12,990,004	13,651,673	12,565,983	13,317,251	12,326,162	18,311,836
Culture and recreation	2,114,703	1,503,405	1,622,913	1,745,890	1,615,310	1,530,098	1,655,630	1,871,402	1,701,121	1,673,984
Public health	170,077	191,342	189,935	179,789	177,835	331,128	321,296	314,819	501,507	283,433
Operating grants and contributions	16,191,085	18,385,284	18,516,283	19,713,353	21,863,489	22,852,488	21,055,526	17,351,640	21,420,963	21,723,466
Capital grants and contributions	7,153,603	5,236,706	5,686,588	3,556,983	8,445,411	3,811,318	6,398,010	2,082,015	974,984	649,244
Total governmental activities program revenues	<u>53,648,243</u>	<u>50,335,422</u>	<u>52,485,040</u>	<u>53,275,918</u>	<u>62,753,907</u>	<u>59,356,813</u>	<u>58,019,406</u>	<u>52,963,749</u>	<u>54,915,994</u>	<u>61,731,354</u>
Business-type activities:										
Charges for services:										
Electric	168,564,076	180,508,844	199,926,505	224,884,115	271,751,654	233,626,927	270,716,085	229,710,285	231,758,075	222,638,789
Water	20,472,979	24,366,846	22,966,885	28,235,537	35,641,398	26,528,327	30,974,200	34,236,560	40,688,647	50,472,770
Sewer	22,401,028	22,638,954	24,328,999	26,719,862	34,668,202	33,628,914	35,436,808	38,396,280	40,316,535	41,809,811
Golf	2,086,288	2,221,772	2,193,048	2,133,498	2,224,318	2,070,839	2,069,842	1,996,599	2,163,761	3,596,869
Heliport	5,499	6,500	6,000	6,000	5,556	6,098	6,299	6,451	6,528	6,523
Storm water management	3,027,510	3,068,703	3,105,222	3,088,386	3,140,224	3,116,627	3,160,313	3,137,707	3,455,484	3,775,995
Parks performance	569,396	594,613	778,364	838,064	745,186	666,131	744,918	831,481	694,108	1,004,106
Sanitation	12,002,268	12,943,652	13,229,144	13,159,315	13,331,142	15,054,605	15,574,619	16,191,391	15,750,835	16,406,642
Capital grants and contributions	3,055,431	2,780,713	2,275,432	1,890,046	3,103,011	2,855,227	4,226,700	3,679,673	878,483	3,213,159
Total business-type activities program revenues	<u>232,184,475</u>	<u>249,130,597</u>	<u>268,809,599</u>	<u>300,954,823</u>	<u>364,610,691</u>	<u>317,551,695</u>	<u>362,909,784</u>	<u>328,186,427</u>	<u>335,712,456</u>	<u>342,924,664</u>
Total primary government program revenues	<u>\$ 285,832,718</u>	<u>\$ 299,466,019</u>	<u>\$ 321,294,639</u>	<u>\$ 354,230,741</u>	<u>\$ 427,364,598</u>	<u>\$ 376,908,508</u>	<u>\$ 420,929,190</u>	<u>\$ 381,150,176</u>	<u>\$ 390,628,450</u>	<u>\$ 404,656,018</u>

**City of Garland
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)**

Table 2

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (expense)/revenue										
Governmental activities	\$ (92,831,937)	\$ (96,449,794)	\$ (113,224,938)	\$ (114,043,569)	\$ (116,790,789)	\$ (133,223,365)	\$ (134,991,594)	\$ (143,751,314)	\$ (141,280,978)	\$ (138,519,230)
Business-type activities	7,386,381	(5,978,458)	(10,389,456)	9,741,260	70,858,944	28,876,839	26,515,820	58,437,930	52,611,047	79,988,834
Total primary government net expense	<u>\$ (85,445,556)</u>	<u>\$ (102,428,252)</u>	<u>\$ (123,614,394)</u>	<u>\$ (104,302,309)</u>	<u>\$ (45,931,845)</u>	<u>\$ (104,346,526)</u>	<u>\$ (108,475,774)</u>	<u>\$ (85,313,384)</u>	<u>\$ (88,669,931)</u>	<u>\$ (58,530,396)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 56,369,413	\$ 59,697,133	\$ 59,700,363	\$ 61,816,669	\$ 66,825,355	\$ 70,205,635	\$ 74,677,018	\$ 77,869,371	\$ 75,675,105	72,960,307
Sales taxes	18,248,669	18,181,431	18,454,380	19,368,101	22,517,489	23,278,730	23,694,596	22,041,066	21,648,693	21,609,756
Franchise taxes	7,876,575	7,781,687	7,146,208	7,268,396	7,883,149	8,028,128	8,372,409	7,935,599	8,352,056	8,255,818
Hotel/motel taxes	458,478	408,539	415,767	417,034	464,905	488,123	469,185	483,639	562,590	687,233
Mixed drink taxes	110,445	109,474	110,443	121,644	135,586	167,372	216,527	233,290	263,272	262,941
Bingo taxes	72,911	81,597	89,543	88,918	101,189	97,866	87,133	105,488	99,634	100,691
Unrestricted investment earnings	5,742,752	2,676,584	1,677,257	1,875,018	3,883,272	5,061,009	3,486,049	2,771,407	730,796	512,142
Miscellaneous	96,678	114,718	208,727	700,956	140,242	850,982	46,672	(58,601)	28,089	89,257
Special item-apartment complex transfer	-	-	4,250,070	-	-	-	-	-	-	-
Transfers	16,191,522	16,077,933	7,452,522	19,317,950	23,368,856	26,607,606	26,274,111	26,866,448	28,665,953	29,975,230
Total governmental activities	<u>105,167,443</u>	<u>105,129,096</u>	<u>99,505,280</u>	<u>110,974,686</u>	<u>125,320,043</u>	<u>134,785,451</u>	<u>137,323,700</u>	<u>138,247,707</u>	<u>136,026,188</u>	<u>134,453,375</u>
Business-type activities:										
Unrestricted investment earnings	8,382,853	3,876,683	2,322,731	4,166,933	8,932,791	13,001,111	7,794,879	5,031,184	1,426,960	1,045,332
Miscellaneous	1,060,891	3,933,343	4,630,530	2,719,099	3,595,093	4,594,955	3,235,856	(2,566,210)	1,176,711	1,633,765
Loss on sale of capital assets	-	-	-	-	-	-	-	-	(1,529,932)	-
Special item-impairment of electric assets	-	-	-	-	-	-	(3,547,982)	-	-	-
Transfers	(16,191,522)	(16,077,933)	(7,452,522)	(19,317,950)	(23,368,856)	(26,607,606)	(26,274,111)	(26,866,448)	(28,665,953)	(29,975,230)
Total business-type activities	<u>(6,747,778)</u>	<u>(8,267,907)</u>	<u>(499,261)</u>	<u>(12,431,918)</u>	<u>(10,840,972)</u>	<u>(9,011,540)</u>	<u>(18,791,358)</u>	<u>(24,401,474)</u>	<u>(27,592,214)</u>	<u>(27,296,133)</u>
Total primary government	<u>\$ 98,419,665</u>	<u>\$ 96,861,189</u>	<u>\$ 99,006,019</u>	<u>\$ 98,542,768</u>	<u>\$ 114,479,071</u>	<u>\$ 125,773,911</u>	<u>\$ 118,532,342</u>	<u>\$ 113,846,233</u>	<u>\$ 108,433,974</u>	<u>\$ 107,157,242</u>
Change in Net Assets										
Governmental activities	\$ 12,335,506	\$ 8,679,302	\$ (13,719,658)	\$ (3,068,883)	\$ 8,529,254	\$ 1,562,086	\$ 2,332,106	\$ (5,503,607)	\$ (5,254,790)	(4,065,855)
Business-type activities	638,603	(14,246,365)	(10,888,717)	(2,690,658)	60,017,972	19,865,299	7,724,462	34,036,456	25,018,833	52,692,701
Cumulative effect of change in acctg principle	-	5,498,067	-	-	(4,318,943)	-	-	-	-	-
Total primary government	<u>\$ 12,974,109</u>	<u>\$ (68,996)</u>	<u>\$ (24,608,375)</u>	<u>\$ (5,759,541)</u>	<u>\$ 64,228,283</u>	<u>\$ 21,427,385</u>	<u>\$ 10,056,568</u>	<u>\$ 28,532,849</u>	<u>\$ 19,764,043</u>	<u>\$ 48,626,846</u>

City of Garland
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel/Motel Tax	Mixed Drink Tax	Bingo Tax	Total
2002	\$ 56,369,413	\$ 18,248,669	\$ 7,876,575	\$ 458,478	\$ 110,445	\$ 72,911	\$ 83,136,491
2003	59,697,133	18,181,431	7,781,687	408,539	109,474	81,597	86,259,861
2004	59,700,363	18,454,380	7,146,208	415,767	110,443	89,543	85,916,704
2005	61,816,669	19,368,101	7,268,396	417,034	121,644	88,918	89,080,762
2006	66,825,355	22,517,489	7,883,149	464,905	135,586	101,189	97,927,673
2007	70,205,635	23,278,730	8,028,128	488,123	167,372	97,866	102,265,854
2008	74,677,018	23,694,596	8,598,552	469,185	216,527	87,133	107,743,011
2009	77,869,371	22,041,066	7,935,599	483,639	233,290	105,488	108,668,453
2010	75,591,153	21,573,549	8,352,056	562,590	263,272	99,634	106,442,254
2011	72,960,307	21,609,756	8,255,818	687,233	262,941	100,691	103,876,746

**City of Garland
Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)**

Table 4

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved for other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,850	\$ 394,642	\$ 564,849	\$ -
Restricted for construction										762,541
Assigned										4,730,000
Unreserved	13,122,317	13,779,636	11,030,482	13,190,208	20,888,141	17,308,504	17,050,423	18,480,293	19,639,675	-
Unassigned										13,881,953
Total general fund	<u>\$ 13,122,317</u>	<u>\$ 13,779,636</u>	<u>\$ 11,030,482</u>	<u>\$ 13,190,208</u>	<u>\$ 20,888,141</u>	<u>\$ 17,308,504</u>	<u>\$ 17,282,273</u>	<u>\$ 18,874,935</u>	<u>\$ 20,204,524</u>	<u>\$ 19,374,494</u>
All other government funds										
Reserved for:										
Debt service	\$ 4,547,009	\$ 712,233	\$ 1,314,659	\$ 2,745,794	\$ 3,210,136	\$ 3,643,875	\$ 5,285,612	\$ 6,140,162	\$ 6,051,447	\$ -
Capital project funds	39,534,641	22,707,556	606,949	31,249,119	(10,079,482)	-	5,166,823	-	-	-
Special revenue funds	-	9,203,420	-	6,586,809	7,938,132	12,896,080	14,188,476	14,329,972	9,411,927	-
Unreserved, reported in:										
Special revenue funds	5,121,834	4,968,076	13,545,029	5,753,428	4,596,233	7,293,957	8,678,081	3,721,683	4,624,832	-
Capital project funds	-	-	-	-	-	(26,178,715)	5,649,541	1,727,367	(3,467,032)	-
Non spendable:										
Prepaid	-	-	-	-	-	-	-	-	-	902,142
Restricted for:										
General government	-	-	-	-	-	-	-	-	-	1,122,223
Debt service	-	-	-	-	-	-	-	-	-	6,265,763
Housing assistance	-	-	-	-	-	-	-	-	-	3,577,680
Public safety	-	-	-	-	-	-	-	-	-	1,305,371
Committed for:										
General government	-	-	-	-	-	-	-	-	-	303,531
Culture & recreation	-	-	-	-	-	-	-	-	-	1,429,229
Public works	-	-	-	-	-	-	-	-	-	4,240,615
Unassigned										
Capital project funds	-	-	-	-	-	-	-	-	-	(5,016,257)
Total all other governmental funds	<u>\$ 49,203,484</u>	<u>\$ 37,591,285</u>	<u>\$ 15,466,637</u>	<u>\$ 46,335,150</u>	<u>\$ 5,665,019</u>	<u>\$ (2,344,803)</u>	<u>\$ 38,968,533</u>	<u>\$ 25,919,184</u>	<u>\$ 16,621,174</u>	<u>\$ 14,130,297</u>

Note: The City implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

City of Garland
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 74,275,259	\$ 77,604,482	\$ 78,671,897	\$ 81,838,275	\$ 89,864,990	\$ 94,277,497	\$ 99,567,491	\$ 100,620,433	\$ 98,370,888	\$ 95,523,675
Franchise fees	7,876,575	7,781,687	7,146,208	7,268,396	7,883,149	8,028,128	8,372,409	7,935,599	8,352,056	8,255,818
Service charges	13,790,894	13,048,766	14,026,350	14,600,925	16,382,249	17,224,499	17,268,733	17,537,722	16,929,426	18,102,510
Licenses and permits	1,787,051	2,138,200	2,151,482	2,701,470	3,104,974	3,056,687	2,632,116	2,566,182	3,085,185	2,893,000
Investment earnings	4,745,090	2,035,328	1,343,658	1,875,021	3,883,271	5,061,009	3,486,049	1,739,575	501,419	384,119
Intergovernmental	14,787,976	17,115,642	16,797,896	17,835,272	19,092,728	20,938,438	19,709,837	16,786,683	19,995,862	20,304,725
Intragovernmental	5,618,359	5,835,277	6,065,514	5,790,632	5,803,231	6,068,356	6,727,768	7,324,102	7,430,975	7,871,534
Fines and forfeits	4,290,574	4,488,485	5,194,326	6,073,988	5,915,617	5,324,440	5,195,729	6,064,644	5,627,058	5,097,867
Rents and concessions	533,773	582,969	1,634,362	770,684	946,539	959,214	1,066,932	1,089,898	947,961	762,914
Assessments	134,341	104,538	122,600	56,039	43,908	54,207	37,546	32,609	49,455	34,223
Impact fees	1,946,127	878,040	589,283	558,677	1,043,145	1,215,941	728,946	140,278	252,767	289,553
Contributions	2,321,702	2,205,047	194,029	582,969	1,789,346	378,732	8,173	418,424	619,197	5,219,595
Program income	855,348	422,702	232,812	531,270	580,242	197,794	251,679	135,695	163,681	193,209
Special event income	927,277	399,826	488,207	434,879	79,439	1,623	-	-	-	174,578
Miscellaneous	1,828,377	1,568,925	2,448,424	2,314,668	2,727,545	1,737,656	1,174,425	1,998,868	1,124,216	2,248,086
Awards	116,161	347,055	197,821	93,334	498,287	445,701	347,993	374,145	665,163	467,831
Total Revenues	135,834,884	136,556,969	137,304,869	143,326,499	159,638,660	164,969,922	166,575,826	164,764,857	164,115,309	167,823,237
Expenditures										
General government	7,771,073	8,265,797	13,547,721	9,846,252	8,399,455	16,162,770	9,035,894	10,183,430	9,817,583	9,415,810
Public safety	52,504,755	56,389,366	59,878,602	62,364,342	67,979,184	71,923,692	75,115,520	75,268,367	74,890,153	77,463,425
Public works	6,584,672	6,912,917	7,306,230	7,080,641	8,087,824	9,765,312	9,659,895	8,931,181	8,709,794	19,151,977
Culture and recreation	10,644,306	11,084,087	11,306,781	11,072,061	11,487,982	12,401,080	13,209,936	12,550,200	12,641,150	13,245,845
Public health	2,061,934	2,201,729	2,429,705	2,136,542	2,275,483	2,721,376	2,965,945	2,893,506	3,189,738	3,174,073
Nondepartmental	12,959,772	11,702,099	13,949,955	12,826,489	14,498,714	16,258,263	17,075,180	16,941,189	17,315,649	18,695,922
Operations	26,875,871	22,841,120	26,923,692	26,842,657	26,199,922	25,113,864	29,652,263	28,925,801	28,602,430	17,392,687
Capital Outlay	37,694,712	46,481,607	41,594,043	43,223,875	55,132,525	31,349,700	28,377,230	16,664,598	18,721,222	19,475,793
Debt service										
Principal	14,606,500	13,350,239	10,622,833	12,018,720	12,973,186	14,015,396	15,317,098	16,637,994	17,476,637	16,165,582
Interest	8,004,673	7,798,522	7,795,875	8,385,551	12,418,459	12,282,296	11,353,053	12,767,629	10,879,254	10,215,634
Issue costs on issuance of debt	243,458	-	-	-	-	133,969	720,789	35,000	70,000	107,306
Tri City Academy	74,061	73,957	74,091	12,721	-	-	-	-	-	-
Other charges	343,646	454,223	515,609	519,353	146,905	120,590	162,728	475,849	617,619	758,265
Total expenditures	180,369,433	187,555,663	195,945,137	196,329,204	219,599,639	212,248,308	212,645,531	202,274,744	202,931,229	205,262,319
Excess of revenues over (under) expenditures	(44,534,549)	(50,998,694)	(58,640,268)	(53,002,705)	(59,960,979)	(47,278,386)	(46,069,705)	(37,509,887)	(38,815,920)	(37,439,082)
Other financing sources (uses)										
Sale of capital assets	-	-	-	-	-	417,045	2,204,592	363,244	112,389	25,747
Transfers in	29,280,489	29,407,407	31,726,983	28,899,080	32,423,803	38,353,344	40,925,950	40,823,290	49,485,628	47,439,233
Transfers out	(16,394,518)	(13,441,661)	(14,118,676)	(9,657,539)	(9,550,022)	(17,040,435)	(17,903,902)	(15,483,332)	(20,970,518)	(16,395,360)
Issuance of debt	21,792,772	18,580,000	12,058,728	65,895,000	4,115,000	13,825,000	59,830,000	350,000	2,220,000	2,545,000
Premium on issuance of debt	-	-	-	3,392,524	-	1,493,762	2,761,825	-	-	280,745
Refunding proceeds	-	-	-	28,305,000	-	39,200,000	26,940,000	-	-	4,655,000
Payment to bond refunding agent	(8,027,772)	-	-	(30,803,121)	-	(40,559,793)	(27,401,656)	-	-	(4,432,030)
Total other financing sources (uses)	26,650,971	34,545,746	29,667,035	86,030,944	26,988,781	35,688,923	87,356,809	26,053,202	30,847,499	34,118,335
Change in fund balance	(17,883,578)	(16,452,948)	(28,973,233)	33,028,239	(32,972,198)	(11,589,463)	41,287,104	(11,456,685)	(7,968,421)	(3,320,747)
Cumulative effect of change in accounting principle	-	5,498,067	-	-	-	-	-	-	-	-
Special item-apartment complex sale	-	-	4,099,431	-	-	-	-	-	-	-
Net change in fund balances	\$ (17,883,578)	\$ (10,954,881)	\$ (24,873,802)	\$ 33,028,239	\$ (32,972,198)	\$ (11,589,463)	\$ 41,287,104	\$ (11,456,685)	\$ (7,968,421)	\$ (3,320,747)
Debt service as a percentage of noncapital expenditures	15.85%	14.99%	11.93%	13.33%	15.44%	14.54%	14.47%	15.84%	15.39%	14.20%

City of Garland
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(unaudited)

Table 6

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2002	\$ 5,768,607,851	\$ 3,155,723,180	\$ 578,069,500	\$ 898,430,636	\$ 8,603,969,895	0.6411
2003	6,426,672,230	3,263,895,460	656,509,700	1,168,754,111	9,178,323,279	0.6411
2004	6,795,954,000	3,295,142,390	624,699,750	1,483,946,215	9,231,849,925	0.6411
2005	7,077,522,770	3,326,226,180	568,356,980	1,429,095,701	9,543,010,229	0.6411
2006	7,229,465,100	3,500,737,880	664,641,720	1,578,751,415	9,816,093,285	0.6661
2007	8,397,628,690	3,017,766,630	838,155,930	1,836,648,950	10,416,902,300	0.6786
2008	8,523,853,140	3,517,203,860	775,413,890	1,933,972,589	10,882,498,301	0.6886
2009	8,663,790,930	3,721,257,230	864,829,660	2,128,083,759	11,121,794,061	0.6996
2010	8,409,174,740	3,617,980,940	889,829,860	2,198,702,169	10,718,283,371	0.7046
2011	8,182,727,940	3,466,044,330	865,690,790	2,162,392,225	10,352,070,835	0.7046

Source: City of Garland, Texas - Tax Office

**City of Garland
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(unaudited)**

Table 7

Fiscal Year	City Direct Rates			Overlapping Rates*								
	General Fund	Debt Service Fund	Total Direct	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	Collin County	Collin County Community College District
2002	\$ 0.3740	\$ 0.2671	\$ 0.6411	\$ 1.4717	\$ 0.1960	\$ 0.2540	\$ 0.0600	\$ 1.5475	\$ 1.7993	\$ 1.5800	\$ -	\$ -
2003	0.3740	0.2671	0.6411	1.4586	0.1960	0.2540	0.0600	1.5875	1.8081	1.6200	-	-
2004	0.3740	0.2671	0.6411	1.5585	0.2039	0.2540	0.0778	1.6395	1.8200	1.6700	-	-
2005	0.3740	0.2671	0.6411	1.6214	0.2039	0.2540	0.0803	1.6694	1.8200	1.7600	-	-
2006	0.3890	0.2771	0.6661	1.6701	0.2139	0.2540	0.0816	1.6884	1.8200	1.7624	-	-
2007	0.3890	0.2896	0.6786	1.6701	0.2139	0.2540	0.0816	1.6884	1.6301	1.6680	-	-
2008	0.3890	0.2996	0.6886	1.2533	0.2281	0.2540	0.0804	1.5026	1.3401	1.3767	-	-
2009	0.3890	0.3106	0.6996	1.2533	0.2281	0.2540	0.0894	1.1834	1.3401	1.4000	-	-
2010	0.3890	0.3156	0.7046	1.2533	0.2281	0.2740	0.0949	1.2713	1.3401	1.4200	0.2425	0.0863
2011	0.3940	0.3106	0.7046	1.2533	0.2431	0.2710	0.0992	1.2378	1.3401	1.4200	0.2400	0.0863

Source: City of Garland, Texas - Tax Office

Note: The City's basic tax rate cannot exceed \$2.50 per \$100 assessed value.

* Overlapping rates are those of local and county governments that apply to property owners within the City of Garland. Not all overlapping rates apply to all City of Garland property owners; for example, although the county property tax rates apply to all city property owners, the Mesquite Independent School District rates apply only to property owners whose property is located within that districts' geographic boundaries.

**City of Garland
Principal Property Tax Payers
Current Year and Ten Years Ago
(unaudited)**

Table 8

<u>Taxpayer</u>	2011			2002		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>
Walmart/Sam's Club	\$ 104,150,300	1	1.00%	\$ 49,900,890	6	0.58%
Simon Property Group	99,254,710	2	0.95%	-	-	-
Atlas Copco Drilling Solutions	80,921,790	3	0.78%	-	-	-
Plastipak Packaging	66,999,904	4	0.64%	-	-	-
Westdale Property Group	56,281,510	5	0.54%	-	-	-
Verizon	54,653,540	6	0.52%	61,330,240	3	0.72%
Kraft Foods, Inc	41,920,007	7	0.40%	51,760,600	5	0.61%
Valspar Engineered Polymer	41,703,010	8	0.40%	47,558,993	7	0.56%
SST Truck Company LLC	41,476,091	9	0.40%	-	-	-
Sears, Roebuck and Co.	40,936,775	10	0.39%	127,777,540	1	1.49%
Eckerd Drugs, Inc.	-	-	-	74,907,020	2	0.88%
Raytheon/E-Systems	-	-	-	38,729,440	8	0.45%
Fleming Foods of Texas	-	-	-	60,984,620	4	0.71%
Ingersoll Rand	-	-	-	34,254,750	9	0.40%
Tom Thumb/Randalls Foods	-	-	-	29,306,850	10	0.34%
	<u>\$ 628,297,637</u>		<u>6.02%</u>	<u>\$ 576,510,943</u>		<u>6.74%</u>

Source: City of Garland, Texas - Tax Office

City of Garland
Property Tax Levies and Collections
Last Ten Fiscal Years
(unaudited)

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collections within Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 55,160,051	\$ 54,785,537	99.32%	\$ 349,372	\$ 55,134,909	99.95%
2003	58,730,715	57,863,914	98.52%	821,861	58,685,774	99.92%
2004	59,188,532	58,234,780	98.39%	913,332	59,148,112	99.93%
2005	61,180,242	60,323,475	98.60%	810,490	61,133,965	99.92%
2006	65,446,028	64,291,109	98.24%	1,080,909	65,372,019	99.89%
2007	69,481,794	68,346,908	98.37%	1,030,156	69,377,064	99.85%
2008	74,759,668	73,764,627	98.67%	788,559	74,553,186	99.72%
2009	77,977,700	76,842,208	98.54%	765,386	77,607,594	99.53%
2010	75,678,090	74,800,032	98.84%	468,687	75,268,719	99.46%
2011	73,103,186	72,238,056	98.82%	-	72,238,056	98.82%

Source: City of Garland, Texas - Tax Office and Office of Finance

City of Garland
Ratios of Outstanding Debt by Year
Last Ten Fiscal Years
(unaudited)

Table 10

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Tax Anticipation Note	Revenue Bonds	General Obligation Bonds	Certificates of Obligation			
2002	\$ 113,338,192	\$ 47,111,953	\$ 2,800,000	\$ 7,890,000	\$ 19,651,808	\$ 143,083,047	\$ 333,875,000	8.34%	\$ 1,511
2003	102,993,844	62,156,303	5,490,000	27,490,000	17,916,154	137,208,697	353,254,998	8.75%	1,587
2004	98,738,384	82,005,151	4,000,000	118,135,000	15,346,616	122,004,505	440,229,656	10.80%	1,980
2005	148,032,971	86,936,889	3,640,000	154,895,000	55,582,029	72,188,318	521,275,207	12.66%	2,352
2006	140,958,212	88,835,115	5,373,000	191,935,000	53,411,788	67,864,920	548,378,035	12.71%	2,465
2007	152,557,291	76,814,236	4,240,000	235,485,000	75,067,709	38,550,764	582,715,000	10.87%	2,590
2008	205,520,000	80,360,204	3,185,000	277,435,000	84,685,000	22,789,796	673,975,000	12.51%	2,980
2009	194,650,000	95,934,063	5,530,000	296,575,000	82,285,000	17,920,937	692,895,000	10.66%	3,068
2010	183,442,550	89,971,568	5,050,000	304,765,000	79,785,000	140,758,432	803,772,550	12.31%	3,542
2011	173,692,475	83,830,000	5,440,000	316,815,000	81,170,000	131,930,000	792,877,475	12.10%	3,482

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Demographic and Economic Statistics on page 122 for personal income and population data.

City of Garland
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(unaudited)

Fiscal Year	General Obligation Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	Per Capita**
2002	\$ 325,985,000	\$ 4,547,009	\$ 321,437,991	3.74%	1,455
2003	325,764,998	712,233	325,052,765	3.54%	1,460
2004	322,094,656	1,314,659	320,779,997	3.47%	1,443
2005	366,380,207	2,745,794	363,634,413	3.81%	1,641
2006	356,443,035	3,210,136	353,232,899	3.60%	1,588
2007	347,230,000	3,643,875	343,586,125	3.30%	1,527
2008	396,540,000	5,285,612	391,254,388	3.60%	1,730
2009	396,320,000	6,140,162	390,179,838	3.51%	1,727
2010	499,007,550	6,051,447	492,956,103	4.60%	2,172
2011	476,062,475	6,265,763	469,796,712	4.54%	2,063

This report reflects changes made to the General Obligaion Debt column to properly report the total amount of general obligation debt outstanding each year.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 113 for property value data.

** Population data can be found in the Schedule of Demographic and Economic Statistics on page 122.

City of Garland
Estimated Direct and Overlapping Governmental Activities Debt
As of September 30, 2011
(unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Garland Independent School District	\$ 377,478,834	70.31%	\$ 265,405,368
Collin County	383,675,000	0.03%	115,103
Collin County Community College District	45,690,000	0.03%	13,707
Dallas County	121,176,552	6.05%	7,331,181
Dallas County Community College District	416,040,000	6.05%	25,170,420
Dallas County Hospital District	705,000,000	6.05%	42,652,500
Dallas Independent School District	2,728,110,000	0.19%	5,183,409
Richardson Independent School District	411,424,988	3.30%	13,577,025
Plano Independent School District	1,034,322,382	0.07%	724,026
Mesquite Independent School District	452,599,370	1.82%	<u>8,237,309</u>
Subtotal, overlapping debt			368,410,047
City direct debt			<u>476,062,475</u>
Total estimated direct and overlapping debt			<u><u>\$ 844,472,522</u></u>

Sources: This statement was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Garland. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City's boundaries and dividing it by the government's total taxable assessed value.

City of Garland
Legal Debt Margin Information
September 30, 2011
(unaudited)

Table 13

As a home rule city, the City of Garland is not limited by the law in the amount of debt it may issue. The City's charter (section 9.1) states:

The Council shall have 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 of over five thousand (5,000) population, and which said tax shall embrace all taxes for municipal purposes.

The City tax rate limitation is \$2.50 per \$100 assessed value. The tax rate for FY11 is \$.7046 per \$100.00 assessed value.

**City of Garland
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)**

Table 14

Fiscal Year	Electric Revenue Bonds						Water & Sewer Revenue Bonds					
	Charges for Services	Less: Operating Expenses	Net Available Revenue	Average Annual Debt Service		Coverage	Charges for Services	Less: Operating Expenses	Net Available Revenue	Average Annual Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2002	\$ 173,936,639	\$ 152,013,544	\$ 21,923,095	\$ 815,765	\$ 52,773	25.24	\$ 44,057,121	\$ 28,228,146	\$ 15,828,975	\$ 5,449,227	\$ 516,288	2.65
2003	186,618,401	176,481,523	10,136,878	436,726	10,206	22.68	47,210,067	30,787,260	16,422,807	7,453,274	249,099	2.13
2004	205,509,317	193,344,158	12,165,159	1,565,238	857,676	5.02	47,531,877	34,060,885	13,470,992	4,081,190	2,069,573	2.19
2005	228,947,259	207,006,704	21,940,555	2,465,952	1,343,233	5.76	55,278,540	34,521,360	20,757,180	5,039,524	2,587,796	2.72
2006	278,495,241	207,677,043	70,818,198	3,610,238	1,937,279	12.77	70,938,017	36,061,645	34,876,372	5,728,810	2,747,140	4.11
2007	244,179,434	195,648,649	48,530,785	4,523,333	2,411,386	7.00	61,219,697	38,218,281	23,001,416	7,003,095	3,362,221	2.22
2008	278,688,019	238,988,738	39,699,281	4,756,190	2,240,833	5.67	67,608,735	40,565,444	27,043,291	8,877,750	4,052,695	2.09
2009	234,046,619	167,009,741	67,036,878	5,385,500	2,351,999	8.66	73,238,821	43,211,675	30,027,146	9,443,250	4,067,502	2.22
2010	232,689,990	169,922,518	62,767,472	5,399,211	2,207,117	8.25	81,075,657	46,002,329	35,073,328	10,109,000	4,243,081	2.44
2011	223,439,359	138,663,012	84,776,347	5,212,750	2,082,419	11.62	92,330,704	49,155,966	43,174,738	10,628,000	4,374,209	2.88

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Charges for services includes investment earnings from current operations. Operating expenses do not include interest or depreciation.

**City of Garland
Demographic and Economic Statistics
Last Ten Fiscal Years
(unaudited)**

Table 15

Fiscal Year	Population	Personal Income (amt expressed in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2002	220,946	\$ 4,418,920	\$ 20,000	31.7	12.9	53,612	5.9%
2003	222,651	4,453,020	20,000	31.7	12.9	54,868	5.3%
2004	222,350	4,447,000	20,000	31.7	12.9	56,568	5.0%
2005	221,588	5,280,220	23,829	32.0	12.9	57,265	5.4%
2006	222,432	5,300,332	23,829	32.0	12.9	56,593	4.7%
2007	224,988	5,361,239	23,829	32.7	12.9	56,579	4.2%
2008	226,144	5,388,785	23,829	32.7	12.9	56,579	5.8%
2009	225,865	6,497,458	28,767	32.7	12.9	56,579	8.3%
2010	226,915	6,527,664	28,767	34.6	12.9	57,405	8.6%
2011	227,726	6,550,994	28,767	33.2	12.9	57,833	7.8%

Sources: City of Garland, Texas - Planning Department, U. S. Census, Garland Independent School District, Garland Chamber of Commerce, and Texas Employment Commission

**City of Garland
Principal Employers
Current Year and Ten Years Ago
(unaudited)**

Table 16

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Raytheon E-Systems	3,500	1	3.47%	2,750	1	2.95%
Walmart Super Centers	1,250	2	1.24%	1,500	2	1.61%
International/SST Truck	800	3	0.79%	-	-	-
Kingsley Tools (Danaher)	550	4	0.54%	-	-	-
US Food Service	500	5	0.50%	-	-	-
Atlas Copco	420	6	0.42%	-	-	-
Hatco (Risistol)	386	7	0.38%	-	-	-
Home Depot	339	8	0.34%	-	-	-
General Dynamics	325	9	0.32%	-	-	-
L-3 Communications EOS	300	10	0.30%	-	-	-
Sears Industrial Park	-	-	-	1,250	3	1.34%
Baylor Medical Center	-	-	-	1,205	4	1.29%
Software Spectrum	-	-	-	1,200	5	1.29%
Kraft Foods	-	-	-	450	6	0.48%
KARLEE, Inc	-	-	-	443	7	0.47%
Garland Community Hospital	-	-	-	405	8	0.43%
Northrup Grumman	-	-	-	400	9	0.43%
Varo, LLC	-	-	-	400	10	0.43%
	<u>8,370</u>		<u>8.29%</u>	<u>10,003</u>		<u>10.73%</u>

Sources: City of Garland, Texas - Tax Office & Garland Chamber of Commerce

City of Garland
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years
(unaudited)

Table 17

	Full-time Equivalent Employees as of December 31									
Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	294	301	307	292	291	290	297	284	282	350
Police										
Sworn (civil service)	290	301	314	314	326	327	328	324	323	323
Non-Sworn (non-civil service)	133	133	133	133	133	138	135	134	133	133
Fire										
Sworn (civil service)	230	238	246	246	254	255	255	251	249	249
Non-Sworn (non-civil service)	10	11	11	9	9	7	7	7	7	7
Culture and Recreation	167	168	168	162	162	162	162	152	151	157
Internal Services	244	247	252	246	197	201	255	252	251	254
Electric	204	228	237	236	236	247	256	252	252	238
Water	54	54	54	54	54	57	61	61	62	62
Sewer	103	103	102	102	102	102	101	100	99	99
Solid Waste	89	89	89	88	88	88	88	88	88	90
Stormwater Management	25	25	25	25	25	25	25	25	25	25
Golf	36	36	36	36	36	36	29	28	28	28
Special Revenue	129	127	128	117	162	169	117	113	115	44
Total FTE Employees	2,008	2,061	2,102	2,060	2,075	2,104	2,116	2,071	2,065	2,059

Source: City of Garland Budget Office

**City of Garland
Operating Indicators by Function
Last Ten Fiscal Years
(unaudited)**

Table 18

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Physical arrests	12,719	14,737	15,418	15,933	16,166	15,440	14,019	13,902	11,803	11,431
Citations issued	64,143	65,525	50,482	59,461	61,143	60,226	60,298	56,982	53,666	53,613
Fire										
Number of calls answered	18,933	18,413	18,082	19,442	20,024	19,085	20,464	19,770	20,047	20,670
Business Inspections	5,196	6,343	7,489	6,774	7,785	7,964	5,354	5,575	5,188	4,116
Highways and streets										
Street resurfacing (miles)	31	21	18	26	20	14	19	17	14	15
Service maintenance requests	1,560	1,509	1,717	1,923	1,396	1,607	1,538	1,463	1,794	1,550
Parks and recreation										
Performing arts center attendance	101,040	125,700	161,681	170,939	152,508	180,000	170,000	158,103	153,450	150,496
Recreation center attendance	773,719	708,165	773,498	820,497	856,663	820,000	813,000	970,966	722,462	1,004,064
Library										
Volumes, items, or physical units	446,775	496,804	506,522	521,952	491,220	460,774	433,938	436,783	409,378	377,736
Number of Library circulation transactions	1,179,398	1,179,398	1,208,774	1,190,882	1,178,165	1,383,490	1,438,442	1,736,304	1,857,317	1,783,536
Electric										
Number of accounts	66,456	67,175	67,968	67,761	68,048	68,671	67,899	67,956	68,001	68,034
Average daily usage (KWH)	5,340,425	5,543,664	5,431,222	5,532,836	5,712,121	5,413,698	5,640,434	5,381,022	5,614,012	5,707,569
Water										
New connections	726	711	505	223	337	467	519	188	9	20
Water main breaks	228	236	213	401	507	398	247	303	393	479
Average daily consumption (thousands of gallons)	28,599	30,951	30,042	29,966	33,882	25,792	28,537	32,716	32,041	34,812
Wastewater										
Average daily sewage treatment (millions of gallons)	37	36	38	33	31	36	34	35	41	34

Sources: Various City departments

**City of Garland
Capital Asset Statistics by Function
Last Ten Fiscal Years
(unaudited)**

Table 19

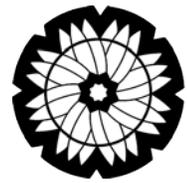
Function	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	N/A	N/A	N/A	N/A	65	66	78	78	81	81
Fire Stations	8	8	9	10	10	11	11	11	11	11
Highways and streets										
Streets (miles)	662.91	671.60	671.60	687.60	687.60	690.77	690.77	690.77	697.05	697.00
Streetlights	11,228	11,228	11,228	11,228	11,228	11,228	11,376	15,107	13,662	14,068
Traffic signals	166	170	171	181	182	182	181	181	182	185
Parks and recreation										
Parks acreage	2,698	2,698	2,865	2,865	2,865	2,428	2,428	2,428	2,880	2,880
Parks	68	68	68	68	68	68	68	68	63	63
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	35	35	35	35	35	35	35	35	35	35
Recreation centers	6	6	6	6	6	6	6	6	6	6
Electric										
Substations	19	19	20	22	22	22	23	23	23	23
Miles of service lines	799	897	1,946	2,007	2,140	2,142	2,140	2,140	1,012	1,073
Maximum daily capacity (MWH)	497	598.8	598.8	576.8	576.8	576.8	576.8	574.1	408.0	408.0
Water										
Water mains (miles)	1,076	1,081	1,083	1,085	1,085	1,097	1,107	1,111	1,111	1,113
Fire Hydrants	6,963	7,042	7,062	7,095	7,160	7,270	7,391	7,442	7,456	8,244
Maximum daily capacity (millions of gallons)	230	230	230	230	230	230	230	227	221	221
Sewer										
Sanitary sewers (miles)	977	981	982	983	990	995	999	1,000	1,001	1,001
Maximum daily treatment capacity (millions of gallons)	54	54	54	54	64	64	64	64	64	64

Sources: Various City departments

Texas Municipal Power Agency
Condensed Financial Information
As of September 30, 2011
(reported in thousands)

	Amount in (000's)
Total assets	\$ <u>1,189,165</u>
Total liabilities	1,137,686
Total net assets	<u>51,479</u>
Total liabilities and net assets	\$ <u>1,189,165</u>
Total operating revenues	\$ 180,586
Total operating expenses	<u>159,862</u>
Income from operations	20,724
Total other income(expenses)	3,291
Total interest charges	(45,697)
Deferred revenue	34,949
Deferred cost	(7,510)
Refunds to member Cities	<u>(11,921)</u>
Change in net assets	(6,164)
Net assets - beginning balance	57,643
Net assets - ending balance	\$ <u>51,479</u>

Source: TMPA Comprehensive Annual Financial Report



GARLAND
TEXAS MADE HERE